

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.

2017 DIRECTORS' REMUNERATION POLICY CONTINUED

	PURPOSE	OPERATION	MAXIMUM OPPORTUNITY
DIRECTORS			
Fees	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"> - if there is a sustained period of high inflation; - if fees are out of line with the market; and/or - 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. <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>
Variable remuneration	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.		
Benefits	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.
Pension	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.