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.

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.

TIM BAKER
CHAIRMAN OF THE REMUNERATION AND TALENT MANAGEMENT COMMITTEE

2016 MEMBERSHIP AND MEETING ATTENDANCE

	NUMBER ATTENDED
Tim Baker (Chairman)	9/9
William Hayes[1]	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.

REMUNERATION AT A GLANCE

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.

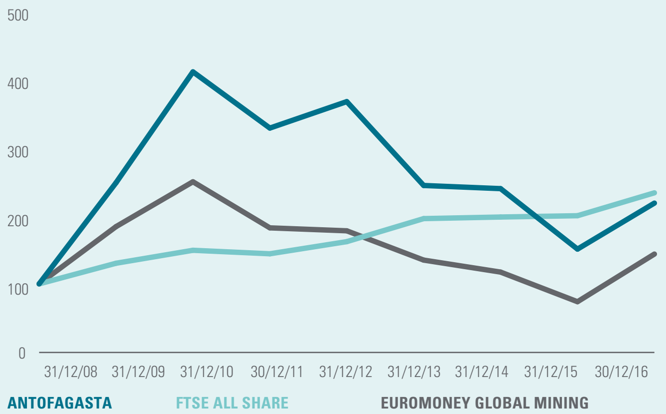
GROUP PAY STRUCTURES

- 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.

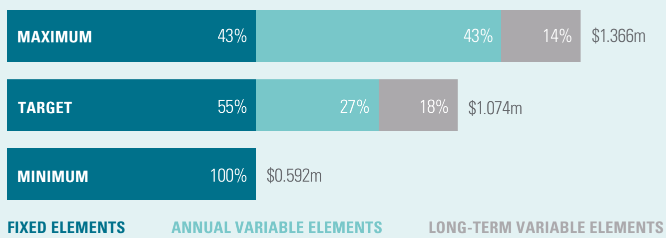
COMPANY SHARE PRICE PERFORMANCE



Source: Datastream.

The calculation metrics are set out on page 110.

GROUP CEO 2017 POTENTIAL TOTAL REMUNERATION



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

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.

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
Fees	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: – 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 are out of line with the market. 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.
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 Corporate Governance Code states that remuneration for Non-Executive Directors should not include share options or other performance-related elements.		
Benefits	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.
Pension	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[1]
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, Director do not receive pensions or performance-related pay and are not eligible to participate in the LTIP.

	SALARY/FEES		BENEFITS[5]		ANNUAL BONUS[6]		LTIP[7]		RECRUITMENT AWARDS / STRATEGIC AWARDS		TOTAL	
	2016 $000	2015 $000	**2016 $000**	2015 $000	**2016 $000**	2015 $000	**2016[8] $000**	2015[9] $000	**2016[10] $000**	2015 $000	**2016 $000**	2015 $000
Chairman												
Jean-Paul Luksic	**1,000**	1,098	**14**	39	**–**	–	**–**	–	**–**	–	**1,014**	1,137
Non-Executive Directors												
Ollie Oliveira[1]	**299**	288	**6**	14	**–**	–	**–**	–	**–**	–	**305**	302
Gonzalo Menéndez	**260**	313	**15**	77	**–**	–	**–**	–	**–**	–	**275**	390
Ramón Jara[2]	**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**	–
Total Board	**4,371**	4,545	**108**	343		–		–	**–**	–	**4,479**	4,888
Group CEO (not on the Board)												
Diego Hernández[3] (Group CEO until 8 April 2016)	**226**	847	**2**	11	**117**	325	**–**	528	**1,180**	734	**1,525**	2,445
Iván Arriagada[4] (appointed Group CEO 8 April 2016)	**417**	–	**6**	–	**260**	–	**60**	–	**–**	–	**742**	–
Total Group CEO	**643**	847	**8**	11	**377**	325	**60**	528	**1,180**	734	**2,266**	2,445
Grand total	**5,013**	5,392	**116**	354	**377**	325	**60**	528	**1,180**	734	**6,745**	7,333

1. 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.
2. 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).
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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[1]	**41,963,110**	41,963,110
Ramón Jara[2]	**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 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.

