ANTOFAGASTA PLC

Developing mining for a better future

Annual Report and Financial Statements 2020

Contents

In this Annual Report, the terms "Company", "Group", "we", "us", "our" and "ourselves" are used to refer to Antofagasta plc and, unless the context requires otherwise, its subsidiaries. These terms may be used as collective expressions where general reference is made to the companies in the Group and/or where no useful purpose is served by identifying any particular company or companies.

Our purpose

Developing mining for a better future

Our vision
To be an international mining company based in Chile, focused on copper and its by-products, known for its operating efficiency, creation of sustainable value, high profitability and as a preferred partner in the global mining industry.

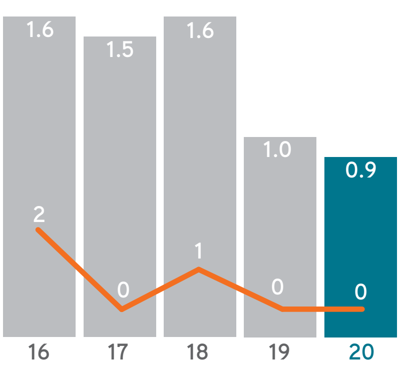
Performance highlights

An overview of performance and key highlights from 2020

Safety

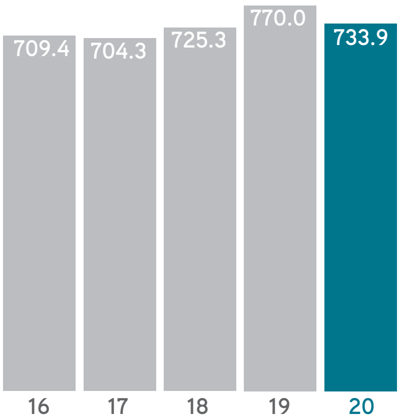
0 Fatalities

0.9 LTIFR[1]



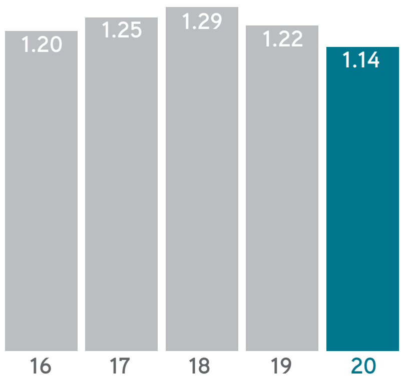
Copper production[2]

733.9k tonnes



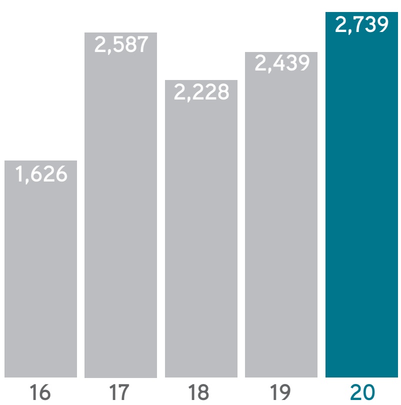
Net cash costs[3]

$1.14/lb



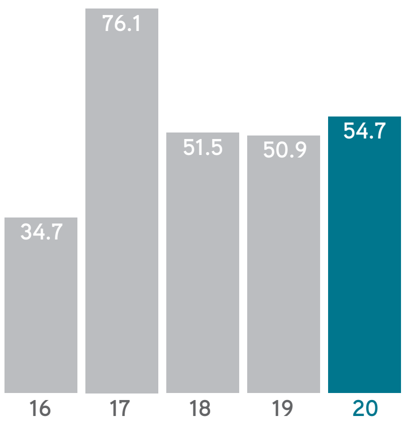
EBITDA[3]

$2,739m



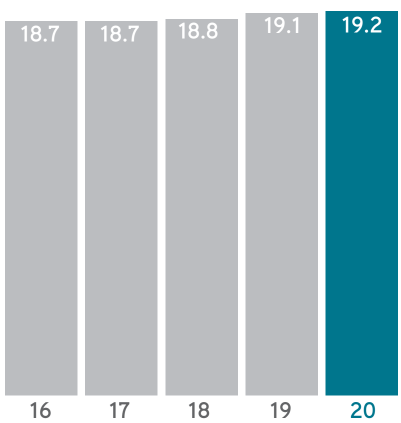
Earnings per share[4]

$54.7¢/share



Mineral resources[5]

19.2bn tonnes



1. The Lost Time Injury Frequency Rate is the number of accidents with lost time per million hours worked.
2. 100% of production at Los Pelambres, Centinela and Antucoya, and 50% of Zaldívar's production.
3. Non-IFRS measure, refer to the alternative performance measures section on page 216.
4. Underlying EPS from continuing operarations, excluding exceptional items. Reconciled to EPS from continuing and discontinued operation, including exceptional items in the consolidated income statement on page 165.
5. Mineral resources (including ore reserves) held by the Group's subsidiaries on a 100% basis and at Zaldívar on a 50% basis.

2020 highlights

Safety
Another year of record safety performance with no fatal accidents and a LTIFR of 0.86.

Copper production
Copper production was 733,900 tonnes, reflecting our resilience and flexibility in the face of the year's challenges.

Net cash costs
Net cash costs were $1.14/lb, 6.6% lower than last year due to the weaker Chilean peso, lower input costs and continued tight cost control, partially offset by lower production.

EBITDA
EBITDA increased by 12.3% to $2,739 million with an EBITDA margin of 53%, reflecting solid copper production, a stronger copper price and lower cash costs.

Earnings per share
Underlying EPS of 54.7 cents per share, 7.4% higher than the previous year on higher EBITDA, partially offset by higher depreciation and amortisation, and tax. EPS including discontinued operations and exceptional items of 51.3 cents per share, up 0.8%.

Dividend per share
Total dividend of 54.7 cents per share, equivalent to a 100% payout ratio.

Projects
Los Pelambres Expansion, Zaldívar Chloride Leach and Esperanza Sur pit growth projects delayed by COVID-19, now due to start production in 2022.

At a glance

We are a Chile-based copper mining group

Mining is our core business, representing over 97% of our revenue and EBITDA. We operate four copper mines in Chile, two of which produce significant volumes of molybdenum and gold as by-products. We also have a portfolio of growth opportunities located mainly in Chile.

In addition to mining, our Transport division provides rail and road cargo services in northern Chile predominantly to mining customers, which include some of our own operations.

