

# GOVERNANCE

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## LOS PELAMBRES

Tailings thickeners.





# HIGH GOVERNANCE STANDARDS

## JEAN-PAUL LUKSIC, CHAIRMAN

GOOD CORPORATE GOVERNANCE IS ABOUT ESTABLISHING AND MAINTAINING EFFECTIVE MANAGEMENT STRUCTURES SO THAT WE CAN SHAPE AND PURSUE THE GROUP'S STRATEGY TAKING INTO ACCOUNT THE INTERESTS OF ALL STAKEHOLDERS.



### Q What does good corporate governance mean for the Company?

Expanding on my statement above, our aim is to have clearly defined roles and responsibilities, to promote and maintain a culture that encourages innovation and constructive challenge, to recruit and motivate the best talent available, to commit to regular, candid and objective review processes and to involve shareholders and other stakeholders in our deliberations.

In my letter of introduction to the 2015 Corporate Governance Report, I explained that one of my responsibilities as Chairman is to promote good corporate governance and as a Board, we continue to believe that good corporate governance is fundamental to the Company's success.

This Corporate Governance Report sets out the framework that we have worked hard to put in place and that we believe is best suited to the Group's businesses and strategy.

### Q What have been the main changes in 2016?

We made a number of changes during the year.

At the executive level, Iván Arriagada succeeded Diego Hernández as CEO now that Diego has completed his task of management restructuring.

At Board level:

- Francisca Castro joined the Board on 1 November 2016, following the retirement of Hugo Dryland.
- Ollie Oliveira succeeded William Hayes as Senior Independent Director and Audit and Risk Committee Chairman.
- A number of changes were made to the Board Committees with effect from 1 January 2017, including the appointment of Vivianne Blanlot as Sustainability and Stakeholder Management Committee Chairman.

We also conducted our second externally-facilitated Board and Board Committee effectiveness review during the year. This exercise has supported our view that significant improvements have been made in recent years. Further details are set out on pages 82 to 83.

### Q How do the Board and management of the Company differ from other UK listed companies?

As noted in my introductory letter at the beginning of this Annual Report, Chile holds 30% of global copper reserves, and the Group's operations, corporate headquarters and all of our senior management are based in Chile. Understanding the country and, in particular, mining in Chile, is essential for our Board.

The Board comprises a strong mix of Chilean and international Directors with mining experience in Chile, and during 2016 all Directors made a concerted effort to visit the Group's operations.

At the management level, the Group competes for talent with international and local businesses in Chile. This means that our approach to remuneration needs to take into account local market conditions and locally available remuneration structures.

The Group CEO is not a director. This is consistent with practice in Chile where local law prohibits CEOs of public companies from being directors of those companies. Nevertheless, we voluntarily disclose his remuneration as if he were a member of the Board. Further details are set out in the 2016 Remuneration Report on pages 100 to 111.

Members of my family are also on the Board and on the Executive Committee. I am Non-Executive Chairman of the Company, my brother Andrónico Luksic C is a Non-Executive Director and my nephew Andrónico Luksic L is Vice President of Development.

Members of the Luksic family are interested in the E. Abaroa Foundation, which is a controlling shareholder of the Company under the Listing Rules. Further details of the Company's substantial shareholders are set out on page 70.

### Q How does the absence of an executive as a director affect the interaction between Non-Executive Directors and management?

In practice, the interaction between the Board and executive management is as you would expect between Non-Executive Directors and management in a typical UK-listed company.

Our Group CEO and Group CFO are invited to attend all Board meetings, our Group CEO is also invited to attend all Committee meetings and there is regular formal and informal dialogue between management and the Board.

The Board considers that there are considerable benefits associated with having a Board comprising exclusively Non-Executive Directors. Not only does it provide a broad range of perspectives, but also encourages robust debate with the Group's executive management.

We remain satisfied that the current structure ensures rigorous and effective oversight of the management team and do not currently expect it to change.

### Q How would you describe the Group's culture?

As a Board, we actively promote the values that have been developed and set by our employees. These values reflect our industry, the nature of our Company and Chilean culture. They include taking responsibility for safety

and health, respecting one another and being innovative in our approach and processes.

It is the Board's responsibility to ensure that our values continue to be relevant and aligned with the expectations of our stakeholders. During 2017, our human resources team, under the supervision of the Remuneration and Talent Management Committee, will engage further with our employees and other relevant stakeholders to ensure that our current values continue to be embedded across the business and that expected behaviours are consistent with those values. Further details are set out on page 74.

### Q Are you satisfied with the current Board composition?

Yes. We have a diverse Board comprising Directors with a broad and complementary spectrum of skills, personalities and competencies.

As at the date of this report the Board has 11 Directors, comprising a Non-Executive Chairman and ten Non-Executive Directors, five of whom are independent.

The Directors' biographies provide details of their Committee memberships as well as other principal directorships and external roles, and demonstrate a detailed knowledge of the mining industry, significant international business experience and a diversity of core

skills and experience, as well as gender. All of the Directors have confirmed that their other commitments do not prevent them from devoting sufficient time to their roles. Further details are set out on pages 72 to 74.

### Q What drives the Board's approach to succession planning?

With support from the Nomination and Governance Committee, the Board bases succession plans on the need to maintain a broad and complementary spectrum of skills, personalities and competencies on the Board.

To assist in this, the Board adopted the skills matrix set out on page 73 during 2016. This was used to assist with the recruitment process that led to the appointment of Francisca Castro and also to update the succession plans for key Board and Committee roles.

### Q Will there be any further changes to the Board and its Committees in 2017?

We do not expect there to be any major changes in 2017.

As always, I welcome questions or comments from shareholders at the Annual General Meeting.

**JEAN-PAUL LUKSIC**  
CHAIRMAN

## CORPORATE VALUES



**RESPECT**



**INNOVATION**



**SAFETY AND HEALTH**



**EXCELLENCE**



**SUSTAINABILITY**



**FORWARD THINKING**

## UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

The UK Corporate Governance Code issued by the Financial Reporting Council in September 2014 (available on the Financial Reporting Council website at [www.frc.org.uk](http://www.frc.org.uk)) sets out the governance principles and provisions that applied to the Company during the 2016 financial year.

The Company complied with all of the detailed provisions of the Code in 2016.



## LEADERSHIP

### SENIOR INDEPENDENT DIRECTOR'S Q&A



#### Q How do you see your role as Senior Independent Director?

It is my responsibility to support the Chairman on a number of levels. A major part is to ensure that he has a direct channel of communication to understand the issues that are especially important to the Board's independent Non-Executive Directors and to the Company's shareholders.

I am based in the UK which allows me to keep in touch with shareholders, directors at other UK-listed companies and advisers, to ensure that the Chairman, the Board and the Group as a whole receive independent and objective feedback and challenge.

#### Q Are there any additional responsibilities attaching to this role given the Company has a controlling shareholder?

The Company has had a controlling shareholder for 36 years. Although the controlling shareholder's track record has been excellent and speaks for itself, the Company's obligations towards all its shareholders are always given the highest level of importance. It is part of my role to ensure that this continues to be the case and to give all shareholders a route by which they can make their opinions known.

In addition to the regulatory requirement for related party transactions outside the ordinary course of business to be subject to independent assessment and approval, the Company has for many years presented any such proposed related party transaction (regardless of its size) between the Company and the controlling shareholder

or its associates to a committee of Directors who are independent from the controlling shareholder for approval.

In addition, as a Board, we are satisfied that the balance of the Board, in terms of background and independence, limits the scope for an individual or small group of individuals to dominate the Board's decision-making.

#### Q What steps were taken by the Board to provide for an orderly succession to the role of Senior Independent Director?

I have been a Director of the Company since 2011. Since then, I have had a number of opportunities to gather perspectives on the Group from independent Directors and shareholders and other stakeholders.

Before my appointment as Senior Independent Director, I was approached by former Senior Independent Director, William Hayes, and the Chairman to discuss the responsibilities and expectations of the role. Together, we decided that the transition should commence with a number of meetings with shareholders and proxy voting advisers to gauge their views on the change and also on management and the Board. These meetings also enabled us to continue to foster the channels of communication and relationships established by Mr Hayes during his tenure as Senior Independent Director.

#### OLLIE OLIVEIRA SENIOR INDEPENDENT DIRECTOR

## OLLIE OLIVEIRA, SENIOR INDEPENDENT DIRECTOR

# THE COMPANY'S OBLIGATIONS TOWARDS SHAREHOLDERS ARE ALWAYS GIVEN THE HIGHEST LEVELS OF IMPORTANCE

## SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2016 and 13 March 2017, the following significant holdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure and Transparency Rule 5:

SHAREHOLDER	ORDINARY SHARE CAPITAL %	PREFERENCE SHARE CAPITAL %	TOTAL SHARE CAPITAL %
1 Metalinvest Establishment	50.72	94.12	58.04
2 Kupferberg Establishment	9.94	-	8.27
3 Aureberg Establishment	4.26	-	3.54

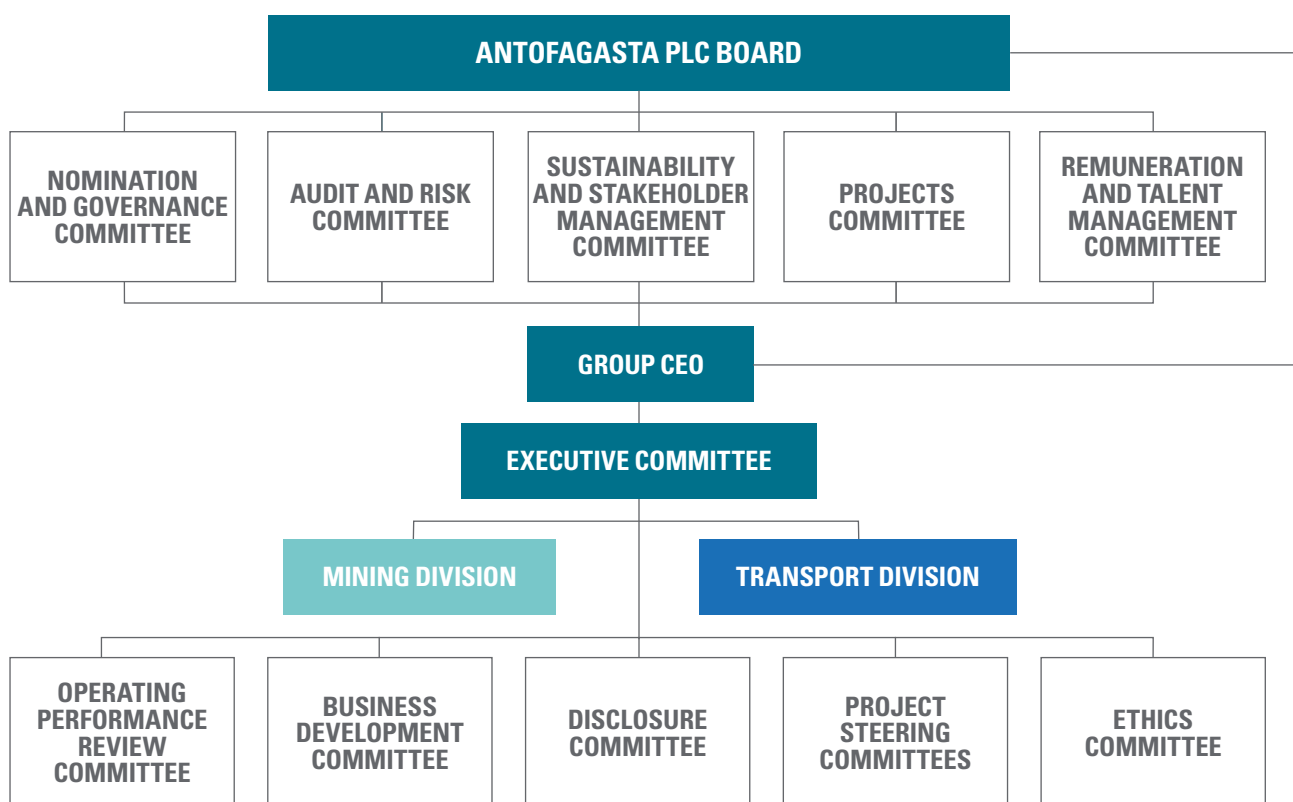
Metalinvest Establishment and Kupferberg Establishment are both controlled by the E. Abaroa Foundation ("Abaroa"), in which members of the Luksic family are interested. As explained in Note 37 to the Financial Statements, Metalinvest Establishment is the immediate Parent Company of the Group and the E. Abaroa Foundation is the ultimate Parent Company. Aureberg Establishment is controlled by the Severe Studere Foundation that, in turn, is controlled by Jean-Paul Luksic, the Chairman of the Company.

## RELATIONSHIP AGREEMENT

Abaroa is a controlling shareholder of the Company under the Listing Rules and certain other shareholders of the Company (including Aureberg Establishment) are also treated as controlling shareholders.

In 2014 the Company entered into relationship agreements in respect of each controlling shareholder, which contain the mandatory independence provisions required by the Listing Rules. The Company has complied and, so far as the Directors are aware, each controlling shareholder and its associates has complied, with the mandatory independence provisions at all times during 2016. So far as the Directors are aware, Abaroa has procured that each of Metalinvest Establishment and Kupferberg Establishment have also complied with these provisions.

## HOW WE ARE GOVERNED



### ANTOFAGASTA PLC BOARD

The Board is collectively responsible for the long-term success of the Group. It is responsible for its leadership and strategic direction, for the oversight of the Group's performance, risk and internal control systems and for ensuring that the Company acts in the best interests of all shareholders and has regard for the interests of stakeholders.

#### KEY RESPONSIBILITIES

- Strategy
- Governance
- Internal controls and risk management
- Approving material transactions
- Financial and performance reporting
- Shareholder engagement

**+** Matters which need to be decided by the Board are set out in the Schedule of Matters Reserved for the Board, which is available on the Company's website at [www.antofagasta.co.uk](http://www.antofagasta.co.uk)

### BOARD COMMITTEES

The Board is assisted in the fulfilment of its responsibilities by five Board Committees. The Board has delegated authority to the Committees to perform certain activities as set out in their terms of reference.

The Chairman of each Committee reports to the Board following each Committee meeting, allowing the Board to understand and discuss matters considered in detail by the Committees and to consider their recommendations.

In 2016, the terms of reference for each Committee were reviewed, and where necessary, amended. They are available on the Company's website at [www.antofagasta.co.uk](http://www.antofagasta.co.uk).

#### KEY RESPONSIBILITIES

The key responsibilities of each Committee are set out on page 84.

**+** A summary of the activities of each of the committees during the year is set out on pages 85 to 98.

### GROUP CEO AND EXECUTIVE COMMITTEE

The Board has delegated responsibility for implementing the Group's strategy to the Company's CEO, Iván Arriagada.

Mr Arriagada is not a Director of the Company but is invited to attend all Board and Committee meetings and is supported by the members of the Executive Committee who each have executive responsibility for their functions. Mr Arriagada chairs the Executive Committee.

The Executive Committee reviews significant matters and approves capital expenditure within designated authority levels.

The Executive Committee leads the annual budgeting and planning processes, monitors the performance of the Group's operations and investments, and promotes the sharing of best practices and policies across the Group.

**+** Executive Committee biographies are set out on pages 76 and 77.

### SUBCOMMITTEES OF THE EXECUTIVE COMMITTEE

The Executive Committee is assisted in the performance of its responsibilities by the Operating Performance Review Committee, the Business Development Committee, the Disclosure Committee and, from time to time, Project Steering Committees.

Members of the Executive Committee also sit on the boards of the Group's operating companies and report to the Board, Mr Arriagada and the Executive Committee on the activities of those companies.

The Disclosure Committee was formally established following the introduction of the EU Market Abuse Regulation and is responsible for identifying and managing the disclosure of information to investors.

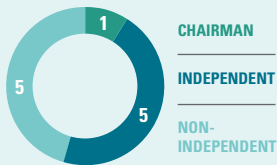
The Ethics Committee is responsible for implementing, developing and updating the Group's Code of Ethics and monitoring compliance.

**+** Executive Committee members' roles are set out on pages 76 and 77.

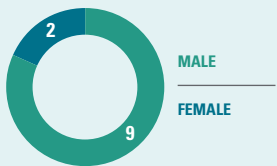
# STRINGENT OVERSIGHT

## BOARD BALANCE

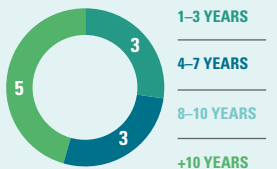
### INDEPENDENCE



### GENDER DIVERSITY



### TENURE



### NATIONALITY



In addition, "A Report into the Ethnic Diversity of UK Boards" (Sir John Parker, The Parker Review Committee, 2 November 2016), identified seven Directors as being from an ethnic minority background (which includes individuals with South American heritage).



From left to right: Jorge Bande, Juan Claro, Gonzalo Menéndez, Francisca Castro, Jean-Paul Luksic, Vivianne Blanlot, Ollie Oliveira, Tim Baker, William Hayes, Andrónico Luksic C, Ramón Jara.

### JEAN-PAUL LUKSIC

Chairman, 52



*Independent: No*

*Appointed to the Board 1990  
Appointed Chairman 2004\**  
Over 25 years' experience with Antofagasta, including responsibility for overseeing development of the Los Pelambres and El Tesoro (Centinela Cathodes) mines.

\* Non-Executive since 2014.

### PREVIOUS ROLES

- CEO of the Group's mining division

### CURRENT POSITIONS

- Chairman of the Consejo Minero, the industry body representing the largest mining companies in Chile
- Non-Executive Director of Quiñenco S.A. and other listed companies in the Quiñenco group, including Banco de Chile and Sociedad Matriz SAAM S.A.



### OLLIE OLIVEIRA

Senior Independent Director, 65



*Independent: Yes*

*Appointed to the Board 2011  
Appointed Senior Independent Director 2016*  
Chartered accountant, management accountant and economist with over 35 years of strategic and operating experience in the mining industry and corporate finance.

### PREVIOUS ROLES

- Senior executive positions within the Anglo American group, including Executive Director Corporate Finance and Head of Strategy and Business Development of De Beers S.A.



### GONZALO MENÉNDEZ

Non-Executive Director, 68

*Independent: No*

*Appointed to the Board 1985*  
Commercial engineer and economist with extensive experience in commercial and financial businesses across South America.

### CURRENT POSITIONS

- Chairman of the Board of Directors of Banco Latinoamericano de Comercio Exterior S.A. (Bladex)
- Director of Quiñenco S.A. and other listed companies in the Quiñenco group, including Banco de Chile



### COMMITTEES

- AR Audit and Risk
- PC Projects
- RT Remuneration and Talent Management
- NG Nomination and Governance
- ST Sustainability and Stakeholder Management
- Chairman

## BOARD SKILLS MATRIX

DIRECTOR	INDEPENDENCE	CEO EXPERIENCE	MINING EXPERIENCE	MINING OPERATIONS EXPERIENCE	BOARD GOVERNANCE	FINANCIAL	LEGAL	EXECUTIVE COMPENSATION	LATIN AMERICAN EXPERIENCE	UK MARKET	PROJECT MANAGEMENT	SUSTAINABILITY	ENERGY	GOVERNMENT RELATIONS	COMMUNICATION
Jean-Paul Luksic		✓	✓		✓	✓		✓	✓	✓	✓			✓	✓
Ollie Oliveira	✓	✓	✓		✓	✓		✓	✓	✓	✓			✓	✓
Gonzalo Menéndez		✓	✓		✓	✓		✓	✓					✓	✓
Ramón Jara			✓		✓	✓	✓		✓			✓	✓	✓	✓
Juan Claro		✓			✓			✓	✓			✓	✓	✓	✓
William Hayes	*	✓	✓		✓	✓		✓	✓		✓			✓	✓
Tim Baker	✓		✓	✓	✓			✓	✓		✓	✓			
Andrónico Luksic C		✓			✓	✓		✓	✓					✓	✓
Vivianne Blanlot	✓				✓				✓			✓	✓	✓	✓
Jorge Bande	✓	✓	✓		✓	✓		✓	✓		✓		✓	✓	✓
Francisca Castro	✓		✓		✓	✓			✓		✓		✓	✓	

\* The Board reviews the independence of all Directors annually. On 24 January 2017, the Board determined that Mr Hayes should be re-designated as a non-independent Director on the basis that, as at the date of the 2017 Annual General Meeting, Mr. Hayes will have served on the Board for ten years following the date of his first election by shareholders. In reaching this decision, the Board noted that apart from length of service, none of the other indications of non-independence set out in Provision B.1.1. of the UK Corporate Governance Code apply to Mr. Hayes.

### RAMÓN JARA

Non-Executive Director, 63

PC

*Independent: No*

*Appointed to the Board 2003*  
Lawyer with considerable legal and commercial experience in Chile.

#### CURRENT POSITIONS

- Chairman of the Fundación Minera Los Pelambres (charitable foundation)
- Director of the Fundación Andrónico Luksic A (charitable foundation)

9/9 Meeting attendance

### JUAN CLARO

Non-Executive Director, 66

ST

*Independent: No*

*Appointed to the Board 2005*  
Extensive industrial experience in Chile, including an active role representing Chilean industrial interests nationally and internationally.

#### PREVIOUS ROLES

- Chairman of the Sociedad de Fomento Fabril (Chilean Society of Industrialists)
- Chairman of the Confederación de la Producción y del Comercio (Confederation of Chilean Business)
- Chairman of the Consejo Binacional de Negocios Chile-China (Council for Bilateral Business Chile-China)

#### CURRENT POSITIONS

- Chairman of Coca-Cola Andina S.A. and Energía Coyanco S.A.
- Director of several other companies in Chile, including Empresas Cementos Melon and Agrosuper
- Member of the governing board of Centro de Estudios Públicos, a Chilean not-for-profit foundation

9/9 Meeting attendance

### WILLIAM HAYES

Non-Executive Director, 72

ST

*Independent: No\**

*Appointed to the Board 2006*  
Extensive financial and operating experience in the copper and gold mining industries, in Chile, Latin America, North America and South Africa.

