



ANTOFAGASTA PLC

# Antofagasta plc 2020 Statement Modern Slavery Act 2015 (UK)



# INTRODUCTION

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Section 54 of the Modern Slavery Act requires any company carrying on a business in the UK which supplies goods or services and has a total annual turnover of £36 million or more, to publish an annual statement setting out the steps it has taken to ensure that slavery and human trafficking are not occurring in its supply chains or in any part of its business.

The following statement has been prepared in respect of the year ended 31 December 2020 and has been approved by the Antofagasta plc Board.

## 2020 highlights

- During 2020 a specific e-learning programme was launched with a detailed review of three key topics: our Compliance Model, our Crime Prevention Model and our modern slavery policy. The programme was completed by 100% of the Group's Directors, executives and supervisors (10 Directors, 286 executives and 1,576 supervisors).
- All new employees received information relating to the prevention of modern slavery during their induction programmes.
- The Group's due diligence systems were automated in order to better detect and prevent any issues related to modern slavery. A total of 5,963 suppliers were reviewed in 2020.

# STRUCTURE

Antofagasta plc is a Chilean copper mining group with significant related by-product production and a freight transport business. Antofagasta plc and its subsidiaries (the “Group”) creates value for its stakeholders through the discovery, development and operation of copper mines. The Group is committed to generating value in a safe and sustainable way throughout the commodity cycle.

Mining is the Group’s core business, representing over 96% of Group revenue and EBITDA. The Group operates four copper mines in Chile, two of which produce significant volumes of by-products. Minerals are extracted and processed before being sold worldwide by the sales and marketing team based in Chile. All of the Group’s mining operations are located in the Antofagasta Region of northern Chile, except for its flagship operation Los Pelambres, which is located in the Coquimbo Region of Central Chile. The Group also has a portfolio of growth opportunities located mainly in Chile.

The Group’s transport division, known as Ferrocarril de Antofagasta a Bolivia (or “FCAB”), provides freight transportation services by rail and truck to the mining industry in the Antofagasta Region of Chile. The transport division operates its own railway network, which provides rail access to Bolivia and the two largest ports in the Antofagasta Region at Mejillones and in the city of Antofagasta.

The Group had a workforce of 23,376 people during 2020, 6,647 direct employees and 16,729 contractors’ employees.

The shares of Antofagasta plc are listed on the Main Market of the London Stock Exchange.

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# SUPPLY CHAIN

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Suppliers play a critical role in the Group's ability to operate, supplying a broad range of products and services from grinding media to catering at the mine sites. The Group conducted business with over 3,331 suppliers in 2020, 94% of whom were based in Chile. Approximately 74% of the Group's 2020 total expenditure is related to the supply of services and 26% to the supply of goods.

## Chilean Law

Chile has been a member of the International Labour Organization (ILO) since 1919. The country has ratified 63 ILO Conventions, of which 49 are in force, including those that prohibit child and forced labour (C029 – Forced Labour Convention, C105 – Abolition of Forced Labour Convention and C138 – Minimum Age Convention). These Conventions have been incorporated into Chilean law. According to the “Measurement, Action, Freedom” 2019 report, Chile has one of the strongest responses, relative to wealth, in the Americas to Modern Slavery (7/10 compared to 5/10 regional average). Global Slavery Index 2018 estimates that 14,000 people or 0.078% of the total population, are currently living in modern slavery.

The Group maintains open channels of communication with all suppliers and contractors and encourages them to raise any issues or concerns that arise in the conduct of their business. Suppliers and contractors can raise any concern directly to their contract administrator or through the Group's whistleblowing channel “Tu Voz” (Your Voice). “Modern slavery” has a special categorisation in the system which allows the Risk and Compliance team to quickly identify and monitor any case that may arise.

All potential new suppliers are submitted to the Group's due diligence process and are required to comply with all applicable laws and regulations regarding modern slavery, describing the main actions taken to ensure there are no instances of modern slavery in their organisation and also providing copies of the procedures that they have in place for the prevention of modern slavery. Contracts with new suppliers also include specific clauses requiring them to comply with the Group's Compliance Model. Additionally, general managers or legal representatives of the companies must declare that there is no modern slavery in their company; this declaration is periodically audited. The Group performed 5,963 due diligence checks in 2020.