	Products	Revenue	EBITDA[1,2]
Antucoya • 70% owned • 19-year mine life • Produces copper cathodes	Cu	9% $480m	6% $166m
Centinela • 70% owned • 47-year mine life • Produces copper cathodes and copper concentrates containing gold and silver and a separate molybdenum concentrate	Cu, Mo, Au, Ag, Cu	36% $1,845m	33% $912m
Zaldívar • 50% owned (and operated) • 10-year mine life • Produces copper cathodes	Cu		4% $96m
Los Pelambres • 60% owned • 14-year mine life • Produces copper concentrates containing gold and silver and a separate molybdenum concentrate	Cu, Mo, Au, Ag	52% $2,655m	61% $1,663m
Transport • Cargo transport system in the Antofagasta region of Chile • 900 km rail network	Road, Rail	3% $149m	2% $61m
Group		$5,129m	$2,739m

KEY Cathodes Concentrate Road Rail

Copper production (tonnes) net cash costs[1]

2020	2021 forecast	Growth potential
79,300 $1.82/lb	75-80,000 $1.80/lb	**Mine life extension** • Potential to process satellite ore bodies
246,800 $1.27/lb	270-280,000 $1.15/lb	**Centinela expansion** • Opening Esperanza Sur pit in 2022, which will increase annual production by 10-15,000 tonnes • Evaluating building a second concentrator. Decision in early 2022
48,200 $1.80/lb	45-50,000 $1.75/lb	**Mine life extension** • Assessing viability of leaching the primary sulphide ore body • Chloride Leach project under construction to increase annual production by 10-15,000 tonnes
359,600 $0.81/lb	340-350,000 $1.05/lb	**Los Pelambres Expansion** • Phase 1 will increase annual production by 60,000 tonnes. Completion in early H2 2022 • Phase 2 will increase the capacity of the desalination plant and extend the Life-of-Mine by 15 years
6.4m tonnes		**Haulage increase** • New contracts starting in 2021
733,900 $1.14/lb	730-760,000 $1.25/lb	

1. Non-IFRS measure, refer to the alternative performance measure section on page 216.
2. Totals to more than 100% as excludes $184 million of corporate costs, exploration and evaluation, and other non-operating income and expenses. See note 2 to the financial statements.

Letter from the Chairman

A year of global headwinds — and tailwinds

Jean-Paul Luksic
Chairman

Dear shareholders

It's been said that adversity introduces us to ourselves – that it not only tests, but also reveals, who we are. Last year offered no shortage of adversity and, as this Annual Report details, Antofagasta's employees responded in ways that demonstrated our company's purpose, values, culture and resilience more powerfully than words alone ever could.

Amid the most severe global health crisis of our lifetimes, our employees developed new ways of working efficiently whilst keeping their colleagues, contractors and local communities healthy and safe. Our operations have high standards for safety, sustainability and efficiency, and sustaining those despite COVID-19's many complications is a fantastic achievement, one that enabled Antofagasta to meet its annual production and cost targets while continuing to improve its safety record and lower its emissions. Even more, it allowed Antofagasta — through increased donations and assistance to employees and communities, employees' salaries and bonuses, and taxes — to provide ongoing support towards Chile's social and economic recovery.

So before reflecting on some of last year's key international and national developments, or offering thoughts on the year ahead, I want to express my pride in — and profound gratitude to — our employees and contractors. Thanks to their resilience and innovation, the past 12 months were defined not by the unprecedented challenges Antofagasta faced, but our responses to them.

A year of global headwinds — and tailwinds

Few years have generated such volatility alongside so many health, operational and financial challenges. The pandemic's disruption of global economic activity was historic, as were its influences on commodities. In late April 2020, as the price of oil futures went negative for the first time in history, copper dipped to $2.09/lb, its lowest level since 2016. The effect of these headwinds on copper prices lessened as the year wore on with copper ending the year at $3.51/lb, a price not seen since 2013, but continued to affect operational and financial conditions across the industry.

A number of powerful tailwinds for copper as a commodity, and for Antofagasta as a business, also gathered significant momentum in 2020. Notably, the world's transition to a low-carbon economy accelerated. As 2021 began, countries accounting for 70% of the world economy had committed to a net-zero target; a mere six months earlier, only 53% of the global economy had set targets. China and Japan, two of the world's largest markets for copper, were among the countries that announced net-zero pledges in 2020. The EU's 'Green New Deal' and the climate proposal of US president Joe Biden's heightened this 'green wave'.

Each country's approach differs in detail, yet all share a common characteristic: they will be copper-intensive. Generating renewable energy requires four to twelve times more copper than conventional power; electric vehicles require four times more copper than ICE vehicles.

Therefore, the copper Antofagasta produces has an important role to play in helping governments meet their climate targets. Our responsibility is to produce that copper sustainably, efficiently and with respect for communities and the environment. Both aspects — the importance of what we produce, and how we produce it — are woven into our purpose: 'Developing Mining for a Better Future.'

Last year, we took further steps to honour that purpose. August 2020 saw the launch of the Global Industry Standard on Tailings Management, which is working to create the safe management of tailings facilities, with the goal of zero harm. Antofagasta set out plans for Los Pelambres, Centinela and Zaldívar to comply with the Standard by 2025. Centinela and Zaldívar also committed to The Copper Mark in 2020, a framework established to demonstrate the industry's responsible production practices and contribution to the United Nations' Sustainable Development Goals.

Supporting Chile's social and economic recovery

The Chilean government's response to COVID-19 avoided the severe health and economic crises endured in some other countries. Appreciating mining's vital role to Chile's economy — it represents more than 10% of the country's GDP — the government allowed operations to continue during the pandemic. Antofagasta worked alongside the government to deliver

“Amid the most severe global health crisis of our lifetimes, our employees developed new ways of working efficiently whilst keeping their colleagues, contractors and local communities healthy and safe.”

a co-ordinated response to the emergency and, as the largest non-State company in Chile's mining sector, supported the country's economic recovery while also setting up a fund for local communities.

As the pandemic unleashed new societal challenges around the world, it exacerbated long-standing ones. Many countries experienced some blend of political and social unrest; Chile was among them. The demonstrations and violence which I described in my 2019 letter thankfully lessened. But the issues underpinning the unrest remain, as does the complex political environment, and the pandemic has only worsened the inequalities. In 2020, a referendum was held, and a clear majority of Chileans voted in favour of rewriting the country's constitution. Members of a Constitutional Assembly will be elected in April and will present a new constitution for a vote by the people at a referendum in 2022.

What the text of the new constitution will be, its impact on our operations, whether it will be supported in the 2022 referendum, remains uncertain, particularly is this year when there are also presidential and parliamentary elections. However, I still believe that, whatever the way forward, it should include measures that help the country reach higher standards of economic equality, growth and development.

As this constitutional process and the elections continue, our focus remains on being safe, efficient and sustainable, managing costs and delivering growth, and being the kind of business that benefits the communities, cities and nation where it operates.

Considered growth

The cyclical nature of copper has informed Antofagasta's pursuit of what we call ‘considered growth’. That means building a business that focuses on factors within our control and making prudent operational and investment decisions with a long-term view. That strength was on display last year. As I mentioned earlier, in the face of incredibly challenging circumstances, the Company met its annual production and cost targets — while continuing to improve its safety record, seeing our second year without a fatality and also lowering our greenhouse gas emissions.

Our Transport division similarly pursued considered growth. It secured new contracts as well as new locomotives that are more efficient and have lower emissions. These will strengthen its long-term business and returns.

To protect the health and safety of our people and local communities, as well as manage costs and risk during COVID-19, we temporarily suspended the Los Pelambres Expansion project in March and delayed the start of our other growth projects. I am pleased to say that they were all able to start again later in the year, integrating our new COVID-19 health protocols into their planning, and all are moving ahead on updated schedules, although there has been some increase in the project costs.