#### PREVIOUS ROLES

- Senior executive with Placer Dome Inc.
- Chairman of the Consejo Minero, the industry body representing the largest mining companies operating in Chile
- Chairman of the Gold Institute in Washington DC

#### CURRENT POSITIONS

- Chairman of Royal Gold Inc

9/9 Meeting attendance

### TIM BAKER

Non-Executive Director, 64

RT NG PC

*Independent: Yes*

*Appointed to the Board 2011*  
Geologist with significant mining operations experience across North and South America and Africa, which has included managing mines in Chile, the United States, Tanzania and Venezuela and geological and operating roles in Kenya and Liberia.

#### PREVIOUS ROLES

- Vice President and Chief Operating Officer at Kinross Gold Corporation
- General Manager of Placer Dome Chile

#### CURRENT POSITIONS

- Chairman of Golden Star Resources
- Director of Sherritt International Corporation
- Director of Rye Patch Gold Corporation

9/9 Meeting attendance

## LEADERSHIP

### BOARD OF DIRECTORS CONTINUED

#### ANDRÓNICO LUKSIC C

Non-Executive Director, 62

*Independent: No*

*Appointed to the Board 2013*

Extensive experience across a range of business sectors throughout Chile, Latin America and Europe.

#### CURRENT POSITIONS

- Chairman of Quiñenco S.A. and Compañía Cervecerías Unidas S.A., Vice Chairman of Banco de Chile and Compañía Sudamericana de Vapores S.A., and a director of Tech Pack S.A., all of which are listed companies in the Quiñenco group
- Director of Nexans S.A., a company listed on NYSE Euronext Paris.



Meeting attendance

#### VIVIANNE BLANLOT

Non-Executive Director, 62



*Independent: Yes*

*Appointed to the Board 2014*

Economist with extensive experience across the energy, mining, water and environmental sectors in the public and private sectors in Chile.

#### PREVIOUS ROLES

- Executive Director of the Comisión Nacional de Medio Ambiente (Environmental Agency in Chile)
- Undersecretary of Comisión Nacional de Energía (National Energy Commission in Chile)
- Minister of Defence

#### CURRENT POSITIONS

- Director of Colbún S.A., an energy company listed in Chile
- Director of ScotiaBank Chile
- Member of the Consejo para la Transparencia (Transparency Council), the Chilean body responsible for enforcing transparency in the public sector



Meeting attendance

#### JORGE BANDE

Non-Executive Director, 64



*Independent: Yes*

*Appointed to the Board 2014*

Economist with over 30 years' experience in the mining industry.

#### PREVIOUS ROLES

- Co-founder and Executive Director of Copper and Mining Studies ("CESCO"), an independent not-for-profit think tank focused on mining policy issues
- Vice President of Development and later director of Codelco
- CEO of AMP Chile
- Adviser to the World Bank
- Member of the Global Agenda Council for Responsible Minerals Resource Management at the World Economic Forum
- Director of Edelnor S.A., Electroandina S.A. (now E-CL S.A.) and Bupa Chile S.A.

#### CURRENT POSITIONS

- Director of CESCO, Inversiones Aguas Metropolitanas S.A.
- Professor of the International Post-Graduate Programme in Mineral Economics at the University of Chile
- Member of the Experts Committee for Copper Prices for the Chilean Ministry of Finance



Meeting attendance

#### FRANCISCA CASTRO

Non-Executive Director, 54



*Independent: Yes*

*Appointed to the Board 2016*

Commercial engineer with over 25 years' experience in industries including mining, energy, finance and public/private infrastructure projects in the US and in Chile.

#### PREVIOUS ROLES

- Business Development Manager at Codelco
- Various roles within the Chilean Government
- World Bank, Washington



Meeting attendance

## CULTURE CASE STUDY

A steering committee was established in 2013 under the supervision of the Remuneration and Talent Management Committee to engage with employees to develop and adopt a charter of values and leadership model for the Group. 75% of the Group's employees participated in the process and in the Group's 2014 engagement survey, 90% of employees confirmed their understanding and alignment with these values.

A management committee has been established in 2017 to design and implement a cultural reinforcement process in consultation with employees and key stakeholders. This committee will:

- Review existing data to understand the current state of development of the Group's organisational culture.
- Analyse the results to identify key areas for improvement.
- Propose action plans to the Executive Committee.
- Present results to the Remuneration and Talent Management Committee for discussion at the Board.
- Monitor and reinforce the effectiveness of the Group's organisational culture assessment.

## LEADERSHIP THE BOARDROOM



### CHAIRMAN

### GROUP CEO

### EXECUTIVE COMMITTEE MEMBERS

### SENIOR INDEPENDENT DIRECTOR

### NON-INDEPENDENT DIRECTOR

### INDEPENDENT DIRECTOR

### SECRETARY TO THE BOARD/ COMPANY SECRETARY

## ROLES

### CHAIRMAN

Jean-Paul Luksic

Non-Executive Chairman

- Leads the Board and ensures its effectiveness in all aspects of its duties.
- Promotes the highest standards of integrity, probity and corporate governance.
- Sets the agenda for Board meetings in consultation with the Secretary to the Board, other Directors and members of senior management.
- Chairs meetings and ensures that there is adequate time available for discussions of all agenda items with a focus on strategic, rather than routine, issues.
- Promotes a culture of openness and debate within the Board by facilitating the effective contribution of all Directors.
- Oversees Director development, induction, performance review and relations with shareholders.

### SENIOR INDEPENDENT DIRECTOR

Ollie Oliveira

- Provides a sounding board for the Chairman and supports the Chairman in the delivery of his objectives as required.
- Where necessary, acts as an intermediary between the Chairman and the other members of the Board or the Group CEO.
- Acts as an additional point of contact for shareholders, focusing on the Group's governance and strategy, and gives shareholders a means of raising concerns other than with the Chairman or senior management.

### NON-EXECUTIVE DIRECTORS

Ramón Jara  
Andrónico Luksic C  
Gonzalo Menéndez  
Juan Claro  
William Hayes

The Board does not consider these Directors to be independent because they do not meet one or more of the independence criteria set out in the UK Corporate Governance Code.\*

- Provide a range of outside perspectives to the Group and encourage robust debate with, and challenge of, the Group's executive management.
- Ensure that no individual or small group of individuals can dominate the Board's decision-making.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Tim Baker  
Ollie Oliveira  
Vivianne Blanlot  
Jorge Bande  
Francisca Castro

These Directors meet the independence criteria set out in the UK Corporate Governance Code and the Board is satisfied that they are independent.

- No connection with the Group or any other Director which could be perceived to compromise independence.
- Provide a range of outside perspectives to the Group and encourage robust debate with, and challenge of, the Group's executive management.
- Ensure that no individual or small group of individuals can dominate the Board's decision-making.

### GROUP CEO

Iván Arriagada

Not a Director

- Leads the implementation of the Group's strategy set by the Board.
- Leads the Executive Committee and ensures its effectiveness in all aspects of its duties.
- Provides information to the Board and participates in Board discussion in connection with day-to-day activities of the Group.

### EXECUTIVE COMMITTEE MEMBERS

See pages 76 to 77

Not Directors

- Present proposals, recommendations and information to the Board within their areas of responsibility.

### SECRETARY TO THE BOARD / COMPANY SECRETARY

Sebastián Conde

- Provides a conduit for Board and Committee communications and provides a link between the Board and management.
- Ensures Board members have access to the information they need to perform their roles.

Julian Anderson

- Based in London. Works closely with the Secretary to the Board to provide a conduit between shareholders, the Board and management in connection with UK Corporate Governance and listing obligations.

\* Ramón Jara provides advisory services to the Group. Andrónico Luksic C is the brother of Jean-Paul Luksic, the Chairman of the Company and is Chairman of Quiñenco S.A. and Chairman or a Director of Quiñenco's other listed subsidiaries. Jean-Paul Luksic and Gonzalo Menéndez are also Non-Executive Directors of Quiñenco and some of its listed subsidiaries. Like Antofagasta plc, Quiñenco is controlled by a foundation in which members of the Luksic family are interested. Juan Claro and William Hayes have served on the Board for more than nine years from the date of their first election. The Board re-designated William Hayes as a non-independent Director on 24 January 2017.

# AN EXPERIENCED MANAGEMENT TEAM



## 1 IVÁN ARRIAGADA

Group CEO



*Joined the Group in 2015*  
Commercial engineer and economist with over 20 years' experience in the mining and oil and gas sectors.

### PREVIOUS ROLES

- Chief Financial Officer of Codelco
- Various positions at BHP Billiton, including President of Pampa Norte (Spence and Cerro Colorado), Vice President Operations and Chief Financial Officer of the Base Metals division
- Over 15 years of international experience with Shell in Chile, the United Kingdom, Argentina and the United States



## 6 ANDRÓNICO LUKSIC L.

Vice President of Development



*Joined the Group in 2006*  
Business administrator with broad mining experience in sales, exploration, development and general management.

### PREVIOUS ROLES

- Corporate Manager at Antofagasta Minerals
- Director, Antofagasta Minerals Toronto Office
- Various positions at Banco de Chile

### KEY TO COMMITTEES

- OP Operating Performance Review Committee
- BD Business Development Committee
- E Ethics Committee
- D Disclosure Committee

**2 ALFREDO ATUCHA**

Group CFO

*Joined the Group in 2013*

Accountant and economist with over 30 years of financial experience in the mining, metals, energy and fast moving consumer goods sectors.

**PREVIOUS ROLES**

- 10 years' service at BHP Billiton as Vice President of Finance for Minera Escondida and Senior Manager of Base Metals Major Projects
- Finance and Administration Manager at Chilquinta Energía (part of Sempra Energy and PSG Group)
- CFO at Reckitt Benckiser in Spain, Brazil and Chile
- Tax Planning and Treasury at British American Tobacco

**7 ANA MARÍA RABAGLIATI**

Vice President of Human Resources

*Joined the Group in 2013*

Human resources specialist with more than 25 years' experience in international companies across a range of sectors, including financial services, industrials and oil and gas.

**PREVIOUS ROLES**

- Corporate Human Resources Manager at Masisa
- Country Human Resources Vice President at Citigroup
- Human Resources Manager at the Lafarge Group in Chile
- Various positions at Shell, including Human Resources Manager at the Lubricants Business of Shell Oil Latin America

**3 HERNÁN MENARES**

Vice President of Operations

*Joined the Group in 2008*

Mining engineer and mineral economist, with 30 years' experience in mining.

**PREVIOUS ROLES**

- Project Development Manager for the Centinela District
- Operating and business planning roles at Codelco
- Various positions at Compañía Minera del Pacífico and Compañía Minera Huasco S.A.

**8 GONZALO SÁNCHEZ**

Vice President of Sales

*Joined the Group in 1996*

Civil engineer with over 25 years' experience in marketing and hedging metals.

**PREVIOUS ROLES**

- Deputy Commercial Director, Antofagasta Minerals
- Copper sales at Codelco

**4 RENÉ AGUILAR**

Vice President of Corporate Affairs and Sustainability

*Joined the Group in 2017*

Industrial psychologist with 20 years' experience in mining, including in sustainability, safety, human resources and corporate affairs.

**PREVIOUS ROLES**

- Group Head of Safety at Anglo American plc, London
- Vice President of Corporate Affairs and Sustainability at Codelco, Chile
- Health and Safety Director at International Council on Mining and Metals (ICMM), London

**9 FRANCISCO VELOSO**

Vice President of Institutional Relations

*Joined the Group in 1993*

Lawyer with over 20 years' experience with Antofagasta Minerals, including oversight of critical phases of development at Los Pelambres.

**PREVIOUS ROLES**

- Vice President of Corporate Affairs and Sustainability at Antofagasta Minerals
- Vice President of Legal and Corporate Affairs at Antofagasta Minerals
- Vice President of Human Resources at Antofagasta Minerals
- General Counsel at Los Pelambres
- Legal Manager at VTR
- Chief lawyer at Michilla

**5 PATRICIO ENEI**

Vice President of Legal

*Joined the Group in 2014*

Lawyer with over 20 years' experience in mining, including roles at some of the largest international copper companies operating in Chile.

**PREVIOUS ROLES**

- General Counsel at Codelco
- Corporate Affairs Manager of Minera Escondida
- Senior lawyer at BHP Billiton in Chile
- Chief Legal Counsel at Minera Doña Inés de Collahuasi
- Lawyer at the Instituto de Normalización Previsional and in private practice

# THE BOARD'S ACTIVITIES

## 2016 BOARD ACTIVITIES\*

### STRATEGY AND MANAGEMENT

- Held a standalone strategy day with particular focus on operating strategy, risk management, Board decision-making, competitiveness and costs, and culture
- Reviewed the Group's mining, transport and energy strategies, including projects and business development opportunities
- Reviewed and monitored the implementation of strategy and the performance of each Executive Committee members' team during the year
- Met consultants and experts to discuss copper market fundamentals and expectations for the future
- Reviewed the Group's labour relations strategy following the implementation of new labour legislation in Chile

### INTERNAL CONTROLS AND RISK MANAGEMENT

- Oversaw a review of the Group's internal control and risk management systems
- Oversaw the successful implementation of SAP, the new Group enterprise resource planning ("ERP") system
- Oversaw the continued optimisation of the Group's corporate structure
- Reviewed compliance with financial, regulatory and environmental commitments

### GOVERNANCE AND STAKEHOLDER ENGAGEMENT

- Met shareholders and proxy advisers to discuss corporate governance issues
- Facilitated an external review of the Board's effectiveness
- Following implementation of the EU Market Abuse Regulation, approved amendments to the Group's systems and procedures, including formally establishing the Disclosure Committee

### BOARD AND SENIOR MANAGEMENT STRUCTURE

- Approved the appointment of Francisca Castro as an independent Non-Executive Director
- Reviewed succession plans for all Directors and members of senior management
- Oversaw the CEO transition from Diego Hernández to Iván Arriagada
- Implemented the functional simplification project to minimise inefficiencies and focus the Group's operating companies on safety, achieving production targets and cost control

### OPERATIONS AND MATERIAL TRANSACTIONS

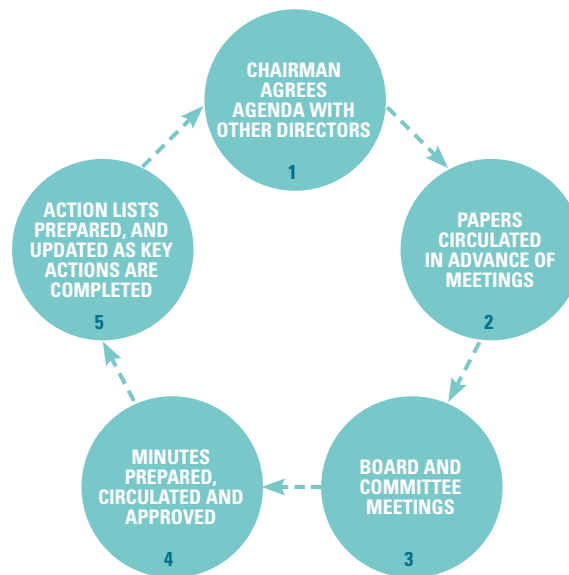
- Approved key steps in the Group's growth plans
- Oversaw the resolution of challenges with thickeners at Centinela and dust control at Antucoya
- Oversaw the resolution of a long-running disputes with the Caimanes community at Los Pelambres
- Oversaw enhancement of the Group's maintenance, organisation and reliability strategy
- Approved the sale of Michilla
- Approved the transfer of the Group's 40% interest in the Alto Maipo project to AES Gener
- Visited the Group's operations and projects

### FINANCIAL AND PERFORMANCE REPORTING

- Approved the Group's annual and half-year results
- Reviewed the Group's ongoing capital management strategy and approved the interim dividends paid out to shareholders during 2016
- Reviewed the Group's performance against KPIs, including safety indicators
- Reviewed and monitored the Group's operating and project performance
- Supported and encouraged management in cutting costs, both generally and as part of the Cost and Competitiveness Programme
- Approved the Group's 2016 budget, scorecard, commercial and financial parameters, and base case and development case production scenarios
- Incorporated a captive insurance company to optimise the Group's insurance coverage and costs

\* The Board met nine times during the year. Each Director withdrew from any meeting when his or her own position was being considered. All Directors then in office attended the 2016 Annual General Meeting.

## BOARD AND COMMITTEE MEETING INFORMATION FLOWS



## 2017 BOARD CALENDAR

### TOPICS\*

Q1		Q2	
<ul style="list-style-type: none"> <li>– 2016 Q4 production report</li> <li>– 2016 performance scorecard results</li> <li>– Compliance report</li> <li>– Insurance strategy and risk review</li> <li>– Conflicts of interest review</li> </ul>	<ul style="list-style-type: none"> <li>– 2016 full-year results</li> <li>– Risk strategy and principal risk review</li> <li>– Human resources strategy and risk review</li> <li>– Competitiveness and costs programme – 2017</li> </ul>	<ul style="list-style-type: none"> <li>– Q1 production report</li> <li>– Projects strategy and risk review</li> <li>– Sustainability strategy and risk review</li> <li>– Sustainability report</li> <li>– Legal strategy</li> <li>– AGM agenda</li> </ul>	<ul style="list-style-type: none"> <li>– Operations base case</li> <li>– Exploration strategy and risk review</li> <li>– Resources and reserves</li> <li>– Safety and health strategy and risk review</li> <li>– Group strategy and risk review</li> <li>– Development case</li> </ul>
Q3		Q4	
<ul style="list-style-type: none"> <li>– Q2 production report</li> <li>– Half-year financial report</li> <li>– 2018 sales strategy and risk review</li> <li>– Commercial and financial budget parameters</li> </ul>	<ul style="list-style-type: none"> <li>– Sulphuric acid strategy and risk review</li> <li>– Compliance report</li> <li>– Talent/succession plans</li> </ul>	<ul style="list-style-type: none"> <li>– Q3 production report</li> <li>– Energy strategy and risk review</li> <li>– 2018 board calendar and agenda topics</li> </ul>	<ul style="list-style-type: none"> <li>– Financing strategy and risk review</li> <li>– 2018 budget</li> <li>– 2018 performance scorecard</li> <li>– Human resources update</li> </ul>

\* These are the standing topics to be considered by the Board in 2017. Each Board meeting starts and ends with a short session without management present to allow Directors to set expectations for the meeting and to reflect and evaluate the session at the end of the meeting.

# INFORMATION AND PROFESSIONAL DEVELOPMENT

All new Directors receive a thorough induction on joining the Board. This typically includes meetings with the Chairman, other Directors and senior executives, briefings on the Group's operations and projects, and visits to the Group's operations. All Directors receive detailed briefings on legal, regulatory and other developments that are relevant to directors of UK-listed companies.

The Company provides Directors with the necessary resources to maintain and enhance their knowledge and capabilities. Directors are regularly updated on the Group's businesses, the competitive and regulatory environment in which they operate and other changes affecting the Group as a whole. In 2016, this included a Board strategy session and briefings from industry experts on copper market dynamics and key changes to the regulatory and legal environment impacting the Group.

Directors based outside Chile visit Chile regularly to attend Board and Committee meetings and for other meetings with management. All Directors come to the UK at least once a year to attend the Company's Annual General Meeting in London.

The Board and its Committees receive briefing materials in advance of each meeting. Directors also receive regular reports including analysis of key metrics in respect of safety, operating, financial, environmental and social performance, as well as key developments in the Group's exploration, projects and business development activities, information on the commodity markets, the Group's talent management activities and analysis of the Group's financial investments.

Regular topics to be covered in Board meetings are agreed at the beginning of each year as shown on page 79. The CEO provides timely updates to the Board on emerging issues. Materials are sent to Board and Committee members a week in advance of each meeting. Each presentation has a summary sheet setting out the objective, background, proposal, justification and risk analysis, and next steps. Materials include the CEO's report, an open and candid summary of his views on evolving challenges, changes in risk assessments and emerging issues, as well as a management report, with detailed information on the Group's performance against key performance indicators. Directors receive flash reports monthly with key monthly and year-to-date production and financial results, ensuring that the Board is continuously updated on the Group's performance. The Board and each Committee maintain an action list that is reviewed at the beginning of each meeting to ensure that Directors' enquiries and concerns are clearly identified and addressed.

All Directors have access to management and to such further information as is needed to discharge their duties and responsibilities fully and effectively. Executives present to the Board and its Committees on operating and development matters, allowing close interaction between Board members and a wide range of executive management.

All Directors are entitled to seek independent professional advice concerning the affairs of the Group at the Company's expense. The Company has appropriate insurance in place to cover Directors against any claims that may be made against them.

## SITE VISITS

Directors are actively encouraged to visit the Group's operations. This ensures that there is a strong connection between the strategic decisions being made by the Board and the realities and challenges being faced day-to-day in the Group's operations. In 2016, individual Directors attended the Group's operations and projects, including the new operations Zaldívar and Antucoya. The Projects Committee also visited Los Pelambres and Centinela to see first-hand the challenges associated with the Los Pelambres Incremental Expansion Project, the Centinela Second Concentrator Project, the Centinela Molybdenum Plant and the Encuentro Oxides Project.



## FRANCISCA CASTRO, NON-EXECUTIVE DIRECTOR

MY THOROUGH INDUCTION HAS ENABLED ME TO UNDERSTAND THE GROUP'S BUSINESSES AND TO HEAR ABOUT THE CHALLENGES FACING THE GROUP FROM THE PEOPLE WHO DEAL WITH THEM EVERY DAY



## FRANCISCA CASTRO – INDUCTION PROGRAMME

### 1 1 NOVEMBER 2016 – JOINED THE BOARD

#### 2 NOVEMBER / DECEMBER 2016

##### BOARD INTRODUCTIONS, MEETINGS AND BRIEFINGS

Inductions, meetings and briefings with the Chairman and other Directors, the Chairmen of the Audit and Risk and Remuneration and Talent Management Committees, the Group CEO, each member of the Executive Committee, the Company Secretary and the Secretary to the Board.

##### SITE VISIT TO LOS PELAMBRES

Tour of the mine and concentrator plant to review challenges and opportunities.

##### MANAGEMENT BRIEFINGS

###### Group CEO:

- Implementation of the Group's Strategy
- Culture
- Challenges and opportunities facing the Group
- Safety
- Production
- Costs
- Projects
- Business development

###### Vice Presidents:

- Financial position and outlook
- Audit plan
- Talent management strategy and compensation mechanisms
- Legal strategy and outstanding claims
- Exploration and business development opportunities
- Projects under execution and studies for future project development
- Challenges of the current copper market and the sales strategy
- The Group's new community relations model
- UK financial and tax regulations
- Overview of the Group's operations and the new Operating Model

###### Company Secretary and Secretary to the Board:

- Information flows and expectations of Directors
- Directors' duties and liabilities
- The Company's share dealing policy
- The Company's disclosure procedures
- The UK Corporate Governance Code
- Requirements of the EU Market Abuse Regulation
- Latest annual report and sustainability report

### 3 1 JANUARY 2017 – JOINED THE AUDIT AND RISK AND REMUNERATION AND TALENT MANAGEMENT COMMITTEES

# REVIEWING THE BOARD'S EFFECTIVENESS

Regular and candid effectiveness reviews are part of the Board's continuous improvement process.

