

2020 DIRECTORS' AND CEO REMUNERATION POLICY

The Committee presents the 2020 Directors' and CEO Remuneration Policy which will be put to a binding vote of shareholders at the Company's 2020 Annual General Meeting.

Subject to shareholder approval, this Policy will take effect from the 2020 AGM with the intention that it will supersede the remuneration policy approved by shareholders at the 2017 AGM. Once the Policy is approved, the Group will only make remuneration payments to Directors and the CEO, 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 for shareholders to approve.

Policy scope

There has been no change to the composition of the Board of Directors this year which continues to comprise only Non-Executive Directors. 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. In addition, the structure is appropriate since the CEO, Executive Committee and most senior managers are based in Chile where company law prohibits CEOs of public companies from serving as Directors of those companies.

While historically not required, in previous years the Company has embraced the spirit of the UK remuneration reporting regulations and the UK Corporate Governance Code by voluntarily reporting annually on the remuneration and incentive structure for the CEO as if he were a Director. This has been done on a voluntary basis for a number of years to invite feedback from our various stakeholders and we are pleased with the strong level of support we have received on our Directors' Remuneration Report each year. Given the implementation of the European Shareholders' Rights Directive II and subsequent changes to regulations for the first time in the UK, the 2020 Policy is required to cover payments to the CEO even though he is not a Director. In line with the regulations, this Policy also covers the Non-Executive Directors of the Company.

The Company's policy is to ensure that we pay fairly with regard to the responsibilities undertaken and to consider comparable pay levels and structures in the UK, Chile and the international mining industry. The Policy being tabled for shareholder approval is consistent with pay practices that have been in place, and disclosed voluntarily by the CEO, for several years. The Committee is of the view that the approach to pay for the CEO and Non-Executive Directors is aligned to the strategy, and is effective and well understood.

Policy table for the CEO

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			
To retain and attract high-calibre executives by offering globally competitive salary levels.	<p>Typically, base salaries will be reviewed annually.</p> <p>Base salaries are usually paid in local currency but can be paid in any currency to attract or retain high-calibre executives.</p> <p>Base salary levels and any increases take into account:</p> <ul style="list-style-type: none"> the individual's role, performance and experience; business performance, the external environment and cost to the Company; salary increases for the wider workforce; and salary levels for comparable roles at relevant comparators. 	<p>There is no prescribed maximum although salary increases will take into account those of the wider workforce. Chilean labour contracts are adjusted periodically to reflect Chilean inflation and adjustments may be made under any other labour contracts.</p> <p>Increases may be made above this level where the Committee considers it appropriate including (but not limited to):</p> <ul style="list-style-type: none"> a significant increase in the scale, scope, market comparability or responsibilities of the role; and where an individual has been appointed on a salary lower than market levels, increases above those of the wider workforce may be made to recognise experience gained and performance in the role. <p>Such increases will be explained in the relevant Annual Report.</p>	Both individual and Group performance are considered when determining base salaries and any increases.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Benefits			
To provide market competitive benefits.	Benefits typically include maintenance of insurance policies including life and health insurance. Where appropriate, other benefits may be offered including, but not limited to, car allowance, pension contribution, and allowances for relocation.	Benefits are reviewed periodically and may vary by role. There is no overall maximum.	None
Annual Bonus Plan			
To focus on the delivery of annual financial and non-financial targets designed to align remuneration with the Group's strategy and create a platform for future sustainable performance.	The bonus is earned based on the achievement of one-year performance targets and is delivered in cash.	Maximum of 200% of salary.	<p>The bonus is based on a combination of financial, operational, strategic and individual measures.</p> <p>Performance measures and weightings are reviewed annually to ensure they continue to support the key strategic priorities. At least 50% of the bonus will be based on the Group's financial, operational and strategic performance. Other metrics include, but are not limited to business development, organisational capabilities, sustainability and safety.</p> <p>Currently, an automatic adjustment applies to the Group's performance score under the Annual Bonus Plan (downwards if there is a fatality during the year, and upwards if there is no fatality during the year) to further align the Group's incentives with the core value of safety and our goal of zero fatalities. The Committee will consider whether this should continue to apply on an annual basis, taking into account the Group's safety culture and performance.</p> <p>The bonus starts accruing at threshold performance (0% payout), with a payout of 50% of the maximum opportunity when target or mid-point performance is achieved.</p> <p>The Committee retains discretion to adjust the bonus outcomes to ensure they reflect underlying business performance, the impact of the commodity price and any other relevant factors to ensure an appropriate payout.</p>