The Group conducted business with 216 suppliers of goods and services outside of Chile in 2020, accounting for a 3.1% of the total expenditures in goods and services of the Group. Peru accounted for 25% of this total, followed by Germany (23%), USA (20%) and Japan (9%).

As shown in Table 1, “GSI Statistics for International Supplies by Value”, 95% of the Group's international expenditure is concentrated in 10 countries, of which almost of 80% relates to Peru, Germany, USA and Japan. Of these countries Peru (25% of the Group's international expenditure) and Germany (23% of the Group's international expenditure) have the highest percentage of population in modern slavery, according to the Global Slavery Index 2018 (GSI)

Country of origin	% of International Expenditure	# Suppliers	GSI % of population in MS (2018) (1)
<b>Peru</b>	25,05%	5	0,26%
<b>Germany</b>	23,35%	5	0,20%
<b>USA</b>	20,46%	84	0,13%
<b>Japan</b>	9,41%	1	0,03%
<b>Switzerland</b>	5,17%	2	0,17%
<b>France</b>	4,20%	3	0,20%
<b>Mexico</b>	2,36%	4	0,27%
<b>Brazil</b>	2,11%	24	0,18%
<b>UK</b>	2,06%	26	0,21%
<b>Canada</b>	1,51%	5	0,21%
<b>China</b>	1,01%	7	0,28%
<b>Italy</b>	0,88%	2	0,24%
<b>Spain</b>	0,64%	7	0,23%
<b>Argentina</b>	0,36%	8	0,13%
<b>Bolivia</b>	0,31%	1	0,21%
<b>Ireland</b>	0,28%	2	0,17%
<b>Georgia</b>	0,27%	2	0,43%
<b>Australia</b>	0,18%	13	0,06%
<b>Austria</b>	0,12%	1	0,17%
<b>Czech Republic</b>	0,07%	1	0,29%
<b>New Zealand</b>	0,05%	1	0,06%
<b>South Africa</b>	0,05%	2	28,00%
<b>Uruguay</b>	0,04%	2	0,10%
<b>Singapore</b>	0,02%	1	0,34%
<b>Taiwan</b>	0,02%	1	0,05%
<b>Virgin Islands</b>	0,00%	1	NA
<b>Turkey</b>	0,00%	1	0,65%
<b>United Arab Emirates</b>	0,00%	1	0,17%
<b>Sweden</b>	0,00%	1	0,16%
<b>Netherlands</b>	0,00%	1	1,80%
<b>Denmark</b>	0,00%	1	0,16%
<b>Total</b>	100,00%	216	

(1) Source: <https://www.globallslaveryindex.org/>

Table 1: GSI statistics for the Group's international suppliers

# POLICIES AND GOVERNANCE

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The Group's policies are consistent with its culture and core values, one of which is respect for people, and to actively support human rights and avoid the existence of modern slavery in our businesses and supply chain.

Along with the Chilean laws that protect human rights, our Compliance Model is designed to address any unethical behaviour, including modern slavery. During 2019 a specific internal policy on modern slavery was launched and communicated to the organisation. The purpose of this new policy is to provide relevant information on how to prevent, detect and act on any sign of modern slavery in our supply chains and to create broader awareness of this subject. This policy is part of the induction programme for new employees and contractors.

The Board is collectively responsible for the long-term sustainable success of the Group, its leadership and strategic direction, and for the oversight of the Group's performance, risk, compliance and internal control systems.

The Audit and Risk Committee supports the Board in this task, reviewing and evaluating the effectiveness of management in preventing modern slavery.

The risk and compliance department, in coordination with the procurement and human resources departments, coordinates and implements the established controls to avoid modern slavery in any part of the Group's businesses or supply chains.