## EXTERNAL REVIEW

### WHAT WE DID

As envisaged in the 2015 Annual Report, we asked Independent Audit Limited\* ("Independent Audit") to conduct an externally-facilitated review of the effectiveness of the Board and its Committees in January 2016 to:

- assess the Company's progress in closing gaps that were identified in the 2013 external review;
- evaluate the Company's response to the changes made to the UK Corporate Governance Code in 2014;
- analyse the Company's response to the new FRC guidance on Internal Control and Risk Management; and
- benchmark Board and Committee effectiveness against other large publicly-listed companies in the UK.

We then worked on addressing the opportunities for improvement identified by Independent Audit.

Independent Audit provided a progress report in January 2017 based on further interviews and observations so that we could focus further on specific areas for improvement in 2017 and beyond.

Significant improvements have been made to Board effectiveness over the last three years.

We will use the findings of the January 2017 progress report to make targeted additional improvements to Board and Committee effectiveness in 2017. This will include maintaining the strengths and continuing to address those areas identified in January 2016 as in need of further improvement.

### WHAT WE ARE GOING TO DO

## AREAS OF IMPROVEMENT IDENTIFIED IN JANUARY 2016

Independent Audit reported that significant improvements have been made to Board effectiveness following the changes that had been made to address the areas for improvement identified in 2013. In particular:

- the appointment of new independent Non-Executive Directors has improved Board balance and diversity;
- the appointment of a Santiago-based Secretary to the Board has significantly improved Board planning, organisation, focus and follow-up;
- specific requests made by the Board are followed through into agreed actions which are tracked and reviewed until they have been reported back to the Board;
- the Committees are functioning well, allowing the Board to receive more detail and enhanced visibility across the business;
- the introduction of a Projects Committee has improved Board oversight of project development and execution, informed capital allocation decisions and allowed the members of that Committee to add additional value to the management team; and
- the management team has been strengthened, resulting in the Board having even greater confidence in management.

## INTERNAL REVIEW

During the year, led by the Senior Independent Director, the Non-Executive Directors met without the Chairman present and reviewed the Chairman's effectiveness. The Senior Independent Director subsequently met with the Chairman to provide feedback. The Chairman used these comments to develop further the effective operation of the Board. In turn, the Chairman reviewed the individual effectiveness of each of the Non-Executive Directors.

\* Independent Audit Limited is an external independent adviser with no other connection to the Company.

## REVIEW OF THE EFFECTIVENESS OF THE BOARD 2016: UPDATE FEBRUARY 2017

# THE COMPANY HAS ADOPTED A RIGOROUS APPROACH TO REVIEWING THE EFFECTIVENESS OF ITS BOARD AND COMMITTEES

### OPPORTUNITIES FOR FURTHER IMPROVEMENT IDENTIFIED IN JANUARY 2016

Independent Audit reported that, although no major issues needed to be addressed in order to ensure that the Board and Committees continue to operate effectively, further improvements could be made by:

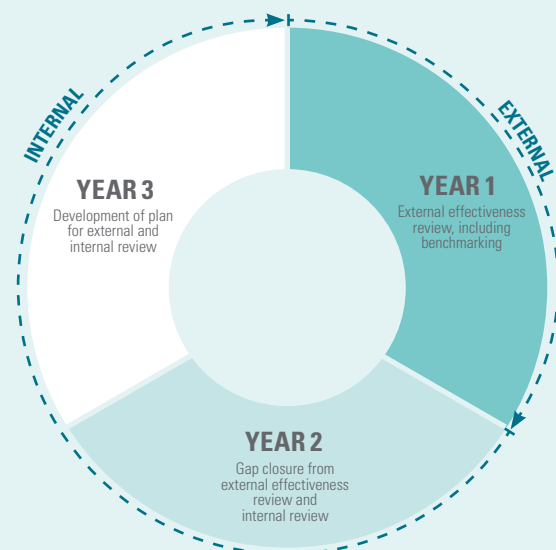
- reflecting on the Group's culture and how it affects the Group's ability to cope with change, to work within controls, and to respect the Group's values; and
- changing the structure of materials circulated ahead of meetings to further enhance the quality of discussion, use of time, and ability for Directors to focus on key strategic issues and risks;

### JANUARY 2017 PROGRESS REPORT

Improvement is a continuous process and Independent Audit's January 2017 progress report noted that:

- a very thorough approach to follow-through of the agreed actions has been adopted;
- considerable progress has been made across many aspects of the Board's activity, including a strong focus on cost and competitiveness as well as considerable attention given to other crucial areas, including relations with local communities, and to safety and health; and
- looking ahead, management will need to focus on the further development of the information provided to Directors to help support discussion of the main challenges and risks, and the Board will need to assess how the Group will respond to industry trends, macroeconomic developments and innovation.

## EVALUATING BOARD EFFECTIVENESS



### 2013

External review completed by Independent Audit.

### 2014-2015

- Implementation of 2013 recommendations facilitated by the Company Secretary and the newly-appointed Secretary to the Board
- Internal reviews to identify areas and opportunities for improvement in the implementation of the recommendations made following the external review
- Annual review of the Chairman by the Non-Executive Directors, led by the Senior Independent Director
- Annual review of the Non-Executive Directors by the Chairman

### 2016-2017

- External review conducted by Independent Audit in January 2016
- Implementation of recommendations during the year
- Annual review of the Chairman's effectiveness by the Non-Executive Directors, led by the Senior Independent Director
- Annual review of the Non-Executive Directors' effectiveness by the Chairman
- Independent Audit progress report in January 2017

# BOARD COMMITTEES

The Board relies on the Committees to ensure that deliberations by the Board are focused on the most important issues and that proposals are subject to specialist debate and rigorous challenge.



## NOMINATION AND GOVERNANCE COMMITTEE

**Chairman:** Jean-Paul Luksic

Ollie Oliveira  
Tim Baker

**Key responsibilities:**

- Corporate governance
- Succession planning for the Board and Group CEO
- Board and Committee composition
- Board effectiveness reviews

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## AUDIT AND RISK COMMITTEE

**Chairman:** Ollie Oliveira

Jorge Bande  
Vivianne Blanlot  
Francisca Castro

**Key responsibilities:**

- Financial reporting
- External audit
- Internal audit
- Risk and internal control
- Compliance

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## SUSTAINABILITY AND STAKEHOLDER MANAGEMENT COMMITTEE

**Chairman:** Vivianne Blanlot

Juan Claro  
William Hayes  
Jorge Bande

**Key responsibilities:**

- Policies and commitments
- Safety and health
- Community relations
- Environment

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## PROJECTS COMMITTEE

**Chairman:** Ollie Oliveira

Tim Baker  
Jorge Bande  
Ramón Jara

**Key responsibilities:**

- Policies and commitments
- Reviews all major projects
- Reviews lessons learned from projects

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## REMUNERATION AND TALENT MANAGEMENT COMMITTEE

**Chairman:** Tim Baker

Vivianne Blanlot  
Francisca Castro

**Key responsibilities:**

- Directors' remuneration
- Executive remuneration
- Group pay structures
- Talent management and succession planning for the Executive Committee

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**ACCOUNTABILITY**

## NOMINATION AND GOVERNANCE COMMITTEE

# COMPLEMENTARY SKILLS & EXPERIENCE

## // JEAN-PAUL LUKSIC, CHAIRMAN

THE NOMINATION AND GOVERNANCE COMMITTEE SUPPORTS THE BOARD IN ENSURING THAT THE GROUP HAS EFFECTIVE GOVERNANCE STRUCTURES IN PLACE AND THAT THE BOARD AND ITS COMMITTEES OPERATE EFFECTIVELY



## 2016 MEMBERSHIP AND MEETING ATTENDANCE

	NUMBER ATTENDED
Jean-Paul Luksic (Chairman)	5/6 <sup>1</sup>
William Hayes	6/6
Tim Baker	6/6

1. The Chairman was unable to attend one meeting due to a last-minute commitment

- Other regular attendees include the Group CEO, Company Secretary and Secretary to the Board.
- Effective 1 January 2017, William Hayes rotated off the Committee and Ollie Oliveira joined the Committee.
- The Committee meets as necessary and at least twice per year.
- Except for the Chairman, all Committee members are independent.

## KEY ACTIVITIES IN 2016

### CORPORATE GOVERNANCE

- Reviewed the Governance section of the 2015 Annual Report and recommended it to the Board for approval.
- Reviewed the Committee's terms of reference and recommended amendments to the Board for approval.
- Recommended that the transition of the Senior Independent Director include meetings with shareholders to discuss corporate governance matters.
- Reviewed revised versions of the Group's Share Dealing Code and Disclosure Procedures updated for the EU Market Abuse Regulation and recommended them to the Board for approval.

### SUCCESSION PLANNING

- Reviewed and updated the written succession plans for the Board and its Committees.
- Implemented succession plans and oversaw the appointment of a new CEO, Senior Independent Director, Audit and Risk Committee Chairman and Sustainability and Stakeholder Management Committee Chairman.

### BOARD AND COMMITTEE COMPOSITION

- Recommended the appointment of independent Non-Executive Director, Francisca Castro.
- Recommended the appointment of independent Non-Executive Director, Ollie Oliveira, to the roles of Senior Independent Director and Audit and Risk Committee Chairman.
- Recommended the appointment of independent Non-Executive Director, Vivianne Blanlot, to the role of Sustainability and Stakeholder Management Committee Chairman.
- Recommended changes to the composition of all Committees.
- Reviewed the independence of all Directors, making recommendations to the Board.

### BOARD EFFECTIVENESS REVIEWS

- Commissioned an externally-facilitated review of the effectiveness of the Board and its Committees.
- Oversaw the implementation of the recommendations arising from the review.

## ACCOUNTABILITY

### NOMINATION AND GOVERNANCE COMMITTEE CONTINUED

#### Q What is the main function of the Nomination and Governance Committee?

We support the Board in ensuring that the Group has effective governance structures in place, that the Board and its Committees are operating effectively and that the Board and its Committees are comprised of Directors with necessary and appropriate skills. We make recommendations for change where appropriate.

This involves:

- monitoring trends, initiatives and proposals in relation to corporate governance;
- overseeing and facilitating annual reviews of the Chairman, Directors and the Board, including externally facilitated reviews;
- evaluating and overseeing the balance of skills, knowledge and experience on the Board and its Committees and reviewing the independence of Directors; and
- overseeing Board and CEO succession plans and leading the process of identifying suitable candidates to fill vacancies, nominating such candidates for approval by the Board and ensuring that the appointments are made on merit and against objective criteria.

#### Q What has the Committee been working on during 2016?

2016 has been a period of significant activity and the Committee met on six occasions, recommending the implementation of, and changes to, Board and Committee succession plans, culminating in the changes set out on page 68 and overseeing the externally facilitated Board effectiveness review as described on pages 82 and 83.

#### Q What are the steps that you take to identify and appoint new Directors?

When we are looking for a new Director, we consider the skills, experience and knowledge of the existing Directors and identify potential candidates who would best meet a number of criteria, including relevant experience, skills, personality type, contribution to Board diversity and whether they have sufficient time to devote to the role. The steps taken to identify and appoint independent Non-Executive Director Francisca Castro are set out on page 87.

#### Q How important is a comprehensive induction process for new Directors?

It is essential both for the new Director and for the Company.

I am responsible for ensuring that any new Directors receive a full induction on joining the Board, and the Secretary to the Board and the Company Secretary both assist with this process.

Details of the induction process for Francisca Castro are set out on page 81.

#### Q Do you think it is important to have a Board review each year?

Improvement is a continuous process and we welcome the opportunity to regularly assess how effectively we operate as a Board and how we can improve even further.

The assessment of the Board and its Committees through an annual review has now become part of the normal governance cycle and we consider it to be a very useful process. We plan our reviews on the basis that at least every three years we will conduct an external effectiveness review. An external review was held in 2013 and again in 2016 and the details of the most recent review are set out on pages 82 and 83.

It is useful to assess the commitment of individual Directors to ensure that they have enough time available to devote to their roles, and I am satisfied that this is true for all our Directors.

## JEAN-PAUL LUKSIC, CHAIRMAN

THE BOARD BELIEVES IN THE BENEFITS OF DIVERSITY, INCLUDING GENDER, AND IN 2016 THE APPOINTMENT OF FRANCISCA CASTRO INCREASED THE NUMBER OF FEMALE DIRECTORS TO TWO

### THE BOARD'S APPROACH TO SUCCESSION PLANNING

The Committee periodically reviews the composition of the Board and its Committees. The Committee regularly discusses relevant profiles for future appointments and, when required, assists the Board in identifying appropriate candidates.





The Committee reviewed succession plans for all Board and Committee roles in 2016.

The Committee regularly reviews the written succession plans in place for the Board and Committees to ensure that vacancies can be appropriately filled. Contingency plans are in place for a range of situations, including the loss of key personnel.

During 2016, the Committee thoroughly reviewed the skills matrix which sets out the core competencies and areas of expertise on the Board, highlighting areas to be addressed in the future and amending the skills in the matrix to reflect changes in the Group's strategy and in the current market environment.

## APPOINTMENT OF FRANCISCA CASTRO

The process was led by the Nomination and Governance Committee with the assistance of the Secretary to the Board.

- 
  - Board and Committee succession plans tabled for review.
- 
  - Key business experience and skills required agreed by the Committee. Intertrust Head Hunting\* engaged to assist with the search.
- 
  - Intertrust Head Hunting provided longlist of potential candidates for consideration.
- 
  - Four candidates shortlisted and interviewed by the Chairman and the members of the Committee.
  - Committee considered shortlisted candidates and made recommendation to the Board.
  - Board appointed Francisca Castro.

\* Intertrust Head Hunting is an independent external adviser with no other connection to the Company.

### Q What prompted the changes to the composition of the Board Committees in November 2016?

We review the membership of each Board Committee annually and, following the 2016 review, recommended a number of changes for approval by the Board. This was with the intention of refreshing and strengthening the performance of each Committee.

We expect the composition of the Board and its Committees to remain unchanged in 2017.

### Q How is diversity taken into account when making Board appointments?

The Board comprises highly capable and committed individuals with a diverse range of technical skills, backgrounds, expertise, cultures, nationalities and perspectives.

The Board benefits from the diversity of personal attributes among Board members. Diversity of culture, views, attitudes, background and gender is important to ensure that the Board is not composed solely of like-minded individuals.

As part of the annual review process, the Board assesses its effectiveness in meeting its diversity goals.

The Board believes in the benefits of diversity, including gender, and in 2016 the appointment of Francisca Castro increased the number of female Directors to two.

The Board plans to continue to have at least one female Director and will keep looking for opportunities to increase female representation further, while continuing to appoint Directors based on merit.

### Q How does corporate governance fit in with the other responsibilities of the Committee?

Sound corporate governance is fundamental to Board effectiveness. The Company's shares are admitted to a Premium listing on the London Stock Exchange and the Company reports against, and complies with, all of the provisions of the UK Corporate Governance Code.

The Committee is responsible for monitoring the Board's corporate governance arrangements, reviewing the Company's corporate governance framework at least annually and recommending any changes to the Board.

In performing these functions, the Committee uses the UK Corporate Governance Code as a benchmark and takes into account the nature and location of the

Group's businesses and any local expectations that may apply.

The Committee has reviewed and discussed the Corporate Governance Reform Green Paper published by the UK Government's Department for Business, Energy & Industrial Strategy and will continue to monitor any further developments in 2017.

### JEAN-PAUL LUKSIC, CHAIRMAN OF THE NOMINATION AND GOVERNANCE COMMITTEE

## GENDER DIVERSITY

It is widely reported that companies in the mining sector face particular challenges in recruiting and retaining female talent. One of the main challenges is the low level of female participation at all levels of the mining industry. This industry-wide challenge is particularly relevant for Antofagasta as its operations and corporate centre are located in Chile where less than half of women currently participate in the job market. Furthermore, it is less common for women in Chile to pursue higher education in the fields of engineering, mathematics and sciences – disciplines that, of necessity, feed into participation in the mining industry.

During 2017 the Group will be initiating a programme to improve opportunities for female employees and to ensure that the working environment throughout the Group encourages the recruitment and retention of female talent. This programme includes measurable deliverables which are part of the Group's Annual Bonus Plan metrics for 2017.

# MANAGING RISK EFFECTIVELY



**OLLIE OLIVEIRA, CHAIRMAN**

THE AUDIT AND RISK COMMITTEE HAS BEEN INCREASINGLY FOCUSED ON RISK MANAGEMENT AND I BELIEVE THAT THIS TREND WILL CONTINUE

## 2016 MEMBERSHIP AND MEETING ATTENDANCE

	NUMBER ATTENDED
Ollie Oliveira (Chairman from 1 September 2016)	4/4
William Hayes (Chairman until 31 August 2016)	4/4
Jorge Bande	4/4

- Other regular attendees include the Group CEO, CFO, Group Financial Controller, Head of Internal Audit, Strategic Planning Manager, Head of Risk and Secretary to the Board.
- Effective 1 September 2016 Ollie Oliveira became Chairman, effective 1 January 2017 William Hayes rotated off the Committee and Vivianne Blanlot and Francisca Castro joined the Committee.
- The Committee meets as necessary and at least twice per year.
- All Committee members are independent.
- Ollie Oliveira, William Hayes, Jorge Bande and Francisca Castro are all considered to have recent and relevant financial experience.

## KEY ACTIVITIES IN 2016

### FINANCIAL REPORTING

- Reviewed the year-end and half-year financial reporting, with a focus on the significant accounting issues relating to the Group's results.
- Assisted the Board in ensuring that the Annual Report is fair, balanced and understandable, and reviewed the long-term viability statement contained in the Annual Report.
- Monitored the functioning of the new SAP accounting system.

### EXTERNAL AUDIT

- Reviewed and approved the 2016 audit plan, including fees.
- Assessed the effectiveness of the external audit process.

### INTERNAL AUDIT

- Reviewed the key findings from the Internal Audit reviews conducted during 2016.
- Agreed the scope and areas of focus for the 2017 internal audit plan with the Head of Internal Audit, and then approved the final 2017 plan.

### RISK AND INTERNAL CONTROL

- Conducted detailed reviews with the General Managers of each of the Group's operations, covering the operations' key risks.
- Reviewed the status of key controls in connection with the SAP system.
- Reviewed developments in the Group's standard risk management processes during the year.
- Assisted the Board with its assessment of the Group's key risks and its review of the effectiveness of the risk management and internal control processes.

### COMPLIANCE

- Reviewed whistleblowing incidents during the year, updates to the conflict of interest declarations by the Group's employees and suppliers, and analysed the Group's relationships with Politically Exposed Persons.
- Reviewed the Group's policies and procedures relevant to the requirements of the UK Modern Slavery Act.
- Reviewed developments in the Group's standard compliance processes during the year.

## Q What are the main responsibilities of the Committee?

The purpose of the Audit and Risk Committee is to assist the Board in meeting its responsibilities relating to financial reporting and control. The Committee's main responsibilities cover financial reporting, the external audit process, internal audit, risk and internal control, and compliance.

## Q You were appointed Chairman of the Audit and Risk Committee in September 2016. What has been your experience so far, and what do you think will be your main focus during the next year?

Firstly, I'd like to thank William Hayes for his excellent work in chairing the Committee over the past five years. During that time the Committee has been increasingly focused on risk, and I think that this trend will continue.

I was very pleased that Vivianne Blanlot and Francisca Castro agreed to join the Committee on 1 January 2017. This has been a valuable addition to the Committee's breadth of experience and expertise. It also means that the size of the Committee has increased from three to four members from the start of 2017, which will be very helpful in dealing with the significant responsibilities of the Committee. This also means that we now have members of the Audit and Risk Committee participating on the Projects Committee and the Sustainability and Stakeholder Management Committee. This allows close linkage between the overall review of the Group's risks and risk management processes by the Audit and Risk Committee, with the more specific risks relating to project execution, safety, environmental and community issues considered in detail by the other committees.

While risk management is considered at every meeting, I have decided to have an additional meeting each year at which the Committee will focus on risk management, to reflect the increasing importance of this area. Having a larger Committee will help manage this additional workload.

## FINANCIAL REPORTING

### Q What are the Committee's main activities in respect of the Group's financial reporting?

We review the year-end Financial Statements and half-yearly financial report, and ensure that the key accounting policies, estimates and judgements applied in those financial statements are reasonable.

We also monitor the overall financial reporting process to ensure it is robust and well controlled. This includes ensuring that the Group's accounting and finance function is adequately resourced with appropriate segregation of duties, that there are appropriate internal review processes, that the Group's accounting policies are appropriate and clearly communicated, and that the Group's accounting and consolidation systems are also appropriate. This final area has been a particular area of focus for the Committee, as the Group has implemented a new SAP accounting system, which went live on 1 January 2016. We've been closely monitoring the implementation of the system, and its functioning and control since the go-live date.

### Q What are your particular responsibilities with respect to the Annual Report?

We assist the Board in its assessment that the Annual Report is, taken as a whole, fair, balanced and understandable, and provides the necessary information to allow shareholders to assess the Group's position and performance, business model and strategy. As part of this, we use our detailed knowledge of the financial results and the key accounting judgements applied in the Financial Statements to ensure that the tone and content of the narrative reporting fairly reflects the financial results for the year.

We also review the going concern basis adopted in the Financial Statements, as well as the detailed long-term viability statement contained within the Annual Report.

### Q What were the significant accounting issues in relation to the Financial Statements considered by the Committee during 2016?