Policy table for the CEO continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long-Term Incentive Plan (LTIP)			
To align with the shareholders' experience and focus on long-term, sustainable performance.	<p>Awards under the LTIP will typically comprise:</p> <ul style="list-style-type: none"> • Performance Awards – performance typically measured over a three-year period with vesting thereafter, comprising at least 70% of the total LTIP awards. • Restricted Awards – typically vest one-third each year over a three-year period following grant, comprising a maximum of 30% of the total LTIP awards. <p>Due to the tax regime in Chile, awards will usually be made in the form of a conditional right to receive a cash payment by reference to the value of a specified number of the Company's shares (phantom shares).</p> <p>Malus provisions may be applied in exceptional circumstances as detailed in the notes to this table.</p>	Maximum of 200% of salary with a maximum of 325% of salary in exceptional circumstances.	<p>Performance Awards will be based on a combination of financial, shareholder return and strategic performance measures aligned with the business priorities, usually measured over a three-year period.</p> <p>The targets, measures and weightings will be determined by the Committee annually. Typically, the financial and total shareholder return measures are at least 50% of the Performance Awards.</p> <p>Performance Awards begin vesting at threshold performance, the amount depending on the performance metrics chosen. It is intended that this level across all metrics should be 25% or less at threshold. The goals for each performance criteria are designed so that the minimum level of performance delivers 0% pay-out and at target or mid-point performance represent an aggregate average of approximately 50% of the maximum opportunity.</p> <p>No performance conditions other than continued employment usually apply to Restricted Awards.</p> <p>The Committee retains discretion to adjust the payments to ensure they reflect underlying business performance, the impact of the commodity price and any other relevant factors to ensure an appropriate payout.</p>

Notes to the Policy table

Changes from last approved policy

This Policy will apply to the Company's CEO for the first time. It is consistent with the pay practices that have been in place for the CEO and disclosed voluntarily for many years.

Operation of incentive plans

The incentive plans will always be operated within the Policy and in accordance with the relevant plan rules. There are several areas over which the Committee retains flexibility as detailed below:

- who participates in each plan;
- the timing and size of an award and/or payment subject to Policy limits;
- the performance measures, weightings and targets that will apply each year and any adjustments thereof;
- treatment of awards in the event of a change of control, restructuring or other corporate event;
- treatment of leavers; and
- amendments to the plan rules in accordance with their terms.

In the case of the CEO, any use of discretion by the Committee will be disclosed in the relevant Annual Report and may be subject to consultation with the Company's shareholders.

If the regulations and practice change in Chile to allow payment in shares without adverse consequences, and this practice is seen as desirable by the Committee, the Company reserves the right to make payment of the incentive plans to some or all participants in shares rather than cash. Any change will be disclosed in the Annual Report.

Performance measures and targets

Awards under both the Annual Bonus Plan and a significant proportion of awards under the LTIP are subject to financial and non-financial performance metrics determined annually by the Committee.

The financial metrics align participants with the Group's strategy and the sustainable creation of value for our shareholders over the long term.

The non-financial metrics measure the development of important projects and exploration activities that are essential for future mining activities. Other metrics may relate to safety, people and environmental and social targets, which ensure that we act in a way that preserves our social licence to operate and takes into account the interests of all the Group's stakeholders.

Targets are set taking into account a number of internal and external factors including implementation of the Group's strategy and delivering growth in line with budgeted and forecast expectations.

Restricted Awards are not subject to performance conditions as it is appropriate given market conditions in Chile for part of variable remuneration to be subject to a time condition and continued employment only.

Malus and clawback

Malus provisions apply in exceptional circumstances, including:

- Actions by a participant that, in the reasonable opinion of the Committee, amount to gross misconduct that has or may have a material effect on the value or reputation of the Company or any of its subsidiaries.
- A materially adverse error in the consolidated financial statements of the Group during the performance period.
- Any reasonable circumstances that the Committee determines in good faith to have resulted in an unfair benefit to the participant.

Clawback has not been introduced due to uncertainty around its legal validity in Chile.

Legacy arrangements

Payments may be made to satisfy commitments made prior to the approval of this Policy. This may include, for example, payments made to satisfy legacy arrangements agreed prior to an employee (and not in contemplation of) being promoted to the position of CEO or the Board of Directors. All outstanding obligations may be honoured, and payment will be permitted under this Policy.

Minor amendments

The Committee may make minor amendments to the Policy (for example for tax, regulatory, exchange control or administrative purposes) without obtaining shareholder approval.

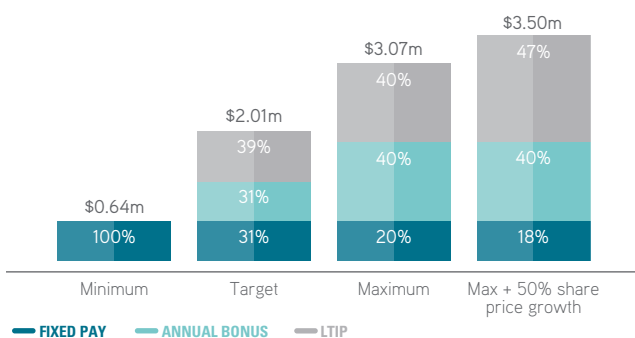
Difference in CEO and employee remuneration policy

Apart from participation in the LTIP, which is limited to the Executive Committee and certain senior employees, there are no differences between the Policy as it applies to the CEO and the remuneration policy for employees generally.