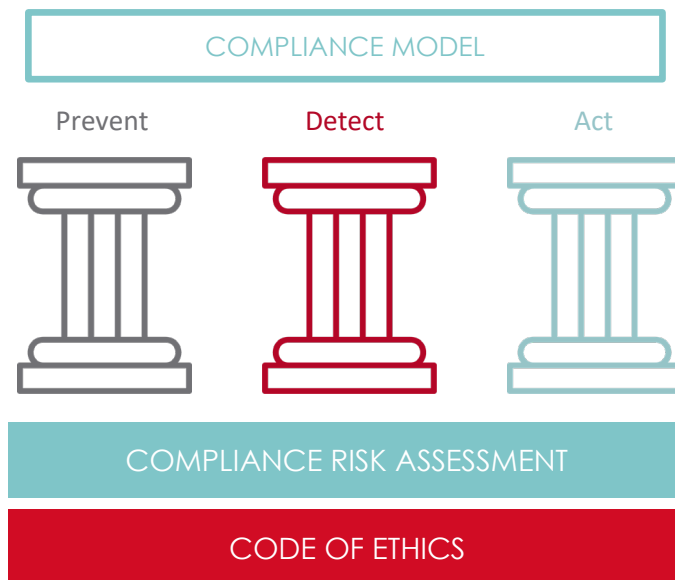
# COMPLIANCE MODEL

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The Group's Compliance Model applies to all employees and suppliers that provide goods/services to the Group.

The model helps the Group to communicate the importance of ethics and compliance in every activity it undertakes by encouraging all members of the organisation to support its implementation in their day to day activities. The model is regularly communicated and presented to the Group's employees in training sessions, "Integrity Week" presentations and/or massive communications.

The Compliance Model is founded on the Group's Code of Ethics and Compliance Risk Assessment procedures and its three strategic areas of focus are prevention, detection and action.



*Diagram of Group Compliance Model*

## Code of Ethics

The Code of Ethics sets out the Group's commitment to undertake business in a responsible and transparent manner. It demands honesty, integrity and accountability, mandating compliance with the law as well as the Company's values and expectations in relation to moral and ethical conduct, including specific expectations in relation to human rights.

The Code of Ethics is distributed to all the Group's employees and contractors, who are required to acknowledge in writing that they have read and understood the Code and undertake to implement it in the performance of their obligations and duties on behalf of the Group.

The Code of Ethics specifically prohibits the exercise of any form of exploitation or other behaviours constituting slavery or human trafficking.

## **Compliance Risk Assessment**

The Group operates, through the corporate risk team, a centralised risk management and internal control system. This system allows the management of each specific risk by the different risk owners through each one of the Group's companies. This includes conducting risk assessments within each business activity to ensure the early and effective identification, control, mitigation and reporting of relevant risks.

The Group's compliance risk matrix was updated in 2020 to specifically address the risks of modern slavery in higher risk areas, which includes procurement, human resources, corporate affairs and sales.

Our contracts with suppliers and contractors require them to commit to avoid and address all types of modern slavery. Specific declarations are also required regarding the presence of modern slavery in their companies, including any operations they may have that are not directly related to the goods or services that are provided to the Group.

Preventative controls include detailed due diligence for all potential suppliers.

## **Prevention**

Overall, the Group focuses on preventing any irregular activity, putting in place several controls, including policies, training and specific communications.

### **Training and communications**

Raising awareness is crucial to preventing any involvement in modern slavery in our businesses and our supply chain.

The Group ensures that Compliance Model and related Policies and Procedures are implemented and understood across the organisation. This is achieved through induction training for all new employees and contractors and extensive e-learning, which includes a specific section on modern slavery.

During 2020 focused training was undertaken for the most exposed areas, and also a specific e-learning programme was launched with a detailed review of three main topics: the Compliance Model, the Crime Prevention Model and our modern slavery policy, which was completed by 100% of the Group's directors, executives and supervisors (10 directors, 286 executives and 1576 supervisors).

Co-operation between the risk and compliance, human resources, legal and procurement departments is essential to continually improve the controls that we have in place to prevent, detect and mitigate the risks of modern slavery.