The main issues considered in detail by the Committee were:

- The impairment provisions recorded in respect of Antucoya and Alto Maipo. With Antucoya,

the Committee reviewed the key assumptions used in the impairment review, including copper price forecasts, future cost and production levels. This included a number of meetings with both management and the external auditors to review the methodologies and data used in determining key parameters such as the copper price forecasts. The Committee considered information provided by the external auditors in respect of their own consensus estimates relating to relevant parameters, and the auditors' own calculation of an appropriate discount rate. The Committee also requested that management perform a number of sensitivity analyses showing the impact of changes in key assumptions on the value of the operation. Following this process the Committee agreed that the management's estimate of the recoverable amount of Antucoya's assets was reasonable, and therefore the level of the impairment provision was appropriate.

- With respect to Alto Maipo, the Committee members had been receiving (along with all other Directors) regular updates in respect of the project since the identification of a significant forecast cost overrun during 2016. As part of the Committee's review of the appropriate accounting for the Group's investment in the project they considered the key terms of the Group's agreement to dispose of its investment for a nominal amount and the remaining steps required to complete the disposal. Following this review the Committee concurred with management's view that a full impairment provision was appropriate for the carrying value of the Group's investment.
- Details of the impairment reviews are set out in Note 4 to the Financial Statements.
- The finalisation of the fair value adjustments relating to the Zaldivar acquisition: following the acquisition of our 50% interest in Zaldivar in December 2015, during 2016 the Group finalised its valuation of the individual assets and liabilities acquired. The Committee reviewed the key assumptions and conclusions of this process.

- Consideration of the impact of the non-renewal of two mining leases at the Twin Metals project. Following the non-renewal of these licenses the Group is undertaking legal action to protect its position. The Committee has reviewed in detail the current status of the legal action with the Group's legal team. They also reviewed the potential operating and financial impact of the non-renewal of these leases with the Group's projects team, including an analysis of the potential impact on the mine plan and value of the project of excluding the mineral resources relating to these two leases. This resulted in the conclusion that no adjustment to the carrying value of the assets relating to the Twin Metals project was appropriate.

## EXTERNAL AUDIT

### Q What are the Committee's activities in respect of the external audit process?

We are responsible for overseeing Antofagasta's relationship with PwC, the Group's external auditor. I personally have a key direct relationship with Jason Burkitt, the lead PwC audit partner. We review and approve the scope of the external audit, the terms of engagement and fees. The Committee monitors the effectiveness of the audit process and we are responsible for ensuring the independence of the external auditor. We also make recommendations to the Board in respect of the appointment, reappointment or removal of the external auditor. The Committee formally meets with PwC without management present at least once a year.

### Q How long has PwC been the Group's auditor?

PwC has been our external auditor for two years. We carried out a tender process during 2014, which resulted in PwC being appointed. In line with the relevant regulatory guidance, we would expect to undertake a tender process in respect of the external audit at least every ten years.

## ACCOUNTABILITY

### AUDIT AND RISK COMMITTEE CONTINUED

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 – statement of compliance

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

#### Q How do you assess the effectiveness of the external audit process?

We considered the following factors as part of our review of the effectiveness of the external audit process during the year:

- the appropriateness of the proposed audit plan, the significant risk areas and areas of focus, and the effective performance of the audit;
- the technical skills and industry experience of the audit engagement partner and the wider audit team;
- the quality of the external auditor's reporting to the Committee;
- the effectiveness of the co-ordination between the UK and Chilean audit teams;
- the effectiveness of the interaction and relationship between the Group's management and the external auditor;
- feedback from management in respect of the effectiveness of the audit processes for the individual operations and the Group overall; and
- the review of reports from the external auditor detailing its own internal quality control procedures, as well as its annual transparency report.

In light of this assessment, the Committee considers it appropriate that PwC be re-appointed as external auditor.

## INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITOR

The Committee monitors the external auditor's independence and objectivity. The Company has a policy in place that aims to safeguard the independence and objectivity of the external auditor. This includes measures in respect of the potential employment of former auditors, the types of non-audit services that the external auditor may and may not provide to the Group, and the approval process in respect of permitted non-audit services.

The policy in place during 2016 specifies the non-audit services that the external auditor is not permitted to provide; these include Internal Audit outsourcing, valuation services that would be used for financial accounting purposes, preparation of the Group's accounting records or financial statements, and financial information systems' design and implementation. Under the policy in place during 2016, certain permitted non-audit services always required prior approval by the Committee, whereas certain other non-audit services required prior approval by the Committee when the related fees were above specified levels (\$50,000 for a single engagement or a cumulative annual amount of \$400,000). In addition to this approval process for specific non-audit services, the Audit and Risk Committee monitors the total level of non-audit services provided by the external auditor to ensure that neither the auditor's objectivity nor its independence is put at risk.

An updated policy has been applied from 1 January 2017, reflecting the implementation of the EU Audit Regulation and Directive. The updated policy increases the scope of prohibited non-audit services, particularly in respect of tax services. The policy also requires prior approval by the Committee for all non-audit services, other than services which are considered to be clearly trivial, which the Committee has defined as being services with fees of not more than \$25,000.

A breakdown of the audit and non-audit fees is disclosed in Note 7 to the financial statements. The Company's external auditor, PwC, has provided non-audit services (excluding audit-related services) which amounted to \$0.2 million, or 11% of the fees for audit and audit-related services. This mainly related to assurance services in respect of the Group's sustainability reporting and tax services. In general, where the external auditor is selected to provide non-audit services it is because they are considered to have specific expertise or experience in the relevant area which means they are the most suitable provider of those services. The Committee has reviewed the level of these services in the course of the year and is confident that the objectivity and independence of the auditor is not impaired by reason of such non-audit work.

The external auditor provides a report to the Committee at least once a year, setting out its firm's policies and procedures for maintaining its independence.

The Committee considers that PwC remained independent and objective throughout 2016.

## INTERNAL AUDIT

#### Q What are your main activities in relation to Internal Audit?

The Committee monitors and reviews the effectiveness of the Group's Internal Audit function. The Head of Internal Audit reports directly to the Committee and meets with us without management present at least once a year.

The Committee reviews and approves Internal Audit's plan of work for the coming year, including the department's budget, head count and other resources. We make sure there are sufficient resources in the plan to allow for special reviews which may be required during the year.

We also monitor the resources available to the Internal Audit team to make sure it has the right mix of skills and experience. Internal Audit utilises a mix of permanent team members, temporary secondees from elsewhere in the Group and third parties, particularly for areas such as IT-related reviews. We're particularly keen on ensuring the team has the right level of

mining technical expertise to be able to deliver highly effective operating reviews.

Internal Audit presents summaries of the key findings from the reviews conducted during the year to the Committee. All Internal Audit reports are distributed to the Committee members once they have been finalised.

The Committee monitors the interaction between Internal Audit and PwC, to ensure an efficient relationship between the internal and external audit processes, avoiding duplication of work, and ensuring the effective and timely sharing of findings.

## RISK MANAGEMENT AND INTERNAL CONTROL

#### Q What are the Committee's responsibilities for risk management and internal control?

We play an important role in assisting the Board with its responsibilities in respect of risk management and related controls. The Board has ultimate responsibility for overseeing the Group's principal risks, as well as for maintaining control systems. Our internal control systems are designed to identify and manage, rather than eliminate, the risk of failure to achieve our business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Committee assists the Board with its assessment of the Group's principal risks and its review of the effectiveness of the risk management process.

#### Q What were the Committee's main activities during the year relating to risk?

The risk management function presents to the Committee several times during the year, covering developments in the Group's risk management processes and Group-level strategic risks.

The General Managers of the Group's operations also present to the Committee at least once a year, covering their assessment of their operation's key potential risks and any significant materialised risks. The analysis of key risks includes an assessment of the significance of the risks based on the probability of the risk materialising and the potential economic impact of the

risk, as well as an evaluation of the quality of the controls in place in respect of those specific risks. We also look at whether those risks have been increasing or decreasing in significance. The General Managers present their forecast of any expected change in key risks over the coming 12 months. If there is a specific issue at one of the operations that requires more detailed understanding, we will ask the General Manager to attend the next meeting to discuss that issue. I find this direct interaction between the Committee and the General Managers extremely valuable – not only in terms of the direct insight into each operation it affords the Committee, but also in allowing us to convey the importance we attach to strong risk management processes.

The Committee also reviewed the implementation of the Group's standard risk management processes at Zaldívar during the year.

### Q How does the Committee interact with the Board and other Committees?

I report to the Board following each Committee meeting, summarising the main matters reviewed by the Committee. These regular reports allow Directors to understand the main issues being considered by the Committee, and, when relevant, to discuss these matters in more detail with the Board.

The Risk Management function also presents directly to the Board, providing updates of the analysis of the Group's key risks and relevant developments in the risk management and compliance processes. However, we try to ensure that the review of risk by the Board is not compartmentalised into isolated sessions, but permeates everything that the Board considers. So the operating update which the CEO provides to the Board at each meeting covers any significant materialised risks, and all proposals which are presented to the Board incorporate an analysis of the principal risks relevant to the proposal.

These processes have assisted the Board in carrying out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and to assess the acceptability of the level of risks that arise from the Group's operations and development activities. Each year the Board, with the support of the Committee, reviews the effectiveness of the

Further information relating to the Group's key risks and risk management processes are given in the Risk Management section of the Strategic Report on pages 20 to 27.

Group's risk management and internal control systems. The review covers all material controls, including financial, operating and compliance controls. No significant failures or weaknesses were identified as a result of this review during 2016.

As I explained earlier, from the start of 2017 we now have members of the Audit and Risk Committee participating on the Projects Committee and the Sustainability and Stakeholder Management Committee, which allows close co-ordination between these committees.

## COMPLIANCE

### Q What are the Committee's responsibilities relating to compliance?

We ensure that appropriate compliance policies and procedures are observed throughout the Group. The Group's Risk Management function makes regular presentations to the Committee covering developments in the Group's compliance processes and significant compliance issues.

Chilean law requires the Group to appoint a Crime Prevention Officer. The Committee is responsible for making recommendations to the Board in respect of the appointment of the Crime Prevention Officer, and generally monitors and oversees the

performance of the role. The Crime Prevention Officer is currently Alfredo Atucha, the Vice President of Finance and Administration. The Committee receives reports from the Risk Management function in respect of the Group's Crime Prevention Model, in accordance with Chilean anti-corruption legislation.

### Q What were your main activities during the year in respect of compliance?

We reviewed the Group's whistleblowing arrangements, which enable staff and contractors to raise concerns in confidence about possible improprieties or non-compliance with the Group's Code of Ethics. This is an important facility to allow any potential issues to be raised. We received regular reports on any reported whistleblowing incidents, which detail the number and type of incidents, along with details of the most significant ones and the actions resulting from their investigation.

The Committee reviewed updates to the conflict of interest declarations by the Group's employees and suppliers, including details of the types of potential conflicts being declared. We also reviewed the analysis of suppliers who are Politically Exposed Persons, (ie individuals who hold prominent public positions).

We also reviewed the Group's policies and procedures relevant to the requirements of the UK Modern Slavery Act.

As with the risk management processes noted above, we reviewed the implementation of the Group's standard compliance processes at Zaldívar during the year.

**OLLIE OLIVEIRA**  
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

## AUDIT AND RISK COMMITTEE, BOARD AND RISK MANAGEMENT FUNCTION INTERACTION

### BOARD

Chairman of the Audit and Risk Committee reports to the Board following each Committee meeting, allowing a wider discussion of the risk and compliance issues reviewed in detail by the Committee

### AUDIT AND RISK COMMITTEE

The Committee supports the Board in its review of the effectiveness of the Group's risk management and internal control systems

### GENERAL MANAGERS OF THE OPERATIONS

The General Managers give detailed presentations to the Committee at least once a year including each operation's key risks and materialised risks

The Risk Management Function provides regular presentations covering changes in the Group's key risks, major materialised risks, and updates on the risk management and compliance processes

### RISK MANAGEMENT FUNCTION

There are detailed presentations at each Committee meeting covering the risk management process, details of significant whistleblowing reports, and updates in respect of compliance processes and activities

# COMMITMENT TO STAKEHOLDERS

## VIVIANNE BLANLOT, CHAIRMAN

DURING 2016 THE SUSTAINABILITY AND STAKEHOLDER MANAGEMENT COMMITTEE OVERSAW THE DESIGN AND IMPLEMENTATION OF STRATEGIES TO STRENGTHEN THE GROUP'S SAFETY, ENVIRONMENTAL AND COMMUNITY RELATIONS PERFORMANCE, WHILE MONITORING THE GROUP'S RESPONSE TO CHALLENGES FACED DURING THE YEAR.



### 2016 MEMBERSHIP AND MEETING ATTENDANCE

	NUMBER ATTENDED
Ramón Jara (Chairman)	4/4
Juan Claro	4/4
Vivianne Blanlot	4/4
Tim Baker	4/4

- Other regular attendees include the Group CEO, the Vice President of Corporate Affairs and Sustainability and the Secretary to the Board.
- Effective 1 January 2017, Ramón Jara and Tim Baker rotated off the Committee, Vivianne Blanlot assumed the Committee Chairmanship, and William Hayes and Jorge Bande joined the Committee.
- The Committee meets as necessary and at least twice per year.

### KEY ACTIVITIES IN 2016

#### POLICIES AND COMMITMENTS

- Confirmed the role and objectives of the Committee and updated its responsibilities as part of the annual review of its terms of reference.
- Reviewed and approved the 2016 Antofagasta Minerals Sustainability Report.
- Reviewed sustainability aspects of the Group's development projects at Los Pelambres and Centinela.

#### SAFETY AND HEALTH

- Reviewed the Group's safety and health strategy including external consultants' recommendations and accident reports.
- Followed up on committed actions to prevent recurrence.

#### COMMUNITY RELATIONS

- Oversaw the process for entering into agreements with the local communities at Los Pelambres.
- Oversaw the implementation of a community relations strategy for the Group's mining and transport operating companies in the north of Chile.
- Reviewed the Group's expenditure relating to social plans.

#### ENVIRONMENT

- Reviewed the Group's environmental compliance.
- Evaluated environmental risks and mitigating actions.
- Oversaw the process by which Antofagasta Minerals is fulfilling commitments made to the ICMM.

### Q What is the main function of the Sustainability and Stakeholder Management Committee?

The Committee assists the Board in the stewardship of the Group's social responsibility programmes and makes recommendations to the Board to ensure that ethical, safety and health, environmental, social and community considerations are taken into account in the Board's deliberations.

The Committee provides guidance to the Board in relation to sustainability matters generally, reviewing and updating the Group's framework of strategies and policies, (including safety and health, environmental, climate change, human rights, community and other stakeholder issues), and monitoring and reviewing the Group's performance in respect of sustainability matters, indicators and targets.

During 2016, the Committee reviewed and updated its terms of reference, adding climate change as an area of responsibility and clarifying the interconnection between sustainability and stakeholder management risks and the risk oversight function performed by the Audit and Risk Committee.

### Q What achievements did the Committee oversee during 2016?

We have overseen and promoted significant improvements in the Group's strategies and systems to improve the Group's safety, environmental and community relations performance. These improvements have been demonstrated by the milestones that were achieved during 2016, including the Group's admission as a full member of the ICMM, reaching an agreement with the local communities at Los Pelambres and implementing a new community relations programme (Somos Choapa) at Los Pelambres.

### Q What were the biggest failures?

Two people died at the Group's operations during the year. The Group's stated objective is to ensure that there are no fatalities. The Committee oversaw the appointment of internationally-renowned consultants, SAFEmap, to review the mining division's safety strategy. This involved a safety culture survey answered by over 2,600 employees and contractors. SAFEmap's recommendations were reviewed by the Committee and the Board and action plans were developed to close the gaps that were identified.

We must be resolute in our efforts to ensure that a safety culture is, and continues to be, embedded in everything that the Group does.

### Q Significant progress has been made in relation to community relations at Los Pelambres. What about elsewhere in the Group?

The future of our operating companies depends on committed and sustained collaboration between local communities, local, regional and national government and the Group. During 2016, the Committee oversaw the implementation of a new community engagement model, based on the Somos Choapa model deployed at Los Pelambres, at the other mining operating companies and transport division in the north of Chile. The model fosters close engagement with local communities and authorities to jointly identify challenges, opportunities and solutions.

The Committee also oversaw progress in the implementation of commitments made as part of the Somos Choapa programme at Los Pelambres, which included the endorsement of the development of a technical training centre at Los Vilos, in partnership with a local technical education provider.

### Q What trends did the Committee observe in 2016?

Several events in 2016 highlighted the increased importance of careful environmental management.

In October 2016, the Environmental Authority (SMA) brought nine charges based on inspections conducted at Los Pelambres in 2014-2015 and other activities being undertaken in respect of third parties. Los Pelambres remains committed to full compliance and is working to address these changes.

In November 2016, a compliance programme was proposed for the Los Pelambres Incremental Expansion, which in its final form should address all material issues that might create a risk of non-compliance in the future.

### Q What are the Committee's three main priorities in 2017?

- Our number one priority is the safety of our employees and contractors. The steps taken to close the gaps identified in SAFEmap's review of the mining group's safety strategy will be carefully monitored.
- The Committee will continue to oversee the implementation of commitments made to the new community relations model in the north of Chile and as part of the Somos Choapa programme at Los Pelambres.
- The Committee has asked management to strengthen the Group's environmental compliance monitoring system by appointing a third party to perform an external review with the aim of taking compliance to a level of excellence.

**VIVIANNE BLANLOT**  
CHAIRMAN OF THE  
SUSTAINABILITY  
AND STAKEHOLDER  
MANAGEMENT COMMITTEE

**+** For details of the Group's sustainability performance in 2016, see the Sustainability Report on pages 52 to 59.

**+** The Antofagasta Minerals Sustainability Report provides further information about its social and environmental performance. It is available on the Company's website at [www.antofagasta.co.uk](http://www.antofagasta.co.uk) from May 2017.

# RIGOROUS PROJECT REVIEW

## // OLLIE OLIVEIRA, CHAIRMAN

THE PROJECTS COMMITTEE PROVIDES OVERSIGHT AND CHALLENGE, AND OBJECTIVELY BENCHMARKS THE GROUP'S PROJECTS TO ENSURE THAT INVESTMENT DECISIONS SUBMITTED TO THE BOARD HAVE BEEN THOROUGHLY TESTED



### 2016 MEMBERSHIP AND MEETING ATTENDANCE

	NUMBER ATTENDED
Ollie Oliveira (Chairman)	5/5
Jorge Bande	5/5
Tim Baker	5/5

- Other regular attendees include the Group CEO, Corporate Project Manager, Project Control Manager and Secretary to the Board
- Effective 1 January 2017, Ramón Jara joined the Projects Committee.
- The Committee meets as necessary and at least twice per year.

### KEY ACTIVITIES IN 2016

#### POLICIES AND COMMITMENTS

- Confirmed the role, responsibilities and objectives of the Committee as part of the annual review of its terms of reference.
- Reviewed updates to the Asset Delivery System ("ADS") and its application to the Group's mining projects.
- Reviewed the Group's mining projects portfolio.
- Reviewed Centinela's long-term plan and productivity.

#### PROJECTS IN STUDY/EXECUTION PHASE

- Reviewed progress in relation to the Los Pelambres Incremental Expansion project.
- Reviewed the Centinela Second Concentrator project.

#### PROJECT COMMISSIONING

- Reviewed Antucoya's commissioning progress and challenges, and actions taken.

#### LESSONS LEARNED FROM PROJECTS

- Reviewed lessons learned from the Esperanza and Centinela debottlenecking projects and evaluated Centinela's tailings management system.

### Q What is the main function of the Projects Committee?

The Committee reviews all aspects of projects to be submitted to the Board for approval, highlighting key matters for the Board's consideration throughout the project lifecycle and making recommendations to management to ensure that all projects submitted to the Board are in line with the Group's strategy.

The Committee adds an important level of governance and control for the evaluation of the Group's projects, and plays a key role in providing the Board with additional oversight of the projects portfolio, development proposals, milestones and performance against key indicators.

### Q What is the balance between decisions made by the Projects Committee and decisions made by the Board?

The Committee is not responsible for approving projects – that is for the Board to decide. Our role is to assist the Board by ensuring that all the Group's projects follow a standard, structured process with consistent analysis, execution and evaluation practices. As part of its review, the Committee invites management to consider different perspectives, ideas and improvements, with the aim of fostering focused discussion within the Board and, ultimately, enhancing the value of the Group's projects.

### Q What tools does the Committee use to assist with benchmarking?

The Committee provides guidance to the project managers leading each individual project and to the Board from the early stages of project planning, to ensure that policies, strategies, and the Group's standard implementation framework are applied to all projects. The use of the Group's ADS framework is an essential component of this.

ADS uses processes and practices commonly utilised in the mining industry for project management from conception to execution. It defines standards and common criteria, including governance by a steering committee, functional quality assurance reviews and risk management.

During 2016, the Committee reviewed and endorsed enhancements to the ADS framework, including front-end loading deliverables:

- making comparisons with industry systems and assessing alignment with best practices;
- the project control and reporting system;
- the project accounting start-up point policy (which clarifies treatment of revenues generated during the start-up period); and
- Board and Committee involvement in the ADS stage gate process.

### Q What were the key activities of the Committee in 2016?

The Committee reviewed project proposals against flat-price sensitivities, execution milestones and key performance indicators, and provided guidance when there was evidence of a deviation in costs or schedule from the plans approved by the Board.

The Committee considered the drop in commodity prices and reviewed the Group's mining projects portfolio with the objective of maximising cash preservation in 2016. It endorsed a spending reduction for the Encuentro Oxides and Molybdenum Plant projects (which are currently in the execution phase) by reducing the rate and intensity of construction.

When necessary, the Committee will also commission reviews of specific matters by external advisers.

The Committee reviewed progress in relation to the Los Pelambres Incremental Expansion Project, including an analysis of project management organisation, an evaluation of comminution technology alternatives and a review of the tailings dam capacity studies.

The Committee also reviewed Centinela's Second Concentrator project, including a detailed analysis of grinding technology alternatives. It also reviewed Centinela's long-term plan and productivity effects.

As explained on page 80, the Committee visited the Group's projects during the year and met management and employees to understand the precise stage of development (including projects in the study phase and construction phase) and the specific issues relevant to individuals working at the site.

### Q What does the Committee do to ensure continuous improvement?

The Committee reviews close-out reports to derive lessons learned that will be applied to future projects. In 2016, the Committee reviewed the lessons learned from the Antucoya project. In particular, it reviewed a cost reconciliation of the project, and identified that project economics should capture all costs involved. The Committee ensured that future projects' submissions for approval should include the cost of studies, project execution, commissioning, accumulated interest, working capital and related items in order to present a full picture of the funding required.