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[1]
70%	**Core Business**						**100.3**
10%	EBITDA[2]	$m	1,277	1,419	1,516	1,534	108
25%	Copper Production[3]	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[4]	Measured according to schedule and budget as described in more detail in the footnotes					92
5%	**Business Development**						**104.0**
3%	Growth Projects' Execution[5]	Measured according to schedule/budget/quality as described in more detail in the footnotes					100
2%	Business Development Savings[6]	Measured according to KPIs and milestones as described in more detail in the footnotes					110
25%	**Sustainability and Organisational Capabilities**						**104.1**
5%	Safety – KPIs, Reporting and Safety Model[7]	Measured according to KPIs and milestones as described in more detail in the footnotes					107
5%	People – Productivity, Talent Management[8]						105
5%	Environmental Performance[9]						100
10%	Social Programmes[10]						105
Total – pre-adjustments							**101.4**
	Adjustment for fatality[11]						-1.7
Total – post-adjustments							**99.7**

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 Zaldívar (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: – Production guidance for the year was met. – Net cash costs were 20% lower than the previous year. – Centinela thickener issues were resolved and production improved by 7% compared with 2015. – The start-up of Antucoya was in line with guidance.
Leadership	Strong leadership was demonstrated by: – Initiation of processes to drive safety leadership across the Group. – Introduction of an operating excellence programme at the Group's operations, targeting maintenance, planning and execution. – Following through on the cost reduction programmes started in 2015 to deliver measurable savings in 2016. – Development of succession plans and the creation of synergies across the Group's operations. – Successful integration of Zaldívar, with operating improvements now underway.
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% x 99.7) + (30% x 108) = 102.19
Overall Performance Score as a percentage to be applied to the Maximum	(102.19 – 90) ÷ 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.

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:

		MEASURE				
WEIGHTING	OBJECTIVE	THRESHOLD (0%)	TARGET (50%)	MAXIMUM (100%)	ANTICIPATED PERFORMANCE	ANTICIPATED ACHIEVEMENT[1]
25%	Relative Total Shareholder Return[2]	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[3]	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 Zaldívar	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%
Total						**49.4%**

* 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 $[1]	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)[1]	ACTUAL VALUE OF AWARD ('000)[1]	END OF PERFORMANCE PERIOD OVER WHICH THE PERFORMANCE CONDITIONS HAVE BEEN FULFILLED[2]
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
60%	**Core Business**				
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	1.55	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.		
15%	**Business Development – Growth Projects Execution**				
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				
25%	**Sustainability and Organisation Capabilities**				
5%	Safety		Measured according to KPIs and milestones. The Company will disclose the 2017 target and outcome in the 2017 Annual Report.		
5%	People				
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.

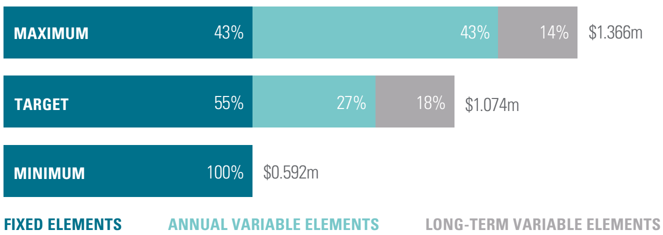
WEIGHTING	OBJECTIVE	MEASURE
35%	Relative Total Shareholder Return	Comparison against Euromoney Global Mining Index with 33% vesting at performance equal to the index and 100% vesting at performance equal to or greater than the index plus 5% during the three-year period.
20%	EBITDA	Measured according 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



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.

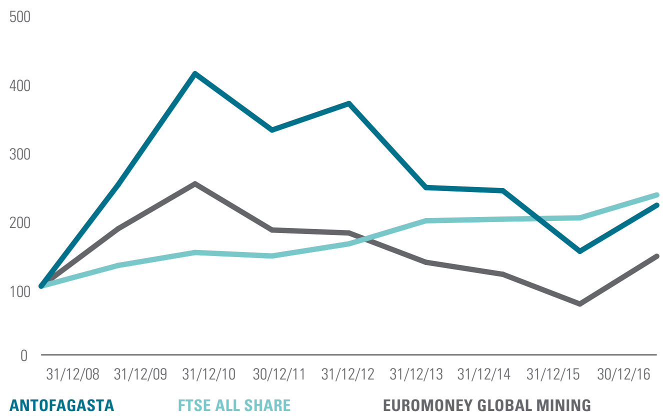
COMPARISON OF OVERALL PERFORMANCE AND REMUNERATION

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.



Source: Datastream.

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[1,2]	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**
Total	**3,184**	**3,330**	**3,521**	**3,598**	**3,615**	**2,884**	**2,445**	**2,266**
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[3]	–	–	–	–	–	76%	16%	**N/A**

1. 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).
2. 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.
3. 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[1]	(24)%	(36)%	16%[2]
Group employees	2.6%	0%	11%[3]

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[1]	422.3	**379.2**	(10.2)%
B Distribution to shareholders[2]	30.6	**181.4**	493%
C Taxation[3]	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
DIRECTORS			
Fees	To attract and retain high-calibre, experienced 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. 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. 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. 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 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.	In normal circumstances, the maximum annual fee increase will be 7%. However, the Committee has discretion to exceed this in exceptional circumstances, for example: – 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. 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. 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. 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.
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.	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. The Committee retains the discretion to provide additional insurance benefits in accordance with Company policy, should this be deemed necessary.	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.