Governance update

In 2019, the Board adopted a new strategic framework for the business' long-term success. That framework is built around five pillars — growth, our people, the safety and sustainability of our operations, innovation and competitiveness — and its resilience was revealed over the course of 2020.

The Board continues to focus on ESG matters, such as climate change, and the Sustainability and Stakeholder Management Committee, in particular, considers in detail many of the key issues that matter to our workforce (such as safety and health), local communities, national and local governments, regulators and other stakeholders. All stakeholders' views are considered in the Board's principal decisions and examples of this are given in this report.

As I mentioned in last year's letter, we welcomed Tony Jensen as a new independent Non-Executive Director to our Board in March and later in the year he joined our Audit and Risk, Remuneration and Talent Management, and Sustainability and Stakeholder Management Committees.

Our efforts to improve diversity across all levels of the Company, including the Board, continue. We have had some success, increasing the female proportion of our workforce to 14.7%, but at the Board level it has been more difficult. However, we continue our search for new female members of the Board who have the skills and experience that we need. Diversity and inclusion are an area where we have made progress, but have further to go. We are committed to do so.

Due to COVID-19 restrictions in the UK, our 2020 AGM was held behind closed doors. This year we are making arrangements for shareholders to access the AGM remotely and to ask questions during the meeting, while avoiding the need for unnecessary travel. You will find additional information in the Notice of Meeting.

Dividend

In 2020 we decided to cut the final 2019 dividend and pay the minimum allowed under our dividend policy. This year, following a year that was stronger than we expected at the time we decided on the cut, the Board has recommended a final dividend that will make the total dividend for the year of 54.7 cents per share.

Outlook for 2021

At a time when new sources of copper supply are of lower quality and discoveries are rare, copper demand is undergoing a systemic shift as the world addresses the transition to a low-carbon economy. Also, the increasing pace of COVID-19 vaccinations should bring greater economic stability and a sustained global recovery. This global growth, coupled with green government stimulus spending, has led some analysts to predict the beginning of a prolonged upturn in the commodity cycle.

These favourable expectations are encouraging, yet 2020 demonstrated just how quickly conditions can change. At Antofagasta we continue to focus on the areas within our control: working to keep our people safe and healthy, managing costs, strengthening our culture, attracting diverse talent and executing on the delivery of our near- and mid-term goals.

In this Annual Report, we report on the progress we've made in those areas as well as telling stories of leadership, resilience and creativity. My pride in Antofagasta's employees is matched only by my gratitude. There have been many memorable chapters in Antofagasta's 132-year history and in 2020, our people helped write another one.

Jean-Paul Luksic
Chairman

Letter from the Chief Executive Officer

A testing year that proved our resilience

Iván Arriagada
Chief Executive Officer

Dear shareholders

I am particularly pleased to share with you this report on our performance in 2020. It was an extraordinarily challenging year on so many levels as the COVID-19 pandemic forced us to adapt how we live, work and interact with each other. Yet, at Antofagasta, we can be proud of our performance: while protecting and supporting our people and communities, we not only maintained operational continuity, but also produced a strong set of results.

Thanks to our team at Antofagasta, our consistent efforts to achieve our purpose and the management processes we have built up over the years, we had the resilience we needed to respond to the crisis effectively. Our risk management system played a crucial role, placing us in a position to react promptly to the unprecedented challenges, while our safety and health management system served as the backbone of our response to the pandemic's health challenges.

I was particularly inspired by our team's capacity to adapt. We had previously incorporated a significant degree of flexibility into our work schedules but the pandemic, by accelerating a shift to remote working, showed us that we can move more quickly than we had previously thought possible.

Learning from this, we have been reflecting on how we want to work in the future and have decided to permanently implement a combination of remote and in-person working for all office-based employees. By increasing our flexibility, we believe we can fulfil two purposes: we will strengthen even further our resilience to unexpected future events and, at the same time, make it easier for employees to reconcile the demands of work and life at home, alongside their own professional aspirations.

On operational safety, I am pleased to report that, by the end of 2020, we had completed 27 months with zero fatalities, a target that is always our top priority. We also achieved a 63% reduction in high-potential incidents, a key indicator of the effectiveness of our safety management system. Admittedly, remote working required some reduction in employees' exposure in the field, but it also meant that some supervision was moved off-site. So, the significant drop in high-potential incidents tells us that safety is firmly embedded in our day-to-day practices, from our pits to our head office. In other words, it demonstrates our safety management system has continued to mature and improve.

Another important example of our resilience in the face of the pandemic was our financial strength. This has long been one of the Group's distinctive attributes and, we believe, a competitive advantage. Certainly, in this crisis, it gave us the flexibility to weather the storm without impairing our ability to operate and continue to grow.

In 2020, we issued an inaugural bond, tapping into the capital debt markets for the first time in an exercise designed to diversify our funding options. The placement was extremely successful, showing that our name is well regarded and we are well positioned in the market.

Operating results

Despite the restrictions imposed by the pandemic, our production levels were within our guidance range for the year. In 2020, we produced 733,900 tonnes of copper, down by 4.7% from our record level in 2019, mainly due to planned lower ore grades at Centinela.

Our net cash costs, at $1.14/lb, were 6.6% lower than in 2019 and better than expected. This was partly explained by temporary factors, including a reduction in the cost of diesel and other consumables as well as the depreciation of the Chilean peso. However, through the renegotiation of our power purchase agreements, we have also achieved a structural reduction in our energy costs.

Innovation projects, such as automation and the use of artificial intelligence, are also beginning to deliver permanent cost benefits and these benefits have contributed to the continued success of our Cost and Competitiveness Programme, which was started in 2014 to capture savings and improve operating productivity.

In 2020, our capital expenditure at $1.3 billion was lower than originally expected because work on key projects, such as the Los Pelambres

“Our priority in 2020 was to protect the health and safety of our employees, contractors and nearby communities while at the same time delivering solid operating results.”

expansion, was temporarily halted for part of the year to protect workers. As a result, there will be some carry-over of expenditure into 2021 and 2022.

Communities

In response to the pandemic’s impact on the communities near our operations, we quickly established a $6 million fund to finance a three-part plan to provide assistance and support. The first part focused on communities’ immediate health needs and included the provision of medical equipment and supplies as well as home medical care for people in high-risk categories. In parallel, we sought to alleviate the pandemic’s social impact by providing basic necessities such as food. The third part of the plan looked beyond the immediate contingency and sought to save businesses in the communities that, albeit struggling in the pandemic, were otherwise fundamentally sound.

The measures we implemented were defined together with community leaders and the authorities and, in this, we had the advantage of a network of connections built up through our regular social engagement programmes. Thanks to the reach and level of trust we have developed during our years working with the communities, we were, in some cases, able to deliver effective help more quickly than government-related assistance.

Climate change

In October 2020, the Board approved a Climate Change Strategy that will guide our approach to this key issue over the coming years. In 2020, we also moved forward on our transition to using renewable energy. During the year, Zaldívar became our first mine to use exclusively renewable energy and the other mining operations will follow with the last transitioning in 2022. In addition, thanks to our decision to expand the desalination plant currently being built by Los Pelambres, we expect sea water, in either raw or desalinated form, and recycled water to account for some 90% of all our mines’ total water consumption by 2025.