The Committee also reviewed lessons learned from the construction of Esperanza and the Centinela debottlenecking project and evaluated the investment in Centinela's tailings management system.

### Q What are the Committee's priorities in 2017?

- To play a key role in reviewing the commissioning and ramp-up of the Encuentro Oxides and Molybdenum Plant projects.
- To carefully assess progress of studies of the Los Pelambres Incremental Expansion and Centinela Second Concentrator projects, particularly with respect to critical path items, such as the necessary Environmental Impact Studies.
- To review Zaldivar's and the transport division's projects.
- To continue to review and further enhance the ADS framework.

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### OLLIE OLIVEIRA CHAIRMAN OF THE PROJECTS COMMITTEE

# ENCOURAGING THE RIGHT BEHAVIOURS



**TIM BAKER, CHAIRMAN**

AS A COMMITTEE, OUR OBJECTIVES FOR 2017 ARE THE SAME AS FOR THE REST OF THE GROUP – TO REDUCE COSTS SUSTAINABLY, PRODUCE PROFITABLE TONNES AND DELIVER POSITIVE FREE CASH FLOW THROUGHOUT THE CYCLE

Dear Shareholder,

## Q What is the function of the Remuneration and Talent Management Committee?

The Remuneration and Talent Management Committee is responsible for ensuring that the Group's remuneration arrangements promote effective execution of the Group's strategy and enable the recruitment, motivation, retention and development of talent.

The Committee is responsible for preparing the Directors' Remuneration Policy and reviewing the remuneration of any Executive Directors (although there are currently none and none are expected to be appointed). The Board comprises solely of Non-Executive Directors as explained by the Chairman on page 68. The Committee also reviews and approves the remuneration of the Chairman and the Group CEO, and determines the performance-related elements of the Group CEO's compensation.

Remuneration for members of the Executive Committee, including awards granted under the long-term incentive plan (LTIP) and annual bonus plan (Annual Bonus Plan), is proposed to the Committee by the Group CEO for approval.

Awards under both the LTIP and the Annual Bonus Plan are subject to performance against financial and non-financial metrics and take into account the interests

of the Group's stakeholders. The Committee reviews these metrics at the beginning of the year and, if necessary, recommends amendments before approving the metrics (in the case of the LTIP) or recommending the metrics to the Board for approval (in the case of the Annual Bonus Plan).

The Committee also reviews succession plans for members of the Executive Committee, assessing any changes in compensation policies across the Group that may have a significant long-term impact on labour costs, and oversees compensation and talent management strategies for the Group as a whole.

## Q What were the areas of focus for the Committee in 2016?

The Committee reviewed the principles and application of the 2014 Directors' Remuneration Policy, resulting in the development of the 2017 Directors' Remuneration Policy, which is set out on pages 112 to 114. Shareholders are invited to vote on this policy at the 2017 AGM.

At the management level, the Committee reviewed Diego Hernández's performance against the performance criteria that applied to the Strategic Awards that he received in 2015. These criteria are set out on page 108 and primarily relate to the successful implementation of a succession plan allowing for the transition of the role of Group CEO to Iván Arriagada

(whose pay arrangements were also reviewed during the year).

The Committee also oversaw the functional simplification programme implemented during 2016. The programme centralised certain functions that support our mining operations (including finance, human resources, legal and external affairs and sustainability) in the locations most appropriate for supporting the Group's portfolio of operations.

Finally, the Committee considered the progress made in attaining the Group's strategic performance targets for the year and how this impacted executive remuneration. As reported by the Chairman in his introduction to this year's Annual Report, good progress was made during 2016 as demonstrated by the reduction in costs and increase in production as the full impact from the new mining operations in our portfolio flowed through. As a result, the Group's performance score for 2016 under the Annual Bonus Plan, which forms the basis for calculating 70% of the Group CEO's and Executive Committee's annual bonus, was determined to be 99.7 within a range of 90 (Threshold) – 110 (Maximum).

## Q How does the 2017 Directors' Remuneration Policy differ from the 2014 policy?

There is very little change between the two policies. The main difference is that the 2017 policy does not include a recruitment policy for Executive Directors. As

noted on page 68, the Board does not currently have an Executive Director and does not anticipate a new appointment during the 2017-2020 policy period.

Further details of the minor differences between the 2014 and 2017 policies are set out within the 2017 Directors' Remuneration Policy itself on page 112.

## Q Did the Committee apply discretion to adjust remuneration outcomes during the year?

No discretion has been applied to remuneration outcomes for any payments to Directors or the Group CEO during the year.

## Q What information about executive pay is being provided in this 2016 Remuneration Report?

We feel it is important to embrace the broad governance requirements of the UK regime, so voluntarily continue to report the Group CEO's remuneration as if he were a member of the Board. We also provide detailed information relating to the structure and components of the other Executive Committee members' remuneration. As explained on page 68, the Committee needs to consider the market conditions and remuneration structures available in Chile when setting executive remuneration and some elements of the Group's LTIP may therefore differ slightly from arrangements that would typically be expected for a UK-based CEO and management team.

### Q Have any changes been made to the fees payable to Non-Executive Directors in 2017?

The sole change is the introduction of a separate fee for the Senior Independent Director. The Committee works with remuneration consultants to review Non-Executive Directors' remuneration against relevant markets and makes recommendations to the Board based on those results. The remuneration of Non-Executive Directors is determined by the Board as a whole and no Non-Executive Director participates in the determination of his or her own remuneration.

Fee levels for the Non-Executive Directors have remained unchanged since 2012 and will remain unchanged in 2017 except for the Senior Independent Director fee of \$20,000 pa. This fee is in accordance with the 2014 Directors' Remuneration Policy and provides recognition of the additional time commitment and responsibilities attached to the role.

### Q What arrangement does the Committee have in place with remuneration consultants?

During the year, the Committee reappointed remuneration consultants Willis Towers Watson to provide advice to the Committee. In past years Willis Towers Watson has provided the Committee with useful advice on such matters as compensation benchmarking, new legislative requirements and market practice.

Willis Towers Watson is a widely-recognised independent global professional services firm that is a signatory to, and adheres to, the Code of Conduct for Remuneration Committee Consultants. This can be found at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com).

The Committee is satisfied that the advice provided by Willis Towers Watson in 2016 was objective and independent, that no conflict of interest arose as a result of these

services and that it had no other connection with the Company. Willis Towers Watson's fees for this work were charged in accordance with normal billing practices and amounted to £93,848.

The Committee also re-appointed the Company's legal advisers, Clifford Chance LLP, to provide advice on the operation of the Group's LTIP and other compensation-related legal issues during 2016. This re-appointment was also based on the Committee's satisfaction with advice received in previous years.

The Committee Chairman and the Committee as a whole regularly speak with these advisers without management present, to provide a forum for open discussion and the sharing of views and opinions on compensation issues. Additionally, part of each Committee meeting is held without management present to ensure that individual views or areas of concern are debated between the Committee members as necessary.

The Committee also received assistance from the Chairman, the Group CEO, the Vice President of Human Resources and the Company Secretary during 2016, none of whom participated in discussions relating to their own remuneration.

### Q What role does the Committee play in talent management and succession planning?

Talent management and succession planning enable the Group to adapt to the challenges and changes that arise over the copper price cycle. Under the agreed succession planning policy, when a key management position becomes vacant a replacement will first be sought from within the Group, taking into account the succession plan agreed for that position. In 2016, the appointment of Iván Arriagada as Group CEO was an internal appointment in accordance with this policy.

In the event that candidates are being considered for a role that reports into the Group CEO, the Committee Chairman participates in the interview process to ensure that the candidate receives input on, and is capable of meeting, the Board's expectations.

We encourage and review progress in the development and internal promotion of professional talent and the movement of that talent between the Group's operations and closely monitor and encourage the development of high potential employees.

### Q What are the key objectives for the Committee in 2017?

The Committee's objectives for 2017, as with the rest of the Group, are to reduce costs sustainably, produce profitable tonnes and deliver positive free cash flow throughout the cycle. In order to ensure that these objectives are met, the Committee has commissioned a thorough review of the Group's variable remuneration models in 2017.

As set out on page 74, the Committee will also oversee the activities of the culture committee, update the talent management programme and oversee labour union negotiations at Centinela and Zaldívar.

Shareholders are invited to vote on the 2017 Directors' Remuneration Policy and on the 2016 Remuneration Report and it is hoped that there will be continued support for the Group's pay arrangements.

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### TIM BAKER CHAIRMAN OF THE REMUNERATION AND TALENT MANAGEMENT COMMITTEE

## 2016 MEMBERSHIP AND MEETING ATTENDANCE

	NUMBER ATTENDED
Tim Baker (Chairman)	9/9
William Hayes <sup>1</sup>	8/9
Ollie Oliveira	9/9

1. William Hayes was unable to attend one meeting due to aircraft delay. This meeting was not included in the schedule of planned meetings at the beginning of the year.
- Other regular attendees include the Group CEO, Vice President of Human Resources, Company Secretary and Secretary to the Board.
  - Effective 1 January 2017, William Hayes and Ollie Oliveira rotated off the Committee and Vivianne Blanlot and Francisca Castro joined the Committee.
  - Mrs Blanlot and Mrs Castro received briefings on the UK remuneration reporting regulations and Corporate Governance Code as part of the induction process following their appointments as Directors and will undertake further specific technical briefings in 2017.
  - The Committee meets as necessary and at least twice per year.
  - All Committee members are independent.

## KEY ACTIVITIES IN 2016

### DIRECTORS' REMUNERATION

- Evaluated Chairman, Director and Committee fees, recommending to the Board that all fees remain unchanged except for a new separate fee payable to the Senior Independent Director.
- Reviewed the Company's 2015 Remuneration Report prior to its approval by the Board and subsequent approval by shareholders at the 2016 AGM.

### EXECUTIVE REMUNERATION

- Determined Iván Arriagada's remuneration on his appointment to the role of Group CEO.
- Evaluated the performance of the Group CEO and determined variable compensation payable under the 2015 Annual Bonus Plan and Strategic Awards.
- Reviewed the structure of the Group's Annual Bonus Plan and LTIP and recommended minor changes to the Board for approval.
- Reviewed LTIP eligibility, participants and performance against set criteria and approved the vesting of awards.
- Analysed Group performance against the 2016 Annual Bonus Plan and performance metrics to apply to the 2017 Annual Bonus Plan.
- Reviewed and approved the performance of the members of the Executive Committee under the 2015 Annual Bonus Plan.

### GROUP PAY STRUCTURES

- Oversaw implementation of the functional simplification programme which involved the centralisation of support functions.
- Reviewed compensation across the Group to ensure that it remains competitive, motivating and appropriately aligned with the Group's performance and strategy.

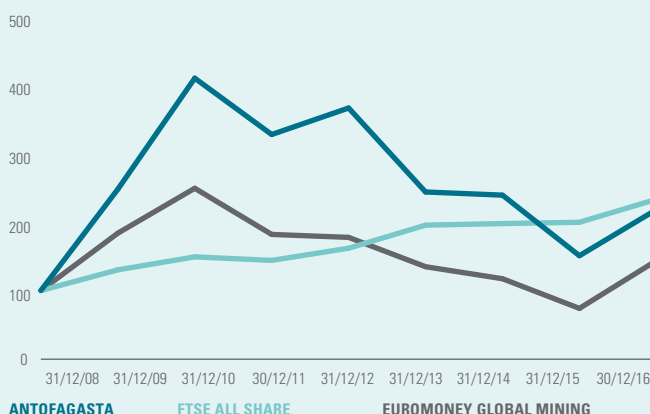
### TALENT MANAGEMENT AND SUCCESSION PLANNING

- Oversaw transition arrangements relating to the implementation of the succession plan for the Group CEO.
- Reviewed the application of the Group's talent management and succession planning policies, including further development of the graduate trainee programme.

## REMUNERATION AT A GLANCE

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## COMPANY SHARE PRICE PERFORMANCE



ANTOFAGASTA FTSE ALL SHARE EUROMONEY GLOBAL MINING

Source: Datastream.

The calculation metrics are set out on page 110.

## GROUP CEO 2017 POTENTIAL TOTAL REMUNERATION

<b>MAXIMUM</b>	43%	43%	14%	\$1.366m
<b>TARGET</b>	55%	27%	18%	\$1.074m
<b>MINIMUM</b>	100%			\$0.592m

FIXED ELEMENTS ANNUAL VARIABLE ELEMENTS LONG-TERM VARIABLE ELEMENTS

Figures are based on the assumptions set out in detail on page 109.

## 2014 REMUNERATION POLICY

# SUMMARY OF 2014 DIRECTORS' REMUNERATION POLICY

The 2014 Directors' Remuneration Policy was approved by shareholders at the AGM held on 21 May 2014 and took effect from that date. The summary policy table below is provided for reference, and covers elements of the policy that apply to all Directors. It does not formally form part of the Remuneration Report and has not been separated into elements relating to the role of Executive Chairman and Non-Executive Director following Jean-Paul Luksic's re-designation as Non-Executive Chairman in 2014.

The full Remuneration Policy approved by shareholders at the 2014 AGM can be found in the Remuneration and Talent Management section of the Company's website at [www.antofagasta.co.uk/investors/corporate-governance/board-committees](http://www.antofagasta.co.uk/investors/corporate-governance/board-committees).

The Company's policy is to ensure that Directors are fairly rewarded with regard to their responsibilities, and to consider comparable pay levels and structures in the UK and Chile, and in the international mining industry. Remuneration levels for Directors are reviewed annually in comparison with companies of a similar nature, size and complexity and take into account the specific responsibilities undertaken and the structure of the Board.

	PURPOSE	OPERATION	MAXIMUM OPPORTUNITY
<b>Fees</b>	To attract and retain high-calibre, experienced Non-Executive Directors by offering globally competitive fee levels.	Fees are reviewed annually and the competitiveness of total fees is assessed against companies of a similar nature, size and complexity. Non-Executive Directors receive a base fee for services to Antofagasta plc's Board, as well as additional fees for chairing or serving as a member of any of the Board's committees. Separate base fees are paid for services to the Antofagasta Minerals Board (all Non-Executive Directors are members of both boards), and for being directors of subsidiary companies and joint venture companies within the Group. Ramón Jara also receives a base fee for services provided to Antofagasta Minerals (pursuant to a separate service contract). Fee levels are denominated in US dollars. The Committee may determine fee levels and/or pay fees in any other currency if deemed necessary, or appropriate.	In normal circumstances, the maximum annual fee increase will be 7%. However, the Committee has discretion to exceed this in exceptional circumstances, for example: <ul style="list-style-type: none"> <li>– if there is a sustained period of high inflation;</li> <li>– if fees are out of line with the market; and/or</li> <li>– if fees for chairing or serving as a member of any of the Board's committees are out of line with the market.</li> </ul> Any increases will take into account the factors described under "operation" and will not be excessive. Fee levels for additional roles within the Antofagasta Group are based on the needs and time commitment expected and may be determined and/or paid in a combination of currencies, including US dollars and Chilean pesos. Fees will also be increased to take account of Chilean inflation and may be reported as an increase or decrease as a result of the exchange rate impact of Chilean peso-denominated fees, given all amounts in this report are reported in US dollars.
<b>Variable remuneration</b>	Given the non-executive composition of the Board, there are no arrangements for Directors to acquire benefits through the acquisition of shares in the Company or any of its subsidiary undertakings, to benefit through performance-related pay or to participate in long-term incentive schemes. The Corporate Governance Code states that remuneration for Non-Executive Directors should not include share options or other performance-related elements.		
<b>Benefits</b>	To provide appropriate benefits required in the performance of the duties of Non-Executive Directors.	Benefits include the provision of life, accident and health insurance. The Committee retains the discretion to provide additional insurance benefits in accordance with Company policy, should this be deemed necessary.	In normal circumstances, the maximum value of benefits will be \$22,000. However, the Committee has discretion to exceed this should the underlying cost of providing the pre-existing benefits increase, or if additional benefits are provided and are deemed appropriate.
<b>Pension</b>	No Director receives pension contributions. The Corporate Governance Code considers that the participation by a Non-Executive Director in a company's pension scheme could potentially affect the independence of that Non-Executive Director.		

As Directors do not receive variable remuneration, there are no provisions in place to recover sums paid or withhold payments.

No Executive Directors were appointed, or served, on the Board in 2016.

# 2016 REMUNERATION REPORT

## STATEMENT OF SHAREHOLDER VOTING

The table below shows the voting results on the 2014 Directors' Remuneration Policy at the 2014 AGM and on the Company's 2015 Remuneration Report at the 2016 AGM:

### RESOLUTION TO APPROVE THE 2014 DIRECTORS' REMUNERATION POLICY

Votes for	965,357,216
	91.8%
Votes against	86,053,542
	8.2%
Votes cast as a percentage of Issued Share Capital	88.7%
Votes withheld	1,350,645

### RESOLUTION TO APPROVE THE COMPANY'S 2015 REMUNERATION REPORT

Votes for	1,052,359,607
	99.89%
Votes against	1,138,173
	0.11%
Votes cast as a percentage of Issued Share Capital	88.84%
Votes withheld	61,608

The considerable vote in favour of the 2014 Directors' Remuneration Policy and the Company's 2015 Remuneration Report confirms the strong support the Group has received from shareholders for the Group's remuneration arrangements in recent years.

## IMPLEMENTATION OF THE DIRECTORS' REMUNERATION POLICY IN 2016

### CHAIRMAN

Mr Jean-Paul Luksic was appointed Executive Chairman in 2004 and was re-designated as Non-Executive Chairman in 2014. Mr Luksic's total 2016 fee was \$1,000,000, comprising, for his services as Chairman of the Board: \$730,000 per annum, Chairman of the Nomination and Governance Committee: \$10,000 per annum, and Chairman of the Antofagasta Minerals board: \$260,000 per annum.

Since the last policy review in 2014, this reflects a decrease of 61%, reflecting his role change from Executive to Non-Executive and his continuing responsibility, experience and time commitment to the role.

### SENIOR INDEPENDENT DIRECTOR

Ollie Oliveira was appointed Senior Independent Director with effect from 1 September 2016. On 24 January 2017, the Board approved an annual fee of \$20,000 for performing this role in recognition of its importance, and the additional time commitment, which is in line with market practice.

## REMUNERATION REPORTING FRAMEWORK

This Remuneration Report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also describes how the Board has applied the principles of good governance as set out in the Corporate Governance Code.

## NON-EXECUTIVE DIRECTORS

There has been no change to Non-Executive Director fees since 2012. The base Non-Executive Director's fee in respect of the Board remains at \$130,000 per annum. Given the core role which Antofagasta Minerals plays in the management of the mining operations and projects, all Directors also serve as directors of Antofagasta Minerals. The annual fee payable to directors of Antofagasta Minerals remains at \$130,000. Therefore, the combined base fees payable to Non-Executive Directors amounted to \$260,000 per annum.

The Board remains satisfied that the current fee levels and structure are aligned with the Group's international peers and is not recommending any change this year, but will continue to review fee levels from time to time, in accordance with the Remuneration Policy.

In addition to Board fees, Non-Executive Directors also received fees for their participation on Board Committees during the year. In 2016, with the assistance of Willis Towers Watson, the Committee reviewed the fee levels and decided that other than recommending a new annual fee for the Senior Independent Director, the existing Committee fees should remain unchanged, as they have since 2012.

ROLE	ADDITIONAL FEES (\$000)
Senior Independent Director	20 <sup>1</sup>
Audit and Risk Committee Chairman	20
Audit and Risk Committee member	10
Nomination and Governance Committee Chairman	10
Nomination and Governance Committee member	4
Projects Committee Chairman	16
Projects Committee member	10
Remuneration and Talent Management Committee Chairman	16
Remuneration and Talent Management Committee member	10
Sustainability and Stakeholder Management Committee Chairman	16
Sustainability and Stakeholder Management Committee member	10

1. This fee was approved by the Board on 24 January 2017 and took effect from that date.

The 2014 Directors' Remuneration Policy does not allow for the payment of variable remuneration to the Chairman or Non-Executive Directors.

## AUDITED SINGLE FIGURE REMUNERATION TABLE

The remuneration of the Directors and the Group CEO for the year is set out below in US dollars. Unless otherwise noted, amounts paid in Chilean pesos have been converted at the exchange rate on the first day of the month following the date of payment.

Any additional fees payable for membership of subsidiary and joint venture company boards are included within the amounts attributable to the Directors in the table below.

As explained in the Remuneration Policy, Directors do not receive pensions or performance-related pay and are not eligible to participate in the LTIP.