Illustrations of application of Policy

The graph below provides estimates of the potential remuneration opportunity for the CEO under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'. In line with the reporting regulations, a scenario assuming 50% share price growth over the three-year Performance Awards performance period is also shown below (for the maximum performance scenario). Because the CEO is paid in Chilean pesos and reporting is in US dollars at the date of this Policy, this reflects the prevailing exchange rate as at the date of this Policy. The assumptions used for these charts are set out in the table below.

CEO total remuneration



Minimum performance

- Fixed remuneration (salary and benefits) only.
- No payout under the annual bonus or LTIP.

Target performance

- Fixed remuneration.
- 50% of the maximum payout under the annual bonus.
- Vesting under the LTIP assumed as follows: 50% of Performance Awards, 100% of Restricted Awards.

Maximum performance

- Fixed remuneration.
- 100% of the maximum payout under the annual bonus.
- Maximum vesting under the LTIP assumed as follows: 100% of Performance Awards, 100% of Restricted Awards.

Maximum performance + 50% share price growth

- Fixed remuneration.
- 100% of the maximum payout under the annual bonus.
- Maximum vesting under the LTIP assumed as follows: 100% of Performance Awards, 100% of Restricted Awards. 50% assumed share price growth for Performance Awards over three-year performance period.

Other than for the scenario 'Maximum + 50% share price growth', no share price growth has been assumed in the charts above. Also, no dividend assumptions have been included in the charts above.

Service contracts and letters of appointment

All Directors' letters of appointment and the CEO's service contract 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).

CEO

Iván Arriagada is employed under a contract of employment with Antofagasta Minerals SA, 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, Mr 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.

Under his employment contract Mr Arriagada is entitled to 20 working days' paid holiday per year.

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

Chairman and Non-Executive Directors

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 a majority of 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. The letters require the Directors to undertake that they have sufficient time to discharge their responsibilities.

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.

Policy on payments for loss of office

The CEO's contract 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, the CEO is entitled to receive one month's base salary for each year of service on termination.

The treatment of any outstanding incentive awards will be determined based on the relevant plan rules or as summarised in the table below:

Annual bonus	If employment lasts for at least six months of the financial year, leavers are entitled to be considered for a bonus depending on whether performance conditions have been met and any payment will usually be pro-rated for the period of employment, with Committee discretion to treat otherwise. If an individual's employment does not last for at least six months, leavers will not typically be entitled to be considered for a bonus, with Committee discretion to treat them otherwise.
LTIP	The default treatment is that any outstanding Performance Awards lapse on cessation of employment. However, if an individual is considered a good leaver, awards will usually vest subject to the satisfaction of the relevant performance criteria (if applicable) and, ordinarily, on a time pro-rated basis with the Committee's discretion to treat them otherwise. The balance of the awards will lapse. Restricted Awards will usually lapse on cessation of employment unless the Committee determines otherwise.
Corporate event/ change in control	In the event of a change of control or winding up of the Company, LTIP awards will vest subject to the extent to which the performance conditions have been satisfied (if applicable) and time pro-rating, unless the Committee decides otherwise. In the event of an internal reorganisation, LTIP awards may (with consent from any acquiring company) be replaced by equivalent awards. Alternatively, the Committee may decide that LTIP awards will vest as in the case of a change of control described above. In the event of a demerger, special dividend or other corporate event that will materially impact the share price, the Committee may, at its discretion, allow LTIP awards to vest on the same basis as for a change of control as described above.

The Committee reserves the right to make other payments in connection with the CEO's cessation of employment. Any such payment may include paying a reasonable level of fees for outplacement assistance and/or the CEO's legal or professional advice fees in connection with his cessation of employment.

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.