As we near completion of our 2018-2022 target for reducing our greenhouse gas emissions by 300,000tCO_2e, we plan to define a new target, looking to see how best to link this into Chile’s goal to achieve carbon neutrality by 2050. For us, like the rest of the mining industry, a key focus will be the replacement of diesel for transport and haulage, and we are also considering how best to report our Scope 3 emissions.

We remain committed to the full disclosure of our impact on climate change. Following a commitment we made in 2020, we are working to produce a climate change report complying with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

Innovation

In 2020, we made important progress on our Roadmap for Innovation. Firstly, we are installing an integrated remote operations management centre for Centinela in the city of Antofagasta and have committed to use autonomous trucks at the mine’s new Esperanza Sur pit.

We are an industry leader in thickened tailings but, in line with our purpose of developing mining for a better future, we are keen to push the envelope further in this field. Also, together with other mining companies, we are sponsoring an effort, spearheaded by the XPRIZE Foundation, an international non-profit organisation, to develop the technology for zero-tailings mining.

As a Group, we have developed a chloride leaching process for primary sulphides. If industrial-scale tests in 2021 are successful, this will represent a major breakthrough, significantly reducing the capital intensity of sulphide processing.

Copper market

In 2020, the copper price showed significant volatility. After dropping to a low in March, it rose again in the second half. This reflected a recovery in demand, led by China, and tight supply, due to pandemic-related production stoppages in other countries and delays in the construction of new projects as well as a reduction in the supply of scrap.

Given the economic stimulus plans being implemented by governments around the world, the year has started strongly and we expect the copper price to show strength throughout 2021, albeit with some volatility. This healthy price trend is underpinned by the growing use of copper for electromobility purposes and generating renewable energy.

Our focus in 2021

We are assuming that COVID-19 health risks will remain with us throughout 2021 and this is very much at the forefront of our planning. As always, operational safety and the good health of our people will continue to be our top priority.

Another priority, as in 2020, will be the upskilling of our workforce to match the new demands of our digital transformation and other innovation processes. As part of this, the Digital Academy we launched in 2020 will continue to play a central role.

Regarding production, 2021 will be a challenging year as we seek to accomplish some critical tie-ins between our projects and our operations and we expect the Group’s production to reach 730,000-760,000 tonnes of copper. Meanwhile, on costs, we anticipate that remote operation, automation and other innovations will continue to deliver savings and productivity gains, counteracting the impact of grade decline.

Our purpose is to develop mining for a better future, and by responsibly and sustainably producing a critical metal that plays a significant role in supporting the global transition to a low-carbon economy, we will continue to create value for our shareholders, other stakeholders and society.

Iván Arriagada
Chief Executive Officer

Copper for a cleaner world

In 2015, representatives of 195 countries met at the landmark United Nations Climate Change Conference in Paris and agreed to reduce greenhouse gas emissions to stop global temperatures rising by more than 1.5-2°C above pre-industrial levels. Copper has a vital role to play in meeting these goals.

Among its many qualities, copper is surpassed only by silver and gold in its ability to conduct electricity and heat, meaning that its use can reduce energy consumption and, therefore, CO_2 emissions. This makes it indisputably the metal of choice to achieve the twin objectives of providing energy to a growing world population and tackling climate change.

It is no surprise, then, that demand growth for copper is forecast to be driven by the transition to renewable energy and the adoption of electric vehicles, together with the longer-established trends of urbanisation and industrialisation.

Energy efficiency

Energy efficiency alone could allow the world to achieve more than 40% of the emissions cuts needed to reach its climate goals without new technology, according to the International Energy Association (IEA). This would not only reduce emissions but spur economic growth by freeing up spending on energy for other uses, as well as improving energy security by creating more stable and resilient electric grids.

The U4E aims to achieve a

10%

decrease in global electricity consumption by 2030 saving

$500bn

in power generation costs

Copper's superior electrical and thermal conductivity makes it key to attaining this performance. The metal's use in domestic and industrial appliances, which consume almost half of global electricity, significantly lowers energy consumption by reducing losses in the transfer of electrical energy and heat. This has the additional benefit of lowering consumers' electricity bills.

Minimum energy performance standards (MEPS) are in place in developed regions to ensure that new electrical appliances, such as motors, refrigerators, transformers and air conditioners operate efficiently. Some 70% of copper is used in these end-use applications, mainly in the form of winding wire – and tubing, in the case of air conditioners.

The International Copper Association (ICA), of which Antofagasta is a member, participates in the United Nations-led United for Efficiency (U4E) initiative to support developing and emerging economies move to greater energy efficiency. By 2030, U4E aims to achieve $500 billion of savings in power generation, a 10% decrease in global electricity consumption and a 1.25 billion tonne reduction in CO_2 emissions annually through energy efficiency measures.

Based on the activities of the Three Percent Club, a public-private energy efficiency alliance, a study commissioned by the ICA shows that if improved energy efficiency achieved a reduction in global energy consumption of 3% per annum, copper demand would grow by over 17 million tonnes over 10 years.

Transition to cleaner energy

The global energy sector's transition from fossil-based technologies to zero-carbon technologies is now well under way, propelled by society's concern about the impact of climate change and by the decarbonisation policies adopted by many countries.

Copper demand will benefit from the transformation as both renewable energy producers and electric vehicles use significantly more of the metal than their traditional counterparts. If global leaders address carbon neutrality more aggressively, the need for copper will strengthen still further.

Based on current policy settings, the IEA estimates that renewable energy will meet 90% of the growth in electricity demand over the next two decades, led by continued high levels of solar and wind development. Over the same period, the share of renewable energy in global power generation is expected to grow from around 28% to 45% replacing coal's dominant position.

Solar and wind technologies require four to twelve times more copper per kilowatt of generation capacity than conventional methods of power generation, mainly because a larger number of smaller units need to be connected to the grid, but also due to the increased copper content of the electrical components.

The sector uses copper for high-voltage power distribution conductors, transformers and earthing in energy infrastructure as well as in coil windings in the stator and rotor of wind turbines and the cell ribbons and cabling of solar photovoltaic systems.

Meanwhile, battery electric and plug-in hybrid vehicles are expected to account for 19% of the automobile market in 2030 and 72% in 2040, amid a declining auto market that will peak in 2031, according to research commissioned by the ICA. This will lead to not only less polluted, but also quieter, cities. Electric vehicles use on average approximately four times as much copper as conventionally powered vehicles, owing to its use in batteries, high-voltage wiring, windings and rotors.

Greening our cities

Copper's outstanding attributes and ability to conduct electricity and heat play an important role in the development of cleaner, greener cities.

The use of copper to build, power, plumb, heat, ventilate, cool and provide internet access to our homes and offices will be boosted by increasing pressure on the construction sector to use less carbon-intensive materials as efforts to meet the Paris Agreement goals gather pace. The world's buildings and their construction represent around 39% of total carbon dioxide emissions, according to the United Nations' 2019 Global Status Report for Buildings and Construction. This represents an important improvement opportunity.

In the first two decades of this century, rapid economic growth and urbanisation in China drove copper demand. In the coming years, urbanisation and industrialisation in India and Southeast Asia are expected to pick up the baton as policy-driven copper consumption growth in China slows.