	SALARY/FEES		BENEFITS <sup>5</sup>		ANNUAL BONUS <sup>6</sup>		LTIP <sup>7</sup>		RECRUITMENT AWARDS / STRATEGIC AWARDS		TOTAL	
	2016	2015	2016	2015	2016	2015	2016 <sup>8</sup>	2015 <sup>9</sup>	2016 <sup>10</sup>	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Chairman</b>												
Jean-Paul Luksic	1,000	1,098	14	39	-	-	-	-	-	-	1,014	1,137
<b>Non-Executive Directors</b>												
Ollie Oliveira <sup>1</sup>	299	288	6	14	-	-	-	-	-	-	305	302
Gonzalo Menéndez	260	313	15	77	-	-	-	-	-	-	275	390
Ramón Jara <sup>2</sup>	833	876	20	45	-	-	-	-	-	-	853	921
Juan Claro	270	270	6	21	-	-	-	-	-	-	276	291
Hugo Dryland (retired effective 31 October 2016)	217	260	11	12	-	-	-	-	-	-	228	272
William Hayes	339	342	13	66	-	-	-	-	-	-	352	408
Tim Baker	300	294	7	21	-	-	-	-	-	-	307	315
Andrónico Luksic C	260	260	4	24	-	-	-	-	-	-	264	284
Vivianne Blanlot	270	270	6	12	-	-	-	-	-	-	276	282
Jorge Bande	280	275	4	12	-	-	-	-	-	-	284	287
Francisca Castro (appointed effective November 2016)	43	-	2	-	-	-	-	-	-	-	45	-
<b>Total Board</b>	<b>4,371</b>	<b>4,545</b>	<b>108</b>	<b>343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,479</b>	<b>4,888</b>
<b>Group CEO (not on the Board)</b>												
Diego Hernández <sup>3</sup> (Group CEO until 8 April 2016)	226	847	2	11	117	325	-	528	1,180	734	1,525	2,445
Iván Arriagada <sup>4</sup> (appointed Group CEO 8 April 2016)	417	-	6	-	260	-	60	-	-	-	742	-
<b>Total Group CEO</b>	<b>643</b>	<b>847</b>	<b>8</b>	<b>11</b>	<b>377</b>	<b>325</b>	<b>60</b>	<b>528</b>	<b>1,180</b>	<b>734</b>	<b>2,266</b>	<b>2,445</b>
<b>Grand total</b>	<b>5,013</b>	<b>5,392</b>	<b>116</b>	<b>354</b>	<b>377</b>	<b>325</b>	<b>60</b>	<b>528</b>	<b>1,180</b>	<b>734</b>	<b>6,745</b>	<b>7,333</b>

- From 1 January 2016 until 30 April 2016, fees payable in respect of Ollie Oliveira's service as a Director were paid to Greengrove Capital LLP, a partnership in which Ollie Oliveira was a partner.
- During 2016, remuneration of \$533,000 (2015 - \$524,000) for the provision of services by Ramón Jara was paid to Asesorías Ramón F Jara Ltda. This amount is included in the amounts attributable to Ramón Jara of \$833,000 (2015 - \$876,000).
- Amounts disclosed for Diego Hernández in 2016 relate to (i) the pro rata value of his base salary, benefits and annual bonus from 1 January 2016 until 8 April 2016; and (ii) Strategic Awards that vested on 30 April and 1 August 2016 - after his transition out of the role of Group CEO (as set out in detail on page 107) - and which have not been pro-rated in the single figure table. The LTIP awards granted to Diego Hernández in 2014 which were due to vest on 19 March 2017 were forfeited by Mr Hernández as a condition of entitlement to the Strategic Awards. No pension was payable to Diego Hernández. The benefits expense represents the provision of life and health insurance and does not include taxable benefits relating to expenses.
- The amounts disclosed for 2016 relate to remuneration paid to Iván Arriagada from 8 April 2016, including base salary and benefits and the pro rata value of his annual bonus and LTIP awards vesting in 2016. No pension is payable to Iván Arriagada. The benefits expense represents the provision of life and health insurance and does not include taxable benefits relating to expenses.
- Includes amounts which are deemed by UK tax authorities to be taxable benefits relating largely to the costs of Non-Executive Directors' expenses in attending Board meetings in the UK (including associated hotel and subsistence expenses). Given these expenses are incurred by Directors in the fulfilment of their duties, the Company also pays the tax incurred by Directors on these expenses. These amounts were not disclosed in the 2015 Remuneration Report because the Company was not alerted until after the 2016 Annual General Meeting that these amounts were taxable. The figures for 2015 are higher than for 2016 because there were more meetings in London in 2015 than in 2016 and the 2015 figures include spouse travel costs which did not apply in 2016. Amounts for Jean-Paul Luksic include the provision of life, accident and health insurance. Amounts for Ramón Jara include the provision of accident insurance.
- The annual bonus paid to Diego Hernández in 2015 is reported based on the exchange rate as at 1 April 2015. In the 2015 Remuneration Report a slightly lower figure of \$321,000 was reported, which reflected the anticipated exchange rate at the date the 2015 Remuneration Report was published.
- As explained on page 105, awards granted pursuant to the LTIP are split between Restricted Share Awards and Performance Share Awards. Amounts relating to Restricted Share Awards are reported in the year that they vest. Performance Share Awards are reported in the year that the performance period ends.
- The 2016 amounts payable to Iván Arriagada under the LTIP relate to Restricted Share Awards granted in 2015 that vested in 2016. The amount is the pro rata portion of the payment in relation to the period from 8 April 2016 until 31 December 2016.
- The 2015 amounts payable to Diego Hernández under the LTIP relate to Restricted Share Awards and Performance Share Awards granted in 2013 and to Restricted Share Awards granted in 2012 and 2014. The performance period for Performance Share Awards granted in 2013 concluded on 31 December 2015 and the awards vested on 8 April 2016. This figure is the final amount paid for the entire performance period. In the 2015 Annual Report an estimate was used because the 2013 Performance Share Awards had not yet vested.
- Details of the performance conditions and vesting dates attaching to this award are explained in more detail on page 107.

## DIRECTORS' INTERESTS (AUDITED)

The Directors who held office at 31 December 2016 had the following interests in ordinary shares of the Company:

	ORDINARY SHARES OF 5P EACH	
	31 DECEMBER 2016	1 JANUARY 2016
Jean-Paul Luksic <sup>1</sup>	41,963,110	41,963,110
Ramón Jara <sup>2</sup>	5,260	5,260

1. Jean-Paul Luksic's interest relates to shares held by Aureberg Establishment, an entity that he ultimately controls.
2. Ramón Jara's interest relates to shares held by a close family member.

There have been no changes to the Directors' interests in the shares of the Company between 31 December 2016 and the date of this report.

The Directors had no interests in the shares of the Company during the year other than the interests set out in the table above. No Director had any material interest in any contract (other than a service contract) with the Company or its subsidiary undertakings during the year other than in the ordinary course of business.

## SHAREHOLDING GUIDELINES

The Group does not have shareholding guidelines or requirements for Directors, all of whom are non-executive, or for the Group CEO and Executive Committee members, all of whom are based in Chile.

Chairman Jean-Paul Luksic and Non-Executive Director Andronico Luksic C are members of the Luksic family; members of the Luksic family are interested in the E. Abaroa Foundation which controls the Metalinvest Establishment and Kupferberg Establishment (which, in aggregate, hold approximately 60.66% of the Company's ordinary shares and approximately 94.12% of the Company's preference shares). In addition, Mr Jean-Paul Luksic controls the Severe Studere Foundation which, in turn, controls Aureberg Establishment (which holds approximately 4.26% of the Company's ordinary shares). This creates significant alignment between these members of the Board and shareholders.

Certain senior executives participate in the Group's LTIP, which entitles them to cash-based contingent share awards linked to Antofagasta's share price. Further details of the LTIP are set out on page 105.

The Committee believes that cash-based awards are appropriate because share based awards would be taxable on the date of grant for Chilean employees.

During the period, no Non-Executive Director was eligible for any short-term or long-term incentive awards and no Non-Executive Director owns any shares that have resulted from the achievement of performance conditions.

## LETTERS OF APPOINTMENT

Each Non-Executive Director has a letter of appointment from the Company. The Company has a policy of putting all Directors forward for re-election at each AGM, in accordance with the UK Corporate Governance Code. Under the terms of the letters, if the shareholders do not confirm a Director's appointment, the appointment will terminate with immediate effect. In other circumstances, the appointment may be terminated by either party on one month's written notice.

There is a contract between Antofagasta Minerals and Asesorías Ramón F Jara Ltda dated 2 November 2004 for the provision of advisory services by Ramón Jara. This contract does not have an expiry date but may be terminated by either party on one month's notice. No other Director is party to a service contract with the Group.

## VOLUNTARY DISCLOSURES – EXECUTIVE REMUNERATION

Iván Arriagada is responsible for leading the senior management team and for the executive management of the Group. Members of the Executive Committee report to Mr. Arriagada and are responsible for leading the day-to-day operation of the Group's mining and transport businesses. No member of the Executive Committee, nor the Group CEO, sits on the Board of the Company. Consequently, the following disclosures have been made voluntarily to demonstrate the remuneration arrangements that the Committee believe are appropriate for the Group CEO and the Group's executives including the variable pay mechanisms (Annual Bonus Plans and LTIP) which are designed to motivate the Group CEO and the Group as a whole to effectively implement the Group's strategy.

## REMUNERATION PRINCIPLES

The remuneration arrangements in place for Iván Arriagada and the Executive Committee align remuneration with performance, the Group's strategic objectives and shareholders' interests. Iván Arriagada and each Executive Committee member are eligible to receive a combination of base salary and other benefits, as well as variable remuneration in the form of an annual cash bonus and cash-based contingent awards linked to the Company's share price pursuant to the LTIP.

The performance components of variable remuneration are selected to incentivise the delivery of the Group's strategy, to reward Group and individual performance and to motivate Iván Arriagada and the Executive Committee.

The table on page 110 shows the total remuneration for the Group's CEO over the last eight years. The total remuneration for the Group CEO in 2016 was 7% lower than in 2015.

Iván Arriagada's base salary and potential remuneration are currently significantly lower than they were for Diego Hernández.

The Committee will closely monitor Iván Arriagada's performance and pay arrangements. If the Committee determines that an above-inflation base salary increase is necessary, the Committee will explain the rationale for the increase in the Remuneration Report for the relevant financial year within the voluntary disclosures.

## EXTERNAL APPOINTMENTS

The Board will consider any proposal for an executive to serve as a Non-Executive Director of another company on a case-by-case basis. The Board would carefully consider the time commitments of the proposed role, the industry of the company, whether or not it is a supplier, customer or competitor and whether it would be appropriate for the executive to retain remuneration for the position.

## LEAVING ARRANGEMENTS FOR DIEGO HERNÁNDEZ

Diego Hernández did not receive any payments upon leaving other than the entitlement to one month's base salary for each year of service as envisaged in his employment contract, the details of which have previously been disclosed.

## SALARY AND BENEFITS

The total remuneration paid to Diego Hernández and Iván Arriagada in 2016 in the role of Group CEO was \$2.27 million. Fixed remuneration comprises base salary and benefits, and in 2016 represented less than 29% of total remuneration.

Benefits payable to Diego Hernández and Iván Arriagada reflect amounts paid to maintain life and health insurance policies.

According to Chilean law, all employees are required to pay their own pension and compulsory healthcare contributions. No additional contributions are made by the Group.

Iván Arriagada's total remuneration package is determined by the Committee, taking into account the performance of the Group and his personal performance. The Company also benchmarks each element of his remuneration and his total remuneration package by reference to peers in the FTSE 100 and FTSE mining indices and comparable international mining companies.

## EMPLOYMENT CONTRACT

Iván Arriagada is employed under a contract of employment with Antofagasta Minerals, a subsidiary of the Company. His contract is governed by Chilean labour law. It does not have a fixed term and can be terminated by either party on 30 days' notice in writing. Except in the case of termination for breach of contract or misconduct under the Chilean Labour Code, Iván Arriagada is entitled to receive one month's base salary for each year of service on termination, otherwise no other compensation or benefits are payable on termination of his employment. The salary payable to Iván Arriagada under his employment contract as of 8 April 2016 was Ch\$31,500,814 (\$47,484) per month and his salary is adjusted for inflation in Chile every three months.

Iván Arriagada was appointed Group CEO on 8 April 2016. His total salary payments for 2016 from that date were Ch\$278,182,966 (\$416,856) and, other than adjustments for inflation, there were no other adjustments to his salary in 2016. Under his employment agreement, Iván Arriagada is entitled to 20 working days' paid holiday per year. He is also entitled to life and health insurance.

Because Iván Arriagada's salary is paid in Chilean pesos, it is subject to annual exchange rate movements when reported in US dollars.

## ANNUAL BONUS PLAN

Employees are eligible to receive cash bonuses under the Annual Bonus Plan based on Group and individual performance. The Annual Bonus Plan focuses on the delivery of annual financial and non-financial targets designed to align remuneration with the Group's strategy and create a platform for sustainable future performance. Individual award levels are calibrated at the conclusion of each annual performance period to ensure that performance targets remain stretching and that high or maximum payments under the plan are received only for exceptional performance.

In 2016, the bonus payable to the Group CEO and members of the Executive Committee was 70% attributable to the performance of the Group and 30% to personal performance, according to metrics that were fixed at the beginning of the year.

The bonus payable to the Group CEO for achieving both Group and personal performance targets in 2016 was 50% of annual base salary. The maximum bonus receivable by the Group CEO for achieving stretch performance targets in 2016 was 100% of annual base salary.

The average maximum available bonus for the Executive Committee members under the Annual Bonus Plan, for achieving their maximum individual and Group performance targets, is 70% of base salary. In 2016, the average bonus for the Executive Committee members was approximately 38% of base salary.

The Group performance criteria for the Annual Bonus Plan and the individual performance criteria for the Group CEO are set annually by the Committee. The individual performance criteria for the Executive Committee are set by the Group CEO and reviewed by the Committee.

We have provided greater detail on the Annual Bonus Plan metrics this year, on a voluntary basis, including the outcomes against each of the performance metrics relating to business development and sustainability and organisational capabilities. This is to provide shareholders with even further clarity on the structure of the metrics and reassurance that the metrics are based on stretching performance.

A critical issue for a mining company is the commodity price and we carefully review the impact of changes in this price on our long-term and annual performance targets to ensure there is fair opportunity for achievement under each metric.

## GROUP PERFORMANCE UNDER THE 2016 ANNUAL BONUS PLAN

In 2016, Group performance under the Annual Bonus Plan was as follows. The choice of these criteria, and their respective weightings, reflects the Committee's belief that any incentive compensation should be tied both to the overall performance of the Group and to those areas of the business that the relevant individual can directly influence.

WEIGHTING	OBJECTIVE	MEASURE	2016 THRESHOLD (90)	2016 TARGET (100)	2016 MAXIMUM (110)	2016 OUTCOME	2016 RESULT <sup>1</sup>	
<b>70%</b>	<b>Core Business</b>						<b>100.3</b>	
10%	EBITDA <sup>2</sup>	\$m	1,277	1,419	1,516	1,534	108	
25%	Copper Production <sup>3</sup>	kt	691	735	757	709	94	
30%	Costs							
	Cash costs before by-product credits (24%)	\$/lb	165	155.4	151	154.1	103	
	Corporate Expenditure (6%)	\$m	86	82	78	78	110	
5%	Operating Companies' Capex <sup>4</sup>	Measured according to schedule and budget as described in more detail in the footnotes						92
<b>5%</b>	<b>Business Development</b>						<b>104.0</b>	
3%	Growth Projects' Execution <sup>5</sup>	Measured according to schedule/budget/quality as described in more detail in the footnotes						100
2%	Business Development Savings <sup>6</sup>	Measured according to KPIs and milestones as described in more detail in the footnotes						110
<b>25%</b>	<b>Sustainability and Organisational Capabilities</b>						<b>104.1</b>	
5%	Safety – KPIs, Reporting and Safety Model <sup>7</sup>						107	
5%	People – Productivity, Talent Management <sup>8</sup>	Measured according to KPIs and milestones as described in more detail in the footnotes						105
5%	Environmental Performance <sup>9</sup>						100	
10%	Social Programmes <sup>10</sup>						105	
<b>Total – pre-adjustments</b>							<b>101.4</b>	
	Adjustment for fatality <sup>11</sup>						-1.7	
<b>Total – post-adjustments</b>							<b>99.7</b>	

1. Performance range is 90-110 where 90 = threshold (0% bonus), 100 = target (50% bonus), and 110 = stretch (100% bonus).

2. Mining division only. Net of copper price and exchange rate fluctuations and adjusted for the impact of IFRIC 2016 which results in an outcome of 108, not 110.

3. 100% basis, except for Zaldivar (50%).

4. Measured against the implementation of planned works at each of the Group's mining operations to sustain the mining operations during the year and progress against the budget for the year associated with those works where Threshold is 85% completion of planned works on budget, Target is between 90% and 100% of progress on budget and Maximum is more than 105% of planned works within budget. The weighted outcome for the Group's mining operations was 92.

5. Split between the Encuentro Oxides (1.5%) and Centinela Molybdenum Plant (1.5%). Specific targets based on budgets for costs incurred, capex and PEM date with opportunity for Maximum if capex 5% lower than the 2016 budget. Dates and capex for both projects matched budget with costs incurred slightly below budget for Encuentro Oxides.

6. Split between closing the Brisbane office (1%) – Target 30 June 2016, with Maximum achieved if closed before 1 May 2016 and mining property savings (1%) achieved by consolidating mining properties in high potential areas with a target of discarding 100,000 Ha, with Maximum achieved if 150,000 Ha or more discarded. The Brisbane office closed in April 2016 and 214,000 Ha of mining property was discarded.

7. Split between fatality risk management at the Group's operations (3%) through the implementation of critical controls for fatality risks, as verified by the executive team with responsibility for Sustainability and Corporate Affairs, and performance against global lost time accidents frequency index (1%) and performance in reporting near-miss accidents with high potential (1%). Outcomes were 110 for fatality risk management and reporting of near-miss accidents with high potential and 94.6 for global lost time accidents.

8. Split between the implementation of an action plan for organisational skills analysis and talent upgrade programme (2.5%) with a Target of 31 December 2016 and Maximum if implemented by 30 November 2016, and (2.5%) for implementing permanent productivity improvements at the Group's operations with a Target of a 5% productivity increase for the year to 31 December 2016 and Maximum achieved if the improvement is 10% or more. Outcomes were 105 for both criteria.

9. Split between the control of critical environmental risks (2.5%) with Target of no operating incidents with environmental impact of high potential and Maximum where additional compliance with corrective measures is defined for high potential incidents as reported in 2015/2016, submission of the EIA for the Los Pelambres Incremental Expansion project (1.25%) with a Target submission date of 30 April 2016 and Maximum performance subject to responding to initial comments before 31 December 2016 and improvement of processes to control critical environmental risks (1.25%) with a Target implementation date of 31 December 2016 and Maximum if implemented before 31 October 2016. Outcomes were 104 for the control of critical environmental risks, 100 for submission of the EIA and 90 for the improvement of processes to control critical environmental risks.

10. Split between the control of risks relating to social incidents (3%) performance of certain steps set out in the Somos Choapa programme within budget and reaching an agreement with the Caimanes community to improve social relations at Los Pelambres (4%), and approval of a Social and Communications strategy for the Antofagasta Region, including a work plan by the Sustainability and Stakeholder Management Committee (3%). Outcomes were 104 for the control of risks, 109 for progress on Somos Choapa and the Caimanes agreement and 100 for the Social and Communications strategy.

11. As noted in the Company's 2015 Remuneration Report, stand-alone adjustment triggers apply to the Annual Bonus Plan, which includes a 15% adjustment to the performance score – upwards if there are no fatalities during the year and downwards if there are one or more fatalities during the year. This resulted in an automatic reduction of 1.7 to the final Group performance score (ie 15% of 101.4 – 90).

## IVÁN ARRIAGADA – INDIVIDUAL PERFORMANCE UNDER THE 2016 ANNUAL BONUS PLAN

The Committee, with input from the Board, assessed Iván Arriagada's performance against his individual objectives as 108 (within a range of 90 (Threshold) to 110 (Maximum)) for his individual contribution to the business during the year. This performance score counts towards 30% of his annual bonus. Iván Arriagada's performance against his individual objectives is summarised below:

CATEGORY	PERFORMANCE
Results	Substantially met the key objectives set out by the Board at the beginning of the year: <ul style="list-style-type: none"> <li>- Production guidance for the year was met.</li> <li>- Net cash costs were 20% lower than the previous year.</li> <li>- Centinela thickener issues were resolved and production improved by 7% compared with 2015.</li> <li>- The start-up of Antucoya was in line with guidance.</li> </ul>
Leadership	Strong leadership was demonstrated by: <ul style="list-style-type: none"> <li>- Initiation of processes to drive safety leadership across the Group.</li> <li>- Introduction of an operating excellence programme at the Group's operations, targeting maintenance, planning and execution.</li> <li>- Following through on the cost reduction programmes started in 2015 to deliver measurable savings in 2016.</li> <li>- Development of succession plans and the creation of synergies across the Group's operations.</li> <li>- Successful integration of Zaldívar, with operating improvements now underway.</li> </ul>
Strategic development	Focused on the priorities established by the Board, namely to cut costs and improve performance of the Group's operations, in order to maintain competitiveness in a low copper price environment.
Capital projects	Capital projects progressed on time and on budget.

Based on performance achieved against targets during the 2016 financial year, the Committee determined that Iván Arriagada would receive a bonus payment of \$356,754 for 2016. This figure was determined as follows:

Overall Performance Score	$(70\% \times 99.7) + (30\% \times 108) = 102.19$
Overall Performance Score as a percentage to be applied to the Maximum	$(102.19 - 90) \div 20 = 60.95\%$
Gross Annual Bonus	60.95% of Ch\$386,020,102 (Maximum) = Ch\$235,279,252
In USD using exchange rate of \$1 = Ch\$659.5	\$356,754

As the annual bonus is paid in Chilean pesos, it is subject to annual exchange rate movements when reported in US dollars.

## LONG-TERM INCENTIVE PLAN (LTIP)

The Company introduced the LTIP at the end of 2011. Eligibility to participate in the LTIP is determined by the Committee each year on an individual basis and all members of the Executive Committee currently participate. Awards are normally granted annually. Directors are not eligible to participate.

Under the LTIP, participants are eligible to receive "phantom" share awards (conditional rights to receive a cash payment by reference to a specified number of the Company's ordinary shares), which are paid in cash upon vesting based on the price of the Company's ordinary shares at the time of vesting.

LTIP awards are split between Restricted Share Awards (RSAs) and Performance Share Awards (PSAs). The RSAs vest only if the relevant employee remains employed by the Group on the vesting date. The PSAs vest subject to both the satisfaction of performance conditions and the relevant employee remaining employed by the Group on the vesting date. The same performance criteria apply to all participants in the LTIP and are designed to link business objectives, shareholder value and senior management rewards.

- PSAs reward performance over three years. There is no additional holding period before these amounts are paid.
- RSAs vest one-third in each year over a three-year period following grant of the award.

The number of PSAs and RSAs awarded to each member of the Executive Committee is calculated as a percentage of salary up to a limit of 200% of base salary or 325% of base salary if the Committee determines that exceptional circumstances apply. The market value of shares in relation to which the award is to be granted is equal to the closing price on the dealing day before the grant, or, if the Committee determines, the average closing price during a period set by the Committee not exceeding five dealing days ending with the last dealing day before the grant.

Iván Arriagada participates in the LTIP and received total payments of \$59,608 in respect of the RSAs granted in 2015 that vested in 2016, which amounted to 14% of his base salary.