Policy on recruitment

When determining remuneration on recruitment of a CEO, the Committee will take into account an individual's role, experience and relevant data points such as market data and internal comparisons. The Committee is mindful to pay no more than is necessary to facilitate recruitment of the right talent. On appointment, remuneration will generally be in line with the Policy and the maximum aggregate value of incentives (excluding buyouts) will be no more than the maximums in the Policy table. The approach on recruitment is summarised below:

Element	Policy and operation
Base salary	Base salary will be determined with reference to the individual's role and responsibilities, experience and skills, relevant market data and internal comparisons. Salaries may be set at a level lower than the prevailing market rate with increases made at a higher than usual rate as the individual gains experience and performs in the role.
Benefits	Benefits in line with the Policy, including relocation benefits if appropriate.
Annual bonus	The structure described in the Policy table will normally apply for new appointees with the relevant maximum typically pro-rated to reflect service during the year. For the first year of appointment, the Committee may determine that the annual bonus may be subject to modified terms considered appropriate in the context of the recruitment.
LTIP	LTIP awards will normally be on the same terms as described in the Policy table although the Committee does have the flexibility to make changes in the first year of employment, including the performance measures applied. Any change will be fully disclosed in the relevant Directors' and CEO Remuneration Report.
Buyout awards	The Committee recognises that it may be necessary, in certain circumstances, to provide compensation for amounts forfeited from a previous employer. Generally, any buyout awards will be made on a like-for-like basis in terms of commercial value, form, application of performance conditions and timing of receipt to ensure they reflect the incentives they are replacing.

The approach for an internal promotion will be consistent with the policy outlined above. Where an individual has contractual commitments or outstanding awards made prior to their promotion, the Company will honour these legacy arrangements.

For interim positions a cash supplement may be paid rather than salary (for example a Non-Executive Director taking on an executive function on a short-term basis).

On appointment of a new Non-Executive Director or Chairman, the information set out in the Policy table will apply.

Policy table for the Chairman and Non-Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees			
To attract and retain high calibre, experienced Directors by offering globally competitive fee levels.	<p>The Chairman receives an annual base fee. Non-Executive Directors receive an annual base fee. Directors may receive further fees for additional responsibilities including:</p> <ul style="list-style-type: none"> • Senior Independent Director • Board Committee Chair • Committee member <p>Separate base fees are paid for services to the Antofagasta Minerals Board and for serving as a Director on, or chairing, any subsidiary or joint-venture company.</p> <p>Ramon Jara also receives a base fee (adjusted for Chilean inflation) for advisory services provided to Antofagasta Minerals pursuant to his service agreement.</p> <p>Fees are subject to review taking into account time commitment, responsibilities and market practice.</p>	<p>Total fees paid will be within the limit stated in the Articles of Association.</p> <p>Changes may be made to Chilean-peso-denominated fees to take into account Chilean inflation.</p>	None
Benefits			
To provide appropriate benefits and reimburse appropriate expenses that are incurred in the performance of duties of the Directors.	<p>Non-Executive Directors are entitled to be reimbursed for reasonable expenses incurred during the performance of their duties, including any tax due.</p> <p>Benefits may include the provision of life, accident and health insurance, professional advice and certain other minor benefits including occasional spousal travel in connection with the business.</p>	Benefits set at a level appropriate to the individual's role and circumstance. The maximum opportunity will depend on the type of benefit and cost of its provision.	None

In line with the UK Corporate Governance Code, Non-Executive Directors do not participate in incentive or share schemes or receive a pension provision.

Consideration of employment conditions elsewhere in the Group

When the Committee reviews remuneration of the Directors and CEO, it takes into consideration pay conditions across the Group. This is set in the context of different working environments and geographies and therefore is not a mechanical process. The Committee does not currently use any other remuneration comparison metrics when determining the quantum and structure of Director remuneration and does not seek employee views. The Directors' and CEO's Remuneration Policy is well understood by employees and employees are aware that the CEO's Remuneration Policy is substantially similar to their own remuneration policy. The Chair of the Remuneration and Talent Management Committee has not therefore explained this to employees.

During 2019 the Antofagasta HR team and management undertook a review of the reward and remuneration structure of the business with a view to reviewing market pressures and business interactions and whether the current processes and structures should change in order to better meet the needs of the business. As part of the review the HR team sought engagement with employee stakeholders, through leadership and senior management interviews, and focus groups with employees from across the business ensuring a full range of views from our diverse employees were represented. Additionally, with its advisers, the Group reviewed market practice and considered the developing environment for talent and the needs of the business before making proposals to the Remuneration and Talent Management Committee across a number of areas impacting the reward and talent proposition for employees. The proposals sought to continue to maximise value and increase the overall employee experience and ensure that the Group remains a world class employer attracting and retaining the best mining talent to succeed.

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.

In addition, as part of the review of Director and CEO remuneration ahead of a new Policy being tabled for approval at the 2020 AGM, a consultation exercise was undertaken by the Chair of the Remuneration and Talent Management Committee with top shareholders and proxy agencies. The Company values the feedback received during this process and it was taken into account when determining the final Policy to be approved by shareholders.

The Board receives regular summaries and feedback in respect of the meetings held as part of the investor relations programme, as well as receiving research analysts' reports on the Company. The Senior Independent Director meets with shareholders regularly and the Chairman and the Chair of the Remuneration and Talent Management 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' and CEO's pay arrangements will continue to be reviewed each year in line with the Policy, taking into account the views of all the Company's shareholders.