Together with its contribution to renewable energy and silent, clean electric cars, copper plays an integral part in creating the smarter, more sustainable cities of tomorrow.

"Demand growth for copper is forecast to be driven by the transition to renewable energy and the adoption of electric vehicles, together with the longer-established trends of urbanisation and industrialisation."

Copper and its uses

Copper has been a building block of civilisation for thousands of years and its prominence will grow in the future.

Copper's unique combination of properties has made it central to the development of mankind. In antiquity, its malleability and flexibility allowed it to be hammered and shaped into tools, weapons and receptacles as well as attractive ornaments and jewellery. For thousands of years its durability, resistance to corrosion and attractive colour rendered it a key architectural material used in cladding, roofing or domes and spires. Since the end of the 19th century, its exceptional ability to conduct electricity and heat has made it a vital component of economic development.

Today copper forms the backbone of the modern world.

Its high conductivity ensures the efficient, reliable and safe generation, transmission and distribution of electricity. It powers our electronic devices, from mobile telephones and laptops to televisions and domestic appliances, ensuring that they are energy efficient. It provides reliable and economical electricity, heating and air conditioning in our homes and offices and is used in data transmission to meet society's demand for high-speed internet services and data storage. Furthermore, its use in industrial machinery promotes clean, economic development.

Copper's outstanding electric and thermal properties decrease load loss and keep the power grid working at full capacity as well as reducing the greenhouse gas emissions that cause climate change. Similarly, it is an irreplaceable component for the energy-efficient performance of the renewable energy systems, electric vehicles and equipment that will contribute to the quieter, less polluted cities of the future.

Copper also exists naturally in the environment and is essential for the health of animals and plants. It helps farmers produce more and grocers to keep food fresher for longer. Copper micronutrients promote bone growth and the operation of the immune and nervous systems in animals, as well as photosynthesis and transpiration in plants.

The construction sector, which uses copper in the wiring, plumbing, heating and cooling, lighting and roofing of buildings, accounts for 28% of total annual copper consumption. Rising urbanisation and industrialisation will continue to be a major stimulus for copper demand as the number of people living in cities is expected to grow to nearly 65% of the world population in 2040 compared to 56.2% in 2020.

As people move to cities, the middle class is projected to rise from two billion people today to five billion in 2030, and increased wealth will drive consumption of copper-rich consumer goods such as cars and electronic devices.

The trend to decarbonisation is expected to boost copper demand via the electrical network sector, which already accounts for 29% of total copper use, as renewable energy becomes the dominant source of global power generation over coming decades. Copper used by the transport sector will grow even faster, albeit from a smaller market share of 11%, as electric vehicles, which use four times as much copper as conventional ones, become part of everyday life.

On the back of these trends, total copper consumption, which includes primary production from copper mines as well as secondary production from "old" scrap recycled from end-of-life or obsolete copper products, is expected to grow by an average of 2% per year over the next two decades from 28.4 million tonnes in 2020 to 45.3 million tonnes in 2040.

Cu for copper

Copper is element No. 29 on the periodic table. Its element symbol Cu comes from the Latin word cuprum. The origin of this name is believed to come from aes cyprium, or metal of Cyprus, where there was extensive copper mining in the Roman era. It was later corrupted to cuprum.

67%

of copper produced since 1990 is estimated to still be in productive use

Infinitely recyclable

Copper forms part of a circular economy because it can be infinitely recycled without losing any of its chemical or physical properties in the process.

Typically the metal is in-use for some 40 years and roughly 40% of "end-of-life" copper is recycled. It is estimated that two thirds of the 550 million tonnes of copper produced since 1990 is still in productive use.

Copper scrap is divided into "new" (or 'direct use') and "old" scrap. The former is left-over metal discarded by the first users of copper, who fabricate "semis" (products such as wire, rod, tube, sheet, plate and castings), and by finished product manufacturers. It can be directly melted down and used in manufacturing and is not considered as new supply of refined copper.

"Old" scrap comes from worn out, end-of-life products such as wiring, motors, piping or circuit boards that need to be shredded to extract the copper, and requires reprocessing in smelters and/or refineries depending on its level of purity. This is considered a new source of supply. It is often described as the "swing producer" because scrap collection rates are more sensitive to commodity prices than mined production and it is the first source to stop production when copper prices fall below certain levels.

Every year, one-sixth of total refined copper is provided by "old" scrap and almost one third of global copper demand is met by recycled metal, including "new" scrap. Policy-led decisions to boost the circular economy, in particular in Europe, may lead to an increase in its share.

Copper kills bugs

Copper's antimicrobial properties have been known since antiquity.

As far back as 1,600 BC, the Chinese used copper coins as medication to treat heart and stomach pain. The Egyptians sterilised water in copper vessels. The Aztecs used copper compounds to treat burns, headaches and ear infections.

In 2008 the United States Environmental Health Protection Agency (EPA) officially recognised copper-bearing alloys, containing at least 65% copper, as anti-bacterial health materials. Today the EPA has pronounced over 400 copper surfaces as capable of killing germs.

A 2011 landmark study of intensive care rooms at three US hospitals found that copper reduced the presence of microbes by 83% and the chance of acquiring a hospital infection by 58%.

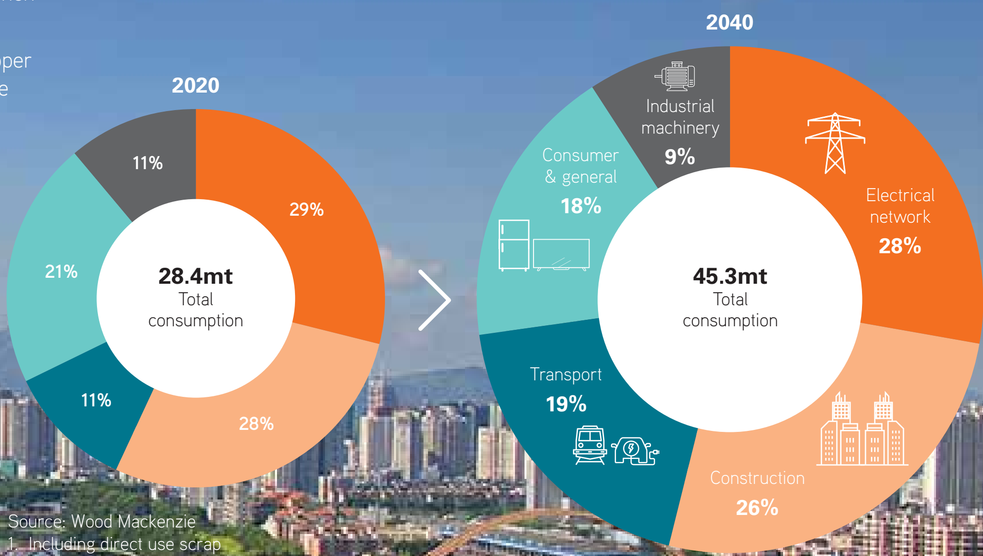
It has also been shown to be a match for the highly infectious COVID-19 virus. A 2020 study in the New England Journal of Medicine showed that the virus only survived for 4-8 hours on a copper surface, compared to 48-72 on plastic and stainless steel ones. Another study by the Faculty of Medicine at Bern University found that textiles with copper thread made by a Chilean startup, The Copper Company, eliminated 85% of COVID-19 bacteria in five minutes and 95% in two hours.