## 2016 REMUNERATION REPORT CONTINUED

During 2017 the PSAs granted in 2014 will vest. Iván Arriagada does not hold these PSAs and performance will not be finally determined by the Committee until after the date of this report, once the Group's 2016 results have been released to the market. The performance criteria attaching to these PSAs and the anticipated performance against these criteria, based on estimates as at the date of this report, are as follows:

WEIGHTING	OBJECTIVE	MEASURE			ANTICIPATED PERFORMANCE	ANTICIPATED ACHIEVEMENT <sup>1</sup>
		THRESHOLD (0%)	TARGET (50%)	MAXIMUM (100%)		
25%	Relative Total Shareholder Return <sup>2</sup>	0% vesting at performance below the index during the three year period	33% vesting at performance equal to the index during the three-year period	100% vesting at performance equal to or greater than the index plus 5% during the three-year period	To be updated at the vesting date.	100%
30%	EBITDA <sup>3</sup>	0% vesting at \$5,385 million or below	75% vesting at \$6,058 million	100% vesting at \$6,731 million	EBITDA for the period was \$4,891 million	0%
7%	Mineral Resources Increase	0% vesting at 75.236 million tonnes of contained copper or below as at 31 December 2016, which takes into account 1.0 million tonnes of expected extraction by the operating companies in Chile over the performance period	50% vesting at 76.236 million tonnes of contained copper	100% vesting at 77.236 million tonnes of contained copper, of which 1.0 million tonnes of the increase is in Chile	Resources increased to 84.211 million tonnes of contained copper	100%
5%	Mineral Reserves Increase	0% vesting at 18.372 million tonnes of contained copper or below	33% vesting at 21.684 million tonnes of contained copper	100% vesting at 23.692 million tonnes of contained copper	Reserves increased to 20.164 million tonnes of contained copper + 184 attributable to Zaldivar	31.6%
33%	Projects, Development and Sustainability					
	1. Encuentro Oxides and Centinela Second Concentrator (four project specific goals) (8%)	At least two of the four goals achieved	At least three of the four goals achieved	All four goals achieved		100%*
	2. Antucoya (four project specific goals) (10%)	At least two of the four goals achieved	At least three of the four goals achieved	All four goals achieved	None of these goals were met	0%
	3. Safety – mining division (5%)	Over the three-year period, zero fatalities and LTIFR less than an average of 1.3. Achieving certain milestones associated with the Safety and Health Model.	Over the three-year period, zero fatalities and LTIFR less than an average of 1.1. Achieving certain milestones associated with the Safety and Health Model.	Over the three-year period, zero fatalities and LTIFR less than an average of 1.0. Achieving certain milestones associated with the Safety and Health Model.	There were five fatalities in the period. The milestones associated with the Safety and Health Model were achieved	35%
	4. Los Pelambres expansion project (6%)	EIA submitted by 31 December 2015	Feasibility study completed and EIA submitted by 31 December 2015	EIA approved and project approved for execution by 31 December 2016		100%*
	5. Twin Metals project (4%)	Pre-feasibility study completed by 31 December 2014	Pre-feasibility study and basic information for the mine plan of operation completed by 31 December 2014	Pre-feasibility study with definitive mine plan of operation completed and environmental review process ongoing by 31 December 2015	This objective was not met	0%
<b>Total</b>						<b>49.4%</b>

\* Due to market conditions in 2015 and 2016, the Board made certain decisions that resulted in a slow-down of the execution timetable for the Group's projects portfolio. As a result, the Committee has agreed to adjust the outcome of the performance criteria that apply to PSAs granted in 2014 relating to execution of the Encuentro Oxides and Centinela Second Concentrator projects and the Los Pelambres expansion project.

1. Anticipated performance is based on estimates made as at the date of this report. These awards will not vest until after the Group's 2016 results have been released to the market.
2. Total shareholder return is calculated to show a theoretical change in the value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. Total shareholder return for the Euromoney Global Mining Index is calculated by aggregating the returns of all individual constituents of that index and, for the purposes of comparison with the Company's share performance, taking an average of the index over three months before the beginning and the end of the period respectively.
3. Targets are calculated based on the Group's accumulated EBITDA over the period from 2014-2016, versus the 2014 budget figure and the Group's 2014 internal base case figures for 2015 and 2016. The final calculation will not be adjusted for commodity price or exchange rate fluctuations.

The following LTIP awards with one or more outstanding tranches have been granted to Iván Arriagada.

YEAR OF GRANT	AWARD TYPE	NUMBER OF SHARES OVER WHICH THE GRANT RELATES	DATE OF AWARD	VESTING DATES	FACE VALUE OF AWARD (USING MARKET PRICE AT GRANT) \$'000	MARKET PRICE AT THE DATE OF GRANT \$ <sup>1</sup>	END OF PERFORMANCE PERIOD	% OF AWARD RECEIVABLE IF THRESHOLD PERFORMANCE ACHIEVED	% OF AWARD RECEIVABLE IF TARGET PERFORMANCE ACHIEVED	% OF AWARD RECEIVABLE IF MAXIMUM PERFORMANCE ACHIEVED
2015	Performance Share Awards	35,645	25 March 2015	25 March 2018	375	10.77	31 December 2017	0%	50%	100%
	Restricted Share Awards	35,645	25 March 2015	25 March 2016 25 March 2017 25 March 2018	375	10.77	N/A	0%	100%	100%
2016	Performance Share Awards	85,559	22 March 2016	22 March 2017	630	7.14	31 December 2018	0%	50%	100%
	Restricted Share Awards	36,668	22 March 2016	22 March 2017 22 March 2018 22 March 2019	270	7.14	N/A	0%	100%	100%

1. The market price used at the date of grant was the closing price on the dealing day before the grant date.

## DIEGO HERNÁNDEZ – STRATEGIC AWARDS

Diego Hernández received Strategic Awards in 2015, in lieu of the LTIP awards that he may otherwise have received and in substitution for the PSAs and RSAs granted in 2014. The purpose of these Strategic Awards was to align his performance goals with the Group's strategy, taking into account his new role and its associated responsibilities, and also his planned retirement in 2016 following a smooth handover to his successor.

The Strategic Awards were cash awards not linked to the Company's share price. The amount paid to Diego Hernández during 2016 in relation to these awards was \$1,180,000, 77% of the maximum.

AWARD TYPE	GRANT DATE	FACE VALUE OF AWARD (% OF BASE SALARY)	FACE VALUE OF AWARD ('000) <sup>1</sup>	ACTUAL VALUE OF AWARD ('000) <sup>2</sup>	END OF PERFORMANCE PERIOD OVER WHICH THE PERFORMANCE CONDITIONS HAVE BEEN FULFILLED <sup>2</sup>
Cash Awards	21 May 2015	27%	\$230	\$230	30 April 2016
Cash Awards	21 May 2015	153%	\$1,300	\$950	1 August 2016

1. The face value represents the maximum value of the award.

2. The actual value of the award was paid in April and August 2016, and the total amount was 77% of the face value, or \$1,180,000.

The Committee determined actual performance against the set performance conditions as follows in relation to the Strategic Awards.

PERFORMANCE CONDITION	MAXIMUM CASH AWARD	ACTUAL CASH AWARD
Delivery of Antucoya on time and on budget, including commissioning	\$250,000	\$0
Successful mentoring and integration of a replacement CEO, with the replacement CEO taking up the position on or before August 2016	\$250,000	\$250,000
Strengthening of the management team to ensure successful transition of the Group CEO role	\$250,000	\$250,000
Growth strategy framework implemented and in operation	\$250,000	\$150,000
Remaining in employment with Antofagasta Minerals until 1 August 2016	\$300,000	\$300,000

## INDICATIVE CEO'S TOTAL REMUNERATION IN 2017

The Group CEO's total remuneration in 2017 will consist of the same elements as in 2016, including:

- Annual base salary of Ch\$386,040,204 (\$567,706) as at 1 January 2017, subject to adjustments for Chilean inflation, as described above, and using an exchange rate of \$1 = Ch\$680
- An annual bonus equivalent to 50% of base salary if Target performance is achieved, with a Maximum of 100% if stretch targets are met
- The vesting of LTIP awards granted before 8 April 2016, equivalent to a maximum of 33% of base salary (using the average share price for the last quarter of 2016)
- A significant proportion of the remuneration available to Iván Arriagada is dependent on the performance of the Group.

## 2017 ANNUAL BONUS PLAN

The Board has agreed Group performance criteria for the 2017 Annual Bonus Plan as follows:

WEIGHTING	OBJECTIVE	MEASURE	THRESHOLD	TARGET	MAXIMUM
<b>60%</b>	<b>Core Business</b>				
10%	EBITDA	\$m	≤-10%	The Group's future metals price assumptions are commercially sensitive and therefore the target for EBITDA will not be disclosed in advance. However, the Company will disclose the 2017 target and outcome in the 2017 Annual Report.	≥+10%
25%	Copper Production	tonnes	663,000	685-720,000	726,000
20%	Costs				
	Cash costs before by-product credits (17%)	\$/lb	164.6	155	150.6
	Corporate Expenditure (3%)	\$m	71.9	68.4	65
5%	Sustaining Capital Expenditure			Measured according to schedule and budget. The Company will disclose the 2017 target and outcome in the 2017 Annual Report.	
<b>15%</b>	<b>Business Development – Growth Projects Execution</b>				
10%	Encuentro Oxides and Centinela Molybdenum Plant			Measured according to KPIs and milestones. The Company will disclose the 2017 target and outcome in the 2017 Annual Report.	
5%	Exploration				
<b>25%</b>	<b>Sustainability and Organisation Capabilities</b>				
5%	Safety				
5%	People			Measured according to KPIs and milestones. The Company will disclose the 2017 target and outcome in the 2017 Annual Report.	
10%	Environmental				
5%	Social				

The weighting attributable to core business has decreased from 70% of the total scorecard in 2016 to 60% in 2017, and the weighting attributable to Business Development – Growth Projects Execution has increased from 5% in 2016 to 15% in 2017. This reflects the importance of the Group's current project portfolio and an increasing focus on exploration at this point in the copper price cycle.

## 2017 LTIP AWARDS

The Committee commenced a review of the LTIP in 2016. This included reviewing the plan's objectives, methodology, participants, performance KPIs and targets. As part of this process, the plan was benchmarked against peers both globally and in the UK. Participants were asked to give feedback on the plan, including whether or not the performance KPIs adequately reflect current business challenges. As a consequence, total shareholder return will account for 35% of the performance criteria attaching to 2017 PSAs (decreased from 40% in 2016), resources increase will account for 15% (increased from 5% in 2016), and project development and sustainability will account for 30% (decreased from 35% in 2016).

The PSAs granted in 2017 will be measured over a three-year performance period. The specific targets will be determined by the Committee after the publication of the Group's 2016 results. The performance conditions are anticipated to be those set out below as at the date of this report. If the performance conditions set by the Committee end up being materially different from those disclosed below, the revised performance conditions will be disclosed in the 2017 Annual Report.

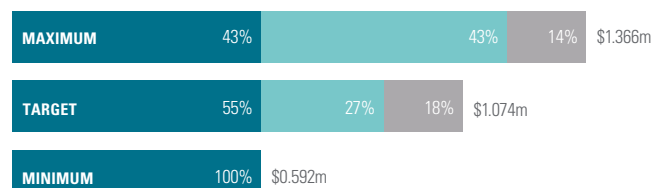
WEIGHTING	OBJECTIVE	MEASURE
35%	Relative Total Shareholder Return	Comparison against Euromoney Global Mining Index with 33% vesting at performance equal to the index and 100% vesting at performance equal to or greater than the index plus 5% during the three-year period.
20%	EBITDA	Measured according to the accumulated EBITDA over the period 2017-2019. Anticipated Maximum is \$5,832 million, anticipated Target is \$5,249 million and anticipated Threshold is \$4,666 million. For 2017, this is calculated using the budget figure. For 2018 and 2019, the figures will be from the internal base case prepared during 2017. The final calculation will not take into account price and exchange rate fluctuations.
15%	Mineral Resources Increase	Tonnes of contained copper at the end of 2019. Maximum is expected to be 81,841 million tonnes of contained copper, with an anticipated Target and Threshold of 79,795 and 77,745 million tonnes of contained copper respectively.
30%	Projects, Development and Sustainability	Relate to the Group's priority projects (15%) and environmental and community relations performance (15%).

The Committee is continuing to review the structure of the LTIP with the purpose of simplifying the plan and ensuring that it is valued by participants.

## GROUP CEO'S POTENTIAL TOTAL REMUNERATION IN 2017

The following chart outlines the potential total remuneration of the Group CEO in 2017 under different performance scenarios. The chart is forward-looking and does not include information on the vesting of awards in 2016 shown in the single figure remuneration table on page 101.

### GROUP CEO



**FIXED ELEMENTS**      **ANNUAL VARIABLE ELEMENTS**      **LONG-TERM VARIABLE ELEMENTS**

Figures do not include PSAs (because the first tranche of PSAs awarded in 2015 will not vest until 2018) and are based on the following assumptions:

- Minimum consists of base salary plus benefits only and excludes adjustments for inflation.
- Target consists of base salary, benefits and incentive awards at 50% of the maximum potential award.
- Maximum consists of base salary, benefits and incentive awards at 100% of the maximum potential award.
- There is no change in the share price in calculating potential awards.
- Long-term variable elements are calculated using the average closing share price for the last quarter of 2016 of 630.5p and an exchange rate of £1 = \$1.242.
- Base salary, benefits and incentive awards are estimated in Chilean pesos and long-term variable elements are estimated by reference to the Company's share price, which is in sterling. These figures are therefore subject to exchange rate fluctuations.

## REMUNERATION STRUCTURE

The Committee is satisfied that the remuneration arrangements for Iván Arriagada and the Executive Committee are linked to performance, appropriately stretching and aligned to the Group's strategy. Variable remuneration is a core component of Executive Committee remuneration and in 2017 up to 60% of the Executive Committee's total annual remuneration may be received under the Annual Bonus Plan and the LTIP.

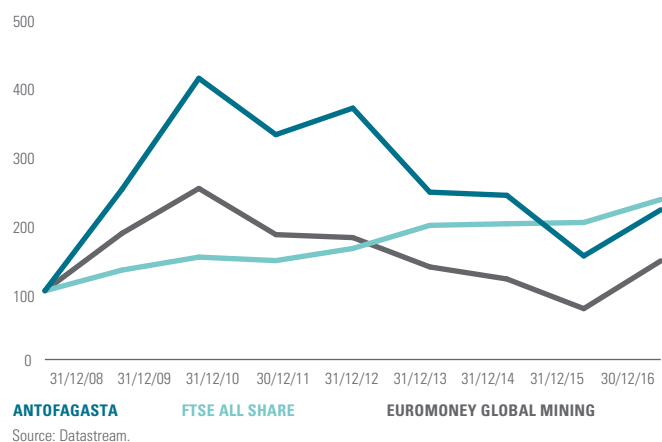
## COMPARISON OF OVERALL PERFORMANCE AND REMUNERATION

The following graph shows the Company's performance compared with the performance of the FTSE All-Share Index and the Euromoney Global Mining Index over an eight-year period, measured by total shareholder return (as defined below). The FTSE All-Share Index has been selected as an appropriate benchmark as it is the most broadly-based index to which the Company belongs and relates to the London Stock Exchange, where the Company's ordinary shares are traded.

Total shareholder return represents share price growth plus dividends reinvested over the period. Total Return Basis Index – 31 December 2008 = 100.

Total shareholder return performance in comparison with the Euromoney Global Mining Index is one of the performance criteria for PSAs granted pursuant to the LTIP, as described above.

Total shareholder return is calculated to show a theoretical change in the value of a shareholding over a period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. Total shareholder return for the FTSE All-Share Index and the Euromoney Global Mining Index is calculated by aggregating the returns of all individual constituents of those indices at the end of an eight-year period.



The total remuneration of the lead executive in the Group for the past eight years, in US dollars, is as follows:

SINGLE FIGURE REMUNERATION FOR THE GROUP'S LEAD EXECUTIVE \$'000	2009	2010	2011	2012	2013	2014 <sup>1,2</sup>	2015	2016
Chairman – Jean-Paul Luksic	3,184	3,330	3,521	3,598	3,615	2,196	–	–
Group CEO – Diego Hernández	–	–	–	–	–	688	2,445	1,525
Group CEO – Iván Arriagada	–	–	–	–	–	–	–	742
<b>Total</b>	<b>3,184</b>	<b>3,330</b>	<b>3,521</b>	<b>3,598</b>	<b>3,615</b>	<b>2,884</b>	<b>2,445</b>	<b>2,266</b>
Percentage change on previous year								(7)%
Proportion of maximum annual bonus paid to the Group CEO	–	–	–	–	–	69%	39%	61%
Proportion of maximum LTIP awards vesting in favour of the Group CEO <sup>3</sup>	–	–	–	–	–	76%	16%	N/A

- The single figure remuneration for the Group's lead executive in 2014 comprises Jean-Paul Luksic's remuneration until 1 September 2014 (when he became Non-Executive Chairman) and Diego Hernández's remuneration from 1 September 2014 (when he became Group CEO).
- The Chairman was not eligible for variable remuneration and the 2014 percentage figures therefore only relate to the 2014 annual bonus and LTIP awards vesting for the Group CEO.
- The 2015 figure has been restated – an estimate was included in the 2015 Remuneration Report because these awards had not yet vested as at the date of that report. No PSAs will vest for the Group CEO for 2016. As RSAs do not have a performance element, they are not included in these calculations.

## RELATIVE CHANGE IN REMUNERATION

The aggregated total remuneration paid to Diego Hernández and Iván Arriagada as Group CEO for 2016 was 7% lower than the total remuneration paid to Diego Hernández as Group CEO in 2015. This included a 24% decrease in fees/base salary and a 36% decrease in benefits.

The equivalent average percentage change in total remuneration for Group employees as a whole was an increase of 4%. This comprised a 2.6% increase in salaries, a 2.6% increase in benefits and an 11% increase in annual bonus. It is common for employment contracts in Chile to include an annual adjustment for Chilean inflation and most Group employees' base salaries in Chile are linked to inflation. In 2016, Chilean inflation was 2.7%.

The table below compares the changes from 2015 to 2016 in fees/base salary, benefits and annual bonus paid to the Group CEO and Group employees as a whole. The underlying elements of Group CEO pay are calculated using the values reported in the single figure remuneration table on page 101.

	PERCENTAGE CHANGE IN BASE SALARY	PERCENTAGE CHANGE IN BENEFITS	PERCENTAGE CHANGE IN ANNUAL BONUS
Group CEO <sup>1</sup>	(24)%	(36)%	16% <sup>2</sup>
Group employees	2.6%	0%	11% <sup>3</sup>

1. The figures for Group CEO relate to the percentage changes for the aggregate amount paid to Diego Hernández and Iván Arriagada in 2016 and the amount paid to Diego Hernández in 2015.
2. The percentage change in annual bonus for the Group CEO is higher than for Group employees because under the terms of the Annual Bonus Plan employees are entitled to their full annual bonus if their employment terminates during the last six months of the year. Because Diego Hernández's employment terminated in August 2016, the element of Group CEO Annual Bonus attributable to Diego Hernández is therefore higher than for the equivalent period in 2015.
3. This figure relates to the percentage change in average annual bonus for mining division employees and does not include a one-off bonus paid to employees as a result of the conclusion of collective bargaining agreements with labour unions at Antucoya, Los Pelambres and Zaldívar in 2016. Mining division employees were chosen as the comparator group because the mining division accounts for more than 90% of the Group's revenue and the Annual Bonus Plan that applies to the Executive Committee is the same plan that applies to the mining division as a whole.

## RELATIVE IMPORTANCE OF REMUNERATION SPEND

The table below shows the total expenditure on employee remuneration, the levels of distribution to shareholders and the taxation cost in 2015 and 2016.

	2015 (\$M)	2016 (\$M)	PERCENTAGE CHANGE
A Employee remuneration <sup>1</sup>	422.3	379.2	(10.2)%
B Distribution to shareholders <sup>2</sup>	30.6	181.4	493%
C Taxation <sup>3</sup>	89.1	261.2	193.2%

1. The employee remuneration cost includes salaries and social security costs, as set out in Note 8 to the Financial Statements.
2. The distributions to shareholders represent the dividends proposed in relation to the year as set out in Note 13 to the Financial Statements.
3. Taxation has been included because it provides an indication of the tax contribution of the Group's operations in Chile to the Chilean state. The taxation cost represents the current tax charge in respect of corporate tax, mining tax (royalty) and withholding tax, as set out in Note 10 to the Financial Statements. As shown in the Financial Statements, the 2015 figure has been restated to exclude discontinued operations.

## OTHER INFORMATION

As described in this report, Directors are not entitled to payments for loss of office and do not receive pension benefits and no such payments were made, or benefits received, during the year. No payments were made to past Directors.

By order of the Board

**TIM BAKER**  
CHAIRMAN OF THE REMUNERATION AND TALENT  
MANAGEMENT COMMITTEE

13 March 2017

# 2017 DIRECTORS' REMUNERATION POLICY

The Committee presents the 2017 Directors' Remuneration Policy (Policy), which will be put to a binding vote of shareholders at the Company's 2017 Annual General Meeting.

Subject to shareholder approval, this Policy will take effect from the 2017 Annual General Meeting with the intention that it will supersede the remuneration policy approved by shareholders at the 2014 Annual General Meeting (2014 Policy) and will remain in place for three years. Once the Policy is approved, the Company will only make remuneration payments to current or prospective Directors, or payments for loss of office, if the payment is in line with the Policy.

If the Committee is required, or wishes, to change the Policy within this period, it will submit a revised Policy to shareholders for approval.

The policies that are summarised in this section are consistent with those that have been in place at the Company for a number of years which the Committee believes are effective and simple to understand.

## CHANGES TO 2014 POLICY

On 1 September 2014, Jean-Paul Luksic stepped back from his position of Executive Chairman to become Non-Executive Chairman. As there are currently no executives on the Board and the Company does not expect an Executive Director to be appointed during the next three years, the Policy does not include components relating to Executive Directors which were included in the 2014 Policy.

## POLICY SCOPE

The policies that are summarised in this section apply to Non-Executive Directors only. The Board has considered the pros and cons of having executives on the Board and continues to be of the view that the existing structure is effective in ensuring that the Board maintains objectivity and independence from management and appropriate given the CEO, Executive Committee and most senior managers are based in Chile where local company law prohibits CEOs of public companies from serving as directors of those companies.

Although the policies that are summarised in this section do not cover executive remuneration, the Company will continue to embrace the spirit of the UK remuneration reporting regulations and the UK Corporate Governance Code by voluntarily reporting each year on the remuneration and incentive pay design for the Company's CEO as if he were a Director and by providing detailed information in relation to the structure and components of the other Executive Committee members' remuneration.