### **Due Diligence and audit process**

As part of the risk assessment process, all new suppliers and contractors are subjected to due diligence, which allows the Group to understand the compliance systems and processes they have in place and whether there have been any reported incidents of behaviour that might not be in accordance with the Group's policies. Based on the due diligence outcome or supplier's location, ongoing monitoring and/or specific additional controls relating to the risk of modern slavery, such as on-site ad-hoc reviews, may be applied.



The due diligence process requires suppliers to complete a questionnaire explaining their compliance models, training programmes, codes of conduct, processes for receiving and investigating complaints, third party background checks and compliance procedures for the prevention of slavery and human trafficking.

The Group's policy ensures that wages paid by our suppliers to their employees and to third parties for services is an ethical wage above the Chilean legal minimum wage (53% more than the Chilean legal minimum wage by the end of 2020). This minimum ethical wage paid by the Group was increased in 2020 and the minimum health and life insurance limits were updated.

The Group requires bank guarantees for all service contracts to guarantee the contractors' obligations towards their employees during the period of the contract. These guarantees are released on conclusion of the contract, but only if all local labour obligations have been fulfilled during the term of the contract.

During 2020 we conducted 5,963 third party background checks, which was 7% more than 2019 due to a higher incorporation of local suppliers. These background checks did not identify any issues related to modern slavery or human trafficking.

## **Detection**

Several internal and external audits are conducted each year to detect any non-compliance with the Compliance Model or labour requirements. Due to the Covid 19 situation and work force restrictions, on-site audits to ensure that safety, health and hygiene conditions are above the minimum required levels were temporarily replaced by remote documentation reviews by the labour relations team and more specific on-site reviews by the HSE teams.

Contracts for the supply of services are audited by an independent third party every month to ensure that legal and contractual labour obligations are being complied with.

An additional annual external audit is performed into the main supplier contracts of each operation and it includes the review of the status of their modern slavery declarations, their compliance with minimum ethical wage requirements, life insurance coverage levels and performance agreement bonus payment commitments. In 2020 the audit considered 53% (35% more than 2019) of the contracts which stands for around 70% of the total contractor's workforce, along with a deeper and more complete audit of these requirements.

At the same time, employees and suppliers providing goods / services for or on behalf of the Group are required to report any conduct that is not in accordance with the Code of Ethics through the Group's website, intranet, by email, letter or by using a dedicated whistleblowing hotline. Any reported complaint is thoroughly investigated, and the findings are reported to the Ethics Committee which meets regularly and decides what further action, if any, should be taken. The system allows reports to be made anonymously. All complaints are reported to the Audit and Risk Committee at least every semester. Of the 372 complaints reported through whistleblowing channels in 2020, none related to modern slavery or human trafficking.

## **Action**

Non-compliance with the Group's Compliance Model is investigated, and actions are taken according to the severity and circumstances of the breach.

Potential actions that could be taken if a supplier breached the commitments in relation to modern slavery could include termination of the contract, the exercise of bank guarantees (where applicable) and other legal action.

No events of non-compliance relating to modern slavery were detected in 2020.

We are committed to the continuous improvement of our controls throughout the organisation, to ensure no modern slavery is present in our supply chain

## NEXT STEPS

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In 2021 the Group will continue to monitor the effectiveness of the actions it has taken to ensure that slavery and human trafficking are not occurring in the Group or in the Group's supply chain. As part of this process, specific plans are in place to:

- Continue to communicate with, and provide training to, exposed areas within the Group.
- Extend communication campaigns to contractors and suppliers.
- Reinforce targeted communication with contract administrators regarding their role in preventing and detecting modern slavery.
- Strengthen the annual external audit performed on suppliers of services up to 67% of the contracts, to ensure the full compliance with the Group's requirements.

The Group's current procedures, combined with the above steps and the continuous improvement of the Group's Compliance Model, provides the Board with assurance that the likelihood of modern slavery taking place in its first-tier suppliers or any part of its own operations is low, and that it took appropriate steps in 2020 to confirm this and extend the scope and effectiveness of its assessment of its suppliers.



**Ollie Oliveira**  
**Chair Audit and Risk Committee**  
**Director Antofagasta plc**  
March 2021

For more information please see the Group's annual report and our website at [www.antofagasta.co.uk](http://www.antofagasta.co.uk).