Known as a "contact killer", copper ions puncture the microbe's protective membrane and destroy the nucleus and its DNA, thus stopping the mutations that create drug-resistant super bugs.

Copper and its alloys are increasingly used in hospitals for touch surfaces such as doors, bed rails, IV poles, light switches and workstations, mostly to guard against hospital-acquired infections. There is also considerable potential for its use to prevent infection in nursing homes, schools, public transport and restaurants.

Copper's antimicrobial properties are retained when it is recycled.

Total copper consumption[1] by industry sector



Source: Wood Mackenzie
1. Including direct use scrap

Copper: the metal for a better future

Many of the world's largest copper deposits are found in Chile due to the volcanic activity that created the Andes mountain chain.

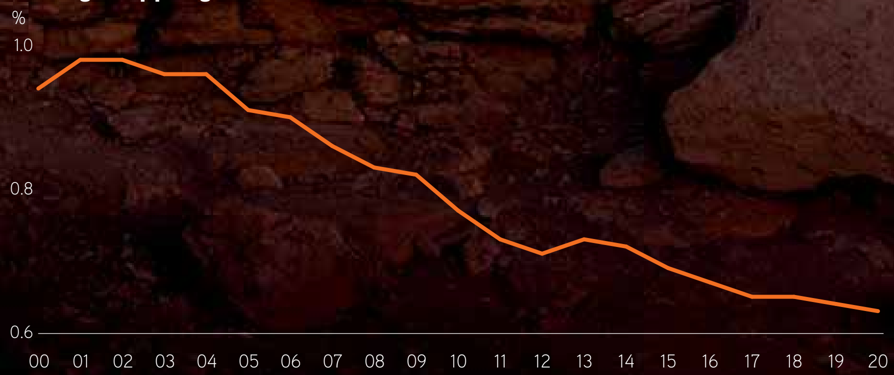
Where it comes from

Copper occurs naturally in a variety of forms in the earth's crust. Over 150 copper minerals have been identified, of which perhaps a dozen are economically feasible to mine and process into copper metal. Copper minerals are found in various types of ore deposits, the two most common being porphyry copper deposits and sediment-hosted deposits, and these are the source of around 60% and 20% respectively of the world's current copper production.

According to the United States Geological Service (USGS), there are 870 million tonnes of copper reserves in the world, which in other words are copper deposits that have been discovered, evaluated and assessed to be economically profitable to mine. Almost a quarter of these reserves are in Chile, which is the world's largest copper producer.

Copper resources, which include reserves as well as potentially profitable identified deposits are estimated at 2.1 billion tonnes. In practice, many of these resources may never become economically viable reserves or may do so only after decades and/or as a result of high copper prices. It takes time and high-risk investment to conduct the detailed exploration, and metallurgical processing, mining, political, infrastructure, environmental, social and other studies required to ascertain a project's feasibility – and many, when assessed in greater detail, will not meet the required criteria.

Average copper grade (world)



Source: Wood Mackenzie

Relative scarcity

It is increasingly hard to find high-quality copper projects in areas of low jurisdictional risk that can offer strong financial returns for a combination of reasons.

First, the easier, higher-return deposits have already been developed and undeveloped deposits tend to be remoter, smaller, deeper, more complex to process and have lower copper grades. Increasingly, new projects are discovered in countries that do not have a mining tradition.

870

million tonnes

of copper reserves in the world. Almost

25%

of these reserves are in Chile

Established mines also become less productive over time as mining plans initially target the ore that is easiest to access and promises the best returns. Over time, average grades decline, ore haulage distances grow and the rock becomes harder to crush and treat. This impacts production and increases mining costs.

Second, environmental standards are rising in most countries, with a particular focus on water efficiencies and use, the safety of tailings storage facilities and community relations. These trends are necessary to ensure sustainable development but lead to longer environmental approval processes and increased costs.

Third, exploration budgets are a fraction of what they were a decade ago. Nor has spending on exploration during that period led to a notable increase in discoveries. The copper resource base grew by an average 0.33% a year in the first two decades of this century compared to 1.2% from 1961 to 2000. This is due to both a decline in the number of discoveries (two in the decade to 2019 compared to 94 in the previous one) and the smaller average size of the discoveries.

The relative scarcity of copper puts pressure on supply, a position that has become more challenging over time.

Converting copper ores into metal

Copper ores are transformed into metal by concentration or leaching technologies but a paradigm shift to treat primary sulphides may be on the horizon.

It can easily take a decade, and often much longer, for a discovery to become an operating mine. There are many stages in the assessment of a deposit, during which greater certainty is developed about its composition and scale. Mining and metallurgical treatment plans have to be evaluated and tested and a detailed assessment of environmental, social, infrastructure and political factors completed before a decision can be made to develop the deposit into an operating mine. Most discoveries never make it beyond the early stages of this process.

The optimal processing method for extracting copper depends on the deposit type. Porphyry copper deposits, which account for some 60% of global copper production and are commonly found in Chile, are typically divided into three main ore types: copper oxides, secondary sulphides and primary sulphides. Oxides are nearest the surface and are formed over millions of years from primary sulphides weathered by the elements. Secondary sulphides, often called supergene deposits, are enriched with higher concentrations of minerals leached from the oxide ore body above. The primary sulphides (hypogene) at the bottom are unaltered and usually have lower grades of copper than the secondary sulphides.

Once a project is permitted and approved, it usually takes at least two years for a mine to be built and start operation and permitting can take years to complete.

Copper production

Copper is extracted from the ore and converted into pure metal, through two processing routes: concentration and leaching. Concentration is the main route to process both primary and secondary sulphides and accounts for 80% of total refined copper production. Leaching, which is less capital intensive, came into wide commercial use in the 1980s and, until recently, has only been viable in treating oxides and sometimes secondary sulphides. By-products such as gold, molybdenum and silver can be extracted using the concentrator route, but not with leaching.

Concentration involves crushing and grinding mined ore into a fine powder and then separating the copper from the unwanted waste material in a froth flotation process in a concentrator plant. The resulting concentrate contains 25-35% of copper and is sent, often by sea, to smelters for further processing and then to refineries for refining into pure copper. If by-products such as gold and silver are present, they can be extracted from the copper concentrate, but molybdenum is processed into a separate concentrate. Concentration is capital intensive and benefits from economies of scale; it is often used for lower-grade large sulphide deposits.

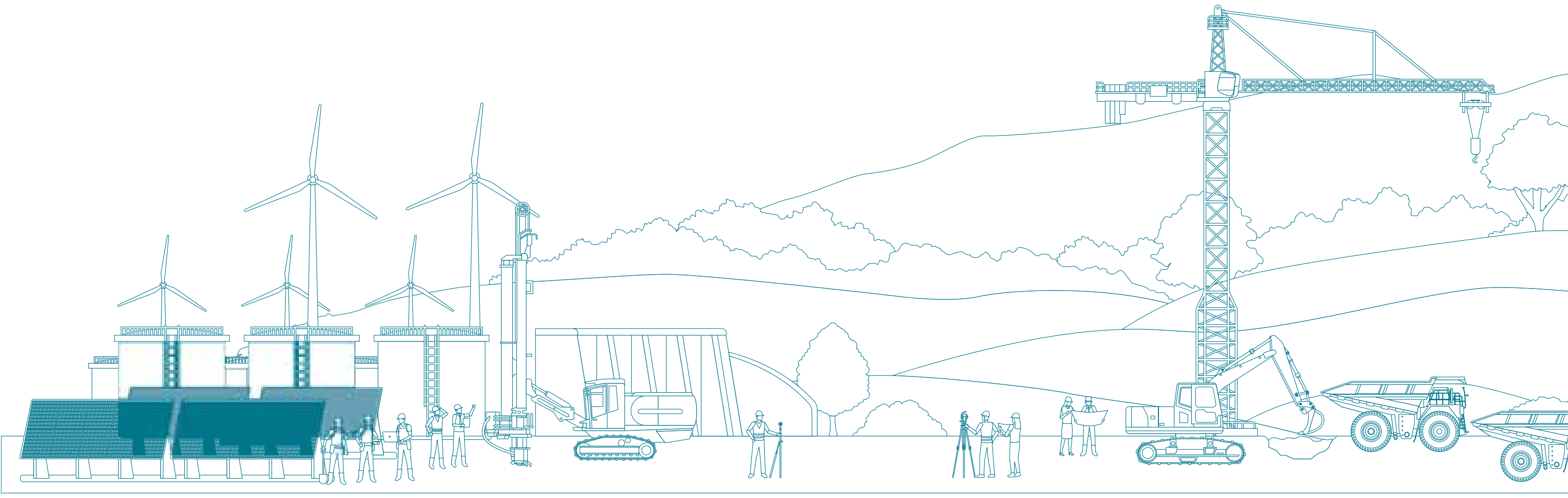
In the case of leaching, also known as hydrometallurgy, crushed ore is usually piled up and leached with sulphuric acid to create a copper sulphate solution called a pregnant leach solution (PLS). The copper is then extracted in a solvent-extraction and electro winning (SX-EW) plant to produce copper cathodes. However, as oxide deposits are near-surface and being depleted, production from this process route accounts for a lower and lower percentage of total copper production.

Since SX-EW technology was developed in the 1960s there have not been any new commercially-proven copper processing innovations. But this may change. New technology appears to be able to leach copper economically from previously unresponsive primary sulphides and recover it using a variant of the SX-EW process route. A promising example is our Cuprochlor-T® process which is currently in the industrial-scale testing stage at Centinela (see page 68 for more information).

Confirmation of this technology would be a milestone in the treatment of primary sulphides, which account for an estimated 70% of the world's copper production. It would allow for less capital-intensive processing, maybe even using disused oxide SX-EW plants. This would represent a paradigm shift for the copper mining industry.

Business model

Creating value through the mining lifecycle



Mining is a long-term business and timescales can run into decades. The period from initial exploration to the start of production can exceed 10 years and, depending on the nature of the project and the market conditions, it may take more than five years of operation to recoup the initial investment.

For geological reasons, copper deposits frequently have higher-grade material nearer the surface and therefore grade declines with depth. This means that unless action is taken, such as an expansion, copper production declines as a mine gets older. Also, as an open pit gets deeper, haulage distances and rock hardness increase, and this, combined with the declining grade, leads to higher unit costs. Large long-life mines will have several expansions during their lives. The current expansion at our 21-year-old Los Pelambres mine is its fourth.

Inputs

Energy
Water
Labour
Service contracts and key supplies
Fuel and lubricants
Sulphuric acid

Our mining operations depend on a range of key inputs such as energy, water, labour, sulphuric acid and fuel. The management of these inputs has a significant impact on operating costs and the sustainability of mining operations, and ensuring the long-term supply of key inputs is a vital part of the business.

As part of our commitment to mitigating and adapting to climate change, all of our mining operations will use 100% renewable energy from 2022 and approximately 90% of mining division's water will be either sea or recycled water by 2025.

+ See page 52 for more information

Exploration

Chile
International

To ensure the long-term sustainability of our mining business, we must focus on expanding our mineral resource base.

We undertake exploration activities in Chile and abroad, with particular focus outside Chile on the Americas. Our international exploration programmes are generally carried out in partnership with other companies, in order to benefit from their local knowledge and experience.

3-5 years

+ See page 77 for more information

Evaluation

Los Pelambres Expansion – Phase 2
Centinela Second Concentrator
Twin Metals Minnesota

Effective project evaluation and design maximise value at this stage of the mining cycle. Antofagasta's wealth of experience in both areas helps to make the best use of mineral deposits. We integrate sustainability criteria into the design process and project evaluation phase, developing innovative solutions for challenges such as water availability, long-term energy supply and community relations.

5 years

+ See pages 74-76 for more information

Construction

Los Pelambres Expansion – Phase 1
Esperanza Sur pit
Zaldívar Chloride Leach project

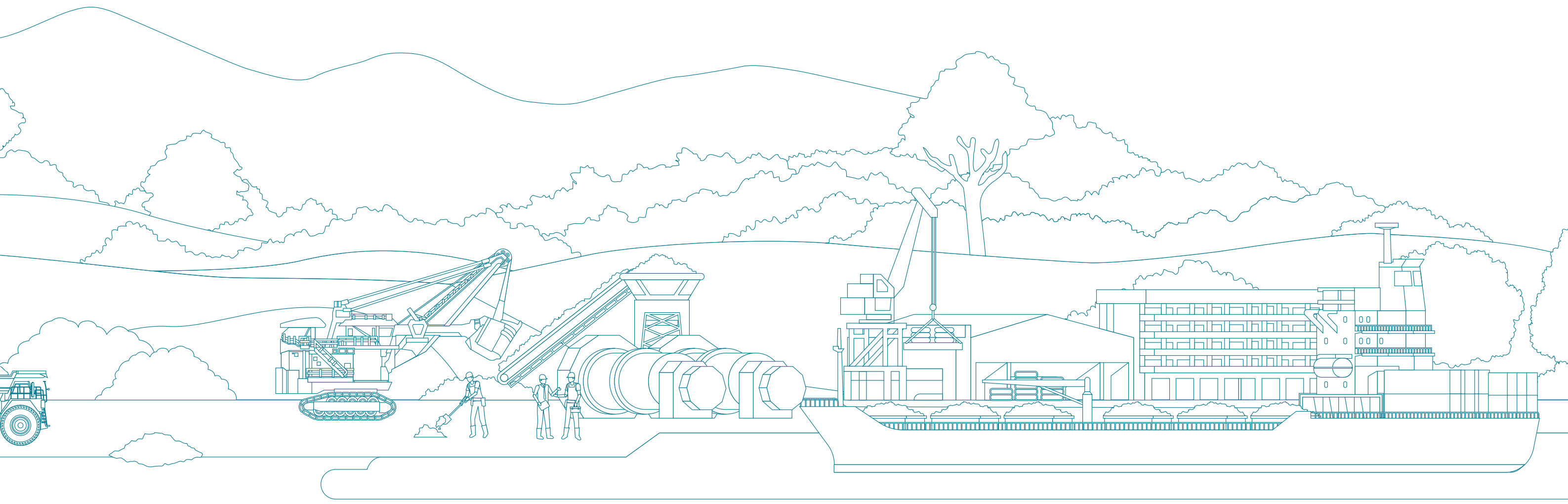
Once a project has been approved by the Board, construction begins.

This stage requires significant input of capital and resources as well as effective project management and cost control to maximise the project's return on investment.

We have a co-operative approach to developing projects. Typically, after the feasibility stage and before the construction phase, we seek a development partner to buy an interest in the project, generating an immediate cash return, diversifying risk and providing broader access to funding while we maintain operating control of the project.

3-5 years

+ See pages 74-76 for more information



Core operations

Extraction

Los Pelambres
Centinela
Antucoya
Zaldívar

Antofagasta's four operations in Chile are Los Pelambres, Centinela, Antucoya and Zaldívar.

The world-class Los Pelambres and Centinela mining districts have sustainable long-life copper mining operations, with large mineral resources, and produce significant volumes of gold, silver and molybdenum as by-products. All of our mines are open pit operations.

Safety and health are key elements of operating efficiency and remain a top priority for the Board and management team.

20+ years

+ See pages 66-71 for more information

Processing

Antofagasta mines both copper sulphide and copper oxide ores, which require different processing routes:

Los Pelambres and Centinela Concentrates

Mined sulphide ore is milled to reduce its size before passing to flotation cells where it is upgraded to a concentrate containing 25–35% copper. This concentrate is then shipped to a smelter operated by a third party and converted to copper metal.

Centinela Cathodes, Antucoya and Zaldívar

Mined oxide ore, sometimes combined with leachable sulphide ore, is crushed, piled into heaps and leached with sulphuric acid, producing a copper solution.

This solution is then put through a solvent extraction and electrowinning ("SX-EW") plant to produce nearly pure copper cathodes, which are sold to fabricators around the world.

+ See pages 66-71 for more information

Marketing

The marketing team builds long-term relationships with the smelters and fabricators who purchase our products, with approximately 70% of output by value going to Asian markets.

As well as copper, Los Pelambres and Centinela produce significant volumes of gold, molybdenum and silver as by-products. Gold and silver are sold for industrial and electronic applications and for jewellery-making. Molybdenum is used to produce steel alloys.

Most copper and molybdenum sales are made under annual contracts or longer-term framework agreements. Sales volumes are agreed each year, which guarantees offtake.

+ See page 82 for more information

Mine closure

During the operation of a mine, its impact on the environment and the neighbouring communities is carefully managed. At the end of its life, a mine must be closed, and its surroundings restored to their original state.

A closure plan for each mine is maintained and updated throughout its life to ensure compliance with the latest regulations and provide for a sustainable closure.

+ See page 51 for more information

Outputs

Copper
Molybdenum
Gold
Silver

Our mining operations create significant economic and social value for a wide range of stakeholders. Local communities benefit from job creation and improved infrastructure, while the Chilean government and local municipalities receive tax payments and royalties.

There are also benefits to society in general, with the copper we produce being used across many sectors, from industrial to medical, and increasingly playing a vital role in the world's major challenges such as sustainable urban development, the availability of clean energy and electromobility and green technologies.

Our copper and by-products go on to be further processed for use in end markets, including property, power, electronics, transport and consumer products.

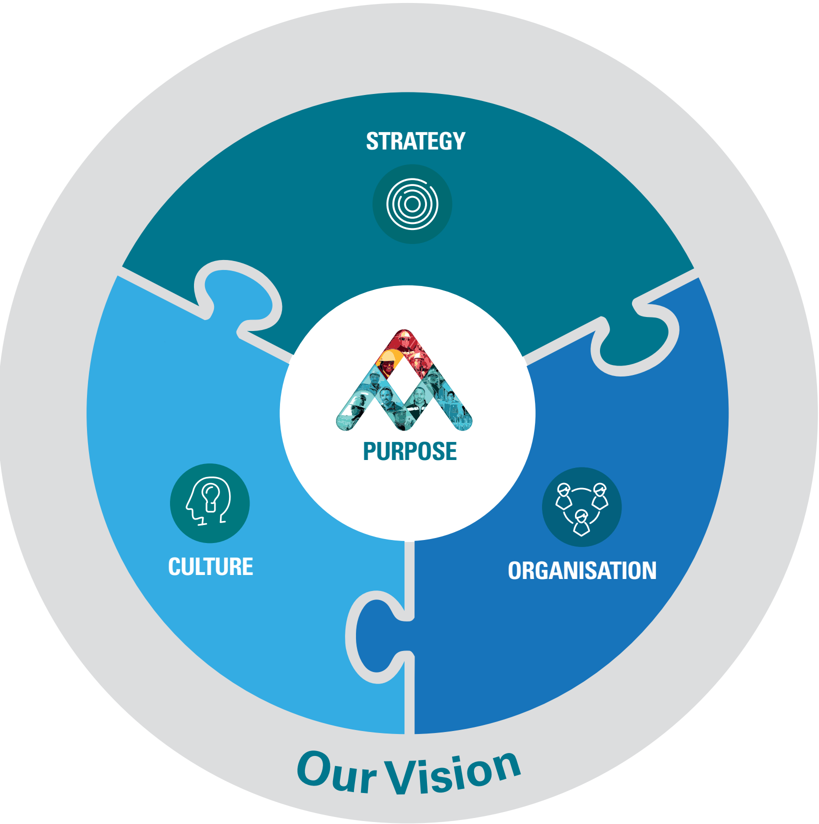
+ See pages 12-13 for more information

Strategic framework

Our strategic framework

We are committed to our Purpose of Developing Mining for a Better Future. This is what drives and motivates us.

Our Purpose is supported by our Strategy, Organisation and Culture through which we seek our Vision. In turn, our Strategy has five pillars, People, Safety and Sustainability, Competitiveness, Growth and Innovation.



Our Vision: To be an international mining company based in Chile, focused on copper and its by-products, known for its operating efficiency, creation of sustainable value, high profitability and as a preferred partner in the global mining industry.

Culture

Culture represents our shared values and the way we work. It is evident not only in our people but also in how we engage with local communities and our suppliers, partners and customers. We also understand the importance of diversity and inclusion as a driver of our competitive advantage.

The way we work and manage our risks is anchored in our shared values: Responsibility, Respect, Commitment to sustainability, Excellence in our daily performance, Forward-thinking and Innovation as a permanent practice, and the Board embraces its important role in setting the tone for the Group's culture and promoting our shared values.

Organisation

The way we manage our activities is paramount in reaching our goals. Our structure is designed to deliver results and growth while also having the flexibility to adjust to challenges and opportunities as they arise.

This is achieved by standardising and strengthening our production processes, improving collaboration between key areas, defining clear roles and responsibilities and seeking to reduce variability and deviation from our production plans.

Strategy

Our strategy is built around five key pillars, each of which has defined long-term objectives with short- and medium-term goals. These pillars are:

People

Safety and