The Policy is broken into a number of sections:

- remuneration policies that relate solely to Non-Executive Directors; and
- statements regarding the contextual information the Committee considers when reaching remuneration decisions in respect of the Non-Executive Directors.

The Company's policy is to ensure that Non-Executive Directors are fairly rewarded with regard to the responsibilities undertaken, and to consider comparable pay levels and structures in the UK, Chile and the international mining industry.

The Chairman's fees and other terms are set by the Committee. Non-Executive Directors' fees and other terms are set by the Board upon recommendation of the Committee.

	PURPOSE	OPERATION	MAXIMUM OPPORTUNITY
<b>DIRECTORS</b>			
<b>Fees</b>	To attract and retain high-calibre, experienced Directors by offering globally competitive fee levels.	<p>Fees are reviewed annually and the competitiveness of total fees is assessed against companies of a similar nature, size and complexity.</p> <p>Directors receive a base fee for services to the Company's Board as well as additional fees for chairing or serving as a member of any of the Board's Committees or serving as Senior Independent Director. The Chairman receives a higher base fee which reflects his responsibility, experience and time commitment to the role.</p> <p>Separate base fees are paid for services to the Antofagasta Minerals board (all Non-Executive Directors are members of both boards), and for serving as a director, or chairing, any subsidiary or joint-venture company Boards.</p> <p>Ramón Jara also receives a base fee for advisory services provided to Antofagasta Minerals pursuant to a separate service contract. This fee is currently denominated in Chilean pesos and is automatically adjusted for Chilean inflation</p> <p>All other fee levels are currently denominated in US dollars and are not automatically adjusted for inflation. The Committee may determine fee levels and/or pay fees in any other currency if deemed necessary or appropriate.</p>	<p>In normal circumstances, the maximum annual fee increase will be 7%. However, the Committee has discretion to exceed this in exceptional circumstances, for example:</p> <ul style="list-style-type: none"> <li>- if there is a sustained period of high inflation;</li> <li>- if fees are out of line with the market; and/or</li> <li>- if fees for chairing or serving as a member of any of the Board's Committees or performing a specific role on the Board such as Senior Independent Director are out of line with the market.</li> </ul> <p>Any increases will take into account the factors described under "operation", will not be excessive, and the rationale for the increase will be disclosed in the remuneration report for the relevant financial year.</p> <p>Fee levels for additional roles within the Group are set based on the needs and time commitment expected and may be determined and/or paid in a combination of currencies including US dollars and Chilean pesos.</p> <p>Chilean peso denominated fees will be increased to take account of Chilean inflation and may be reported from one year to the next as an increase or decrease as a result of exchange rate movements only. Because all amounts are reported in US dollars, any exchange rate impact will not be taken into account when applying the maximum annual fee increase described above.</p>
<b>Variable remuneration</b>	Given the non-executive composition of the Board, there are no arrangements for Directors to acquire benefits through the acquisition of shares in the Company or any of its subsidiary undertakings, to benefit through performance-related pay or to participate in long-term incentive schemes. The Code states that remuneration for Non-Executive Directors should not include share options or other performance-related elements.		
<b>Benefits</b>	To provide appropriate benefits and reimburse appropriate expenses that are incurred in the performance of duties of the Directors.	<p>Benefits include the provision of life, accident and health insurance and may also include professional advice and certain other minor benefits including occasional spousal travel in connection with the business and any Company business expenses which are deemed to be taxable. The Company will pay any tax payable on those benefits on behalf of Directors.</p> <p>The Committee retains the discretion to provide additional insurance benefits in accordance with Company policy, should this be deemed necessary.</p>	Set at a level appropriate to the individual's role and circumstances. The maximum opportunity will depend on the type of benefit and cost of its provision, which will vary according to the market and individual circumstances.
<b>Pension</b>	No Director receives pension contributions. The Code considers that the participation by a Non-Executive Director in a company's pension scheme could potentially impact on the independence of that Non-Executive Director.		

As Directors do not receive variable remuneration, there are no provisions in place to recover sums paid or to withhold payments made to Directors.

## SHAREHOLDING REQUIREMENTS

The Company does not currently have shareholding guidelines or requirements for Directors. However, Chairman Jean-Paul Luksic and Non-Executive Director Andrónico Luksic C are members of the Luksic family; members of the Luksic family are interested in the E. Abaroa Foundation which controls the Metalinvest Establishment and Kupferberg Establishment (which, in aggregate, hold approximately 60.66% of the Company's ordinary shares and approximately 94.12% of the Company's preference shares). In addition, Mr Jean-Paul Luksic controls the Severe Studere Foundation which in turn, controls Aureberg Establishment (which holds approximately 4.26% of the Company's ordinary shares). This creates significant alignment between these members of the Board and shareholders.

## RECRUITMENT POLICY

The appointment of Non-Executive Directors (including the Chairman) is handled through the Nomination and Governance Committee and Board processes. The current fee levels are set out in the Directors' Remuneration Report. Details of each element of remuneration paid to the Chairman and Directors are set out in the 2016 Directors' Remuneration Report on page 100.

The terms of appointment for any new Non-Executive Director will be consistent with those in place for current Non-Executive Directors as summarised in the service contracts and letters of appointment policy.

Variable pay will not be considered and, as such, no maximum applies. Fees will be consistent with the policy at the time of appointment.

A timely announcement with respect to any Director appointment will be made to the regulatory news services and posted on the Company's website.

## TERMINATION POLICY

The letters of appointment for the Non-Executive Directors do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore the maximum amount payable upon termination of these letters is limited to one month's payment.

## SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

All Directors' service contracts and letters of appointment are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting (for 15 minutes prior to and during the meeting).

Each Director has a letter of appointment with the Company. The Company has a policy of putting all Directors forward for re-election at each Annual General Meeting in accordance with the Code. Under the terms of the letters, if shareholders do not confirm a Director's appointment or reappointment, the appointment will terminate with immediate effect. In other circumstances, the appointment may be terminated by either the Director or the Company on one month's prior written notice. The letters require the Directors to undertake that they will have sufficient time to discharge their responsibilities.

A summary of the key terms of the letters of appointment for all Directors is set out below.

NAME	TERMINATION PAYMENT	DATE OF LAST REAPPOINTMENT	NOTICE PERIOD
Jean-Paul Luksic	The letters of appointment do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore the maximum amount payable upon termination of these appointments is limited to one month's fees.	18 May 2016	One month's written notice
Manuel Lino Silva De Sousa-Oliveira (Ollie Oliveira)		18 May 2016	One month's written notice
Gonzalo Menéndez		18 May 2016	One month's written notice
Ramón Jara		18 May 2016	One month's written notice
Juan Claro		18 May 2016	One month's written notice
William Hayes		18 May 2016	One month's written notice
Tim Baker		18 May 2016	One month's written notice
Andrónico Luksic C.		18 May 2016	One month's written notice
Vivianne Blanlot		18 May 2016	One month's written notice
Jorge Bande		18 May 2016	One month's written notice
Francisca Castro		N/A – appointed by the Board effective from 1 November 2016	One month's written notice

There is also a contract between Antofagasta Minerals and Asesorías Ramón F Jara Ltda (formerly E.I.R.L.) dated 2 November 2004 for the provision of advisory services by Ramón Jara. This contract does not have an expiry date but can be terminated by either party on one month's notice. The amounts payable under this contract for services are denominated in Chilean pesos and, as is typical for employment contracts or contracts for services in Chile, are adjusted in line with Chilean inflation, and are also reviewed periodically in line with the Company's policy on Directors' pay.

## CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

When the Committee reviews Director compensation, it also reviews pay conditions across the rest of the Group. This is set in the context of very different working environments and geographies and therefore is not a mechanical process. However, this acts as one input into the pay review process. The Committee does not currently use any other remuneration comparison metrics when determining the quantum and structure of Director compensation and does not solicit employees' views.

## REMUNERATION POLICY FOR OTHER EMPLOYEES

Remuneration arrangements are determined throughout the Group based on the principle that reward should be granted for delivery of the Group's strategy. A significant proportion of the CEO and Executive Committee members' remuneration is in the form of variable pay. The CEO and Executive Committee are eligible to participate in the LTIP and Annual Bonus Plan, which are both subject to performance criteria aligned with the Group's strategy. The remuneration structure for other Group employees varies according to their role, location and working environment.

## CONSIDERATION OF SHAREHOLDER VIEWS

The Company maintains a dialogue with institutional shareholders and sell-side analysts, as well as potential shareholders. This communication is managed by the Investor Relations team, and includes a formal programme of presentations to update institutional shareholders and analysts on developments in the Group following the announcement of the half-year and full-year results. The Board receives regular summaries and feedback in respect of the meetings held as part of the Investor Relations programme, as well as receiving analysts' reports on the Company.

The Senior Independent Director meets with shareholders regularly and the Chairman, and the Chairman of the Committee, are also regularly available to meet shareholders to discuss matters of importance, including the Group's remuneration structures.

The Company's Annual General Meeting is also used as an opportunity to communicate with both institutional and private shareholders.

This ongoing dialogue allows us to respond to the needs and concerns of all shareholders throughout the year and the Directors' pay arrangements will continue to be reviewed each year in line with the policy, taking into account the views of all of the Company's shareholders.

## RELATIONS WITH SHAREHOLDERS

# ENGAGING WITH OUR SHAREHOLDERS

The shares of Antofagasta plc are listed on the main market of the London Stock Exchange. As explained in the Corporate Governance Report on page 70, the controlling shareholders of the Company hold approximately 65% of the Company's ordinary shares. The majority of the Company's remaining ordinary shares are held by institutional investors, mainly based in the UK and North America.

The Company maintains an active dialogue with institutional shareholders and sell-side analysts, as well as potential shareholders. This communication is managed by the investor relations team in London, and includes a formal programme of presentations and roadshows to update institutional shareholders and analysts on developments in the Group.

The Company held regular meetings with institutional investors and sell-side analysts throughout the year, which included international investor roadshows, and presenting at industry conferences and to banks' equity sales forces. These were attended by the CEO and various members of the management team, including the CFO, the Vice President of Sales and the Vice President of Development.

The Company publishes quarterly production figures as well as the half-year and full-year financial results. Copies of these production reports, financial results, presentations and other press releases issued by the Company are available on the Company's website. The Group also publishes a separate Sustainability Report to provide further information on its social and environmental performance, which is available on the Company's website in both Spanish and English.

## WHAT OUR INVESTORS FOCUSED ON MOST IN 2016

- cost reduction programmes to control operating and capital costs and the generation of free cash flow;
- capital allocation;
- commissioning of the newly constructed Antucoya mine;
- integration of the Zaldívar copper mine and capture of associated synergies;
- impact of events in Chile, including changes to environmental regulations, labour laws and availability of energy and water;
- conclusion of the long-standing issues with the local community and legal issues surrounding the Mauro tailings storage facility at Los Pelambres;
- the Group's focus on brownfield development projects and the potential from longer-term growth projects;
- the capital distribution policy of the Group; and
- supply and demand factors in the world copper market.

The Board receives regular summaries and feedback in respect of the meetings held as part of the investor relations programme. The Company's Annual General Meeting is also used as an opportunity to communicate with both institutional and private shareholders. All of the Directors then in office met shareholders at the 2016 Annual General Meeting.

## SHAREHOLDERS AND ANALYSTS VISIT CHILE

In December 2016, the Company hosted a group of shareholders and analysts at the Group's corporate headquarters and each of the Group's mining operations in Chile.

The visit began with briefings from the CEO and members of the Executive Committee on current challenges and recent achievements at the Group's corporate headquarters in Santiago and was followed by a dinner reception hosted by the Chairman, who engaged with shareholders on a broad range of topics.

The General Managers of Los Pelambres, Centinela and Antucoya hosted shareholders and analysts at their respective operations, where they demonstrated the initiatives that have been implemented, the functionality of the operations and the specific risks and steps being taken to manage them.

**+ Copies of the presentation given to the shareholders and analysts are available online [www.antofagasta.co.uk/investors](http://www.antofagasta.co.uk/investors)**



### SENIOR INDEPENDENT DIRECTOR – CORPORATE GOVERNANCE ROADSHOW

Senior Independent Director, Ollie Oliveira, met with a number of proxy advisers and major shareholders in London in October to discuss corporate governance and associated matters relating to the Company, its strategy and the performance of management. These meetings were also attended by Non-Executive Director and former Senior Independent Director, William Hayes, the Company Secretary and the Director of the London Office.

During these meetings a wide range of topics were discussed, including:

- the role of Senior Independent Director in controlled companies;
- succession planning;
- the Board’s composition and role, including why there are no executives on the Board;
- diversity;
- the performance of the CEO;
- the link between Group pay structures and incentives and strategy;
- the pay structure and quantum for the CEO;
- the structure of the Group’s LTIP;
- the use of discretion by the Remuneration and Talent Management Committee;
- the impact of safety performance on remuneration outcomes;
- progress in the court cases involving Los Pelambres;
- community relations and sustainability issues involving Los Pelambres; and
- the BEIS Corporate Governance Green Paper.

## 2016 SHAREHOLDER ENGAGEMENT CALENDAR

 <p><b>FEB</b></p>	 <p><b>MAR</b></p>
<ul style="list-style-type: none"> <li>- Group CEO presented at industry conference for institutional investors</li> <li>- 3 days of 1-on-1 meetings with over 50 investors</li> </ul>	<ul style="list-style-type: none"> <li>- Presentation of full-year 2015 results by the CEO and CFO</li> <li>- Europe roadshow – 1 day</li> <li>- US east coast roadshow – 3 days</li> <li>- London roadshow – 2 days</li> </ul>
 <p><b>MAY</b></p>	 <p><b>JUN</b></p>
<ul style="list-style-type: none"> <li>- Presentation at industry conference for institutional investors by Diego Hernández</li> <li>- 2 days of 1-on-1 meetings with over 40 investors</li> <li>- Annual General Meeting in London</li> </ul>	<ul style="list-style-type: none"> <li>- Europe roadshow – 1 day</li> </ul>
 <p><b>AUG</b></p>	 <p><b>SEP</b></p>
<ul style="list-style-type: none"> <li>- Presentation of half-year 2016 results</li> <li>- Europe roadshow – 1 day</li> <li>- London roadshow – 2 days</li> <li>- US east coast roadshow – 3 days</li> </ul>	<ul style="list-style-type: none"> <li>- Investor relations team attended three industry conferences in the UK</li> <li>- US west coast roadshow – 4 days – led by the Vice President of Sales</li> </ul>
 <p><b>OCT</b></p>	 <p><b>NOV</b></p>
<ul style="list-style-type: none"> <li>- Corporate governance Roadshow London – 3 days – led by the Senior Independent Director</li> <li>- Nordea sustainability team visit to operations – 4 days</li> </ul>	<ul style="list-style-type: none"> <li>- Investor relations team attended three industry conferences in the UK</li> <li>- Sustainability roadshow London – 1 day</li> </ul>
 <p><b>DEC</b></p>	
<ul style="list-style-type: none"> <li>- Site visit to Chile with analysts and investors – 4 days</li> </ul>	

## DIRECTORS' REPORT

# DIRECTORS' REPORT

## DIRECTORS

Directors that have served during the year and summaries of current Directors' key skills and experience are set out in the Corporate Governance Report on pages 72 to 74.

## POST BALANCE SHEET EVENTS

There have been no post balance sheet events.

## FINANCIAL RISK MANAGEMENT

Details of the Company's policies on financial risk management are set out in Note 25 to the Financial Statements.

## RESULTS AND DIVIDENDS

The consolidated profit before tax (excluding exceptional items) has increased from \$242.8 million in 2015 to \$875.9 million in 2016.

The Board has recommended a final dividend of 15.3 cents per ordinary share. No final dividend for the year ended 31 December 2015 was paid. An interim dividend of 3.1 cents was paid on 30 September 2016 (2015 interim dividend – 3.1 cents). This gives total dividends per share proposed in relation to 2016 of 18.4 cents (2015 – 3.1 cents) and a total dividend amount in relation to 2016 of \$181.4 million (2015 – \$30.6 million).

Preference shares carry the right to a fixed cumulative dividend of 5% per annum. The preference shares are classified within borrowings and preference dividends are included within finance costs. The total cost of dividends paid on preference shares and recognised as an expense in the income statement was \$0.2 million (2015 – \$0.2 million). Further information relating to dividends is set out in the Financial Review on page 64 and in Note 13 to the Financial Statements.

## POLITICAL CONTRIBUTIONS

The Group did not make political donations during the year ended 31 December 2016 (2015 – nil).

## AUDITORS

The auditors, PwC LLP have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the Annual General Meeting.

## DISCLOSURE OF INFORMATION TO AUDITORS

The Directors in office at the date of this report have each confirmed that:

- (a) so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## CAPITAL STRUCTURE

Details of the authorised and issued ordinary share capital, including details of any movements in the issued share capital during the year, are shown in Note 30 to the Financial Statements. The Company has one class of

ordinary shares, which carry no right to fixed income. Each ordinary share carries one vote at any general meeting of the Company.

Details of the preference share capital are shown in Note 23 to the Financial Statements. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. Each preference share carries 100 votes on a poll at any general meeting of the Company.

The nominal value of the issued ordinary share capital is approximately 96.1% of the total Sterling nominal value of all issued share capital, and the nominal value of the issued preference share capital is approximately 3.9% of the total Sterling nominal value of all issued share capital. Originally, the ordinary shares and preference shares had the same voting rights. However, the number of ordinary shares has increased over time through stock splits and bonus issues so that a holding of one ordinary share in 1982 would now amount to a holding of 100 ordinary shares (before taking into account all the rights issues since then).

The preference shares were not split at the same time as the ordinary shares, and the voting rights attaching to these shares were increased purely to maintain the relative votes of each class, not to give additional weighting to the preference shares.

There are no specific restrictions on the transfer of shares or on their voting rights beyond those standard provisions set out in the Company's Articles of Association and other provisions of applicable law and regulation (including, in particular, following a failure to provide the Company with information about interests in shares as required by the Companies Act 2006). The Company is not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by, and has regard to, its Articles of Association, the UK Corporate Governance Code 2014, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders. There are no significant agreements in place that take effect, alter or terminate upon a change of control of the Company. There are no agreements in place between the Company and its Directors or employees that provide for compensation for loss of office resulting from a change of control of the Company.

## AUTHORITY TO ISSUE SHARES AND AUTHORITY TO PURCHASE OWN SHARES

At the 2016 AGM, held on 18 May 2016, authority was given to the Directors to allot unissued relevant securities in the Company up to a maximum amount equivalent to two-thirds of the shares in issue (of which one-third may only be offered by way of rights issue). This authority expires on the date of this year's AGM, scheduled to be held on 24 May 2017. No such shares have been issued. The Directors propose to renew this authority at this year's AGM for the following year.

A further special resolution passed at the 2016 AGM granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of this year's AGM and the Directors will seek to renew this authority on similar terms for the following year by way of two separate resolutions, in line with the Investment Association's guidance and the Pre-Emption Group's Statement of Principles.

The Company was also authorised by a shareholders' resolution passed at the 2016 AGM to purchase up to 10% of its issued ordinary share capital. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued and authorised share capital. This authority will expire at this year's AGM and a resolution to renew the authority for a further year will be proposed. No shares were purchased by the Company during the year.

### DIRECTORS' INTERESTS AND INDEMNITIES

Details of Directors' contracts and letters of appointment, remuneration and emoluments, and their interests in the shares of the Company as at 31 December 2016 are given in the Directors' Remuneration Report. No Director had any material interest in a contract of significance (other than a service contract) with the Company or any subsidiary company during the year.

In accordance with the Company's Articles of Association and to the extent permitted by the laws of England and Wales, Directors are granted an indemnity from the Company in respect of liabilities personally incurred as a result of their office. The Company also maintained a Directors' and Officers' liability insurance policy throughout the financial year. A new policy has been entered into for the current financial year.

### CONFLICTS OF INTEREST

The Companies Act 2006 requires that a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Company has undertaken a process to identify and, where appropriate, authorise and manage potential and actual conflicts. Each Director has identified his or her interests that may constitute conflicts including, for example, directorships in other companies. The Board, with detailed assistance from the Nomination and Governance Committee, has considered the potential and actual conflict situations of each of the Directors and decided in relation to each situation whether to authorise it and the steps, if any, which need to be taken to manage it. The authorisation process is not regarded as a substitute for managing an actual conflict of interest if one arises. The monitoring and, if appropriate, authorisation of actual and potential conflicts of interest is an ongoing process. Directors are required to notify the Company of any material changes in those positions or situations that have already been considered, as well as to notify the Company of any other new positions or situations that may arise. In addition to considering any new situations as they arise, the Board usually considers the conflict position of all Directors formally each year.

### SUBSTANTIAL SHAREHOLDINGS

Notifiable major share interests in which the Company has been made aware are set out on page 70.

### EXPLORATION AND RESEARCH AND DEVELOPMENT

The Group's operating companies carry out exploration and research and development activities that are necessary to support and expand their operations.

### OTHER STATUTORY DISCLOSURES

The Corporate Governance Report on pages 66 to 116, the Statement of Directors' Responsibilities on page 119 of this Annual Report and Note 25 to the financial statements are incorporated into the Directors' Report by reference.

Other information can be found in the following sections of the Strategic Report:

	LOCATION IN STRATEGIC REPORT
Future developments in the business of the Group	Pages 32 to 51
Viability and going concern statement	Page 22
Subsidiaries, associates and joint ventures	Pages 32 to 51
Employee consultation	Pages 35 to 37
Greenhouse gas emissions	Page 57

Disclosures required pursuant to Listing Rule 9.8.4R can be found on the following pages of the Annual Report:

	LOCATION IN ANNUAL REPORT
Statement of interest capitalised by the Group (LR 9.8.4(1))	See Notes 5, 9 and 15 to the financial statements on Pages 139 to 143, 149 and 154 and 155.
Relationship agreement (LR 9.8.4(14))	Page 70

By order of the Board

**JULIAN ANDERSON**  
COMPANY SECRETARY

13 March 2017

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the Group and Parent Company Financial Statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Report, confirm that to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

**JEAN-PAUL LUKSIC**  
CHAIRMAN

**OLLIE OLIVEIRA**  
SENIOR INDEPENDENT  
DIRECTOR

13 March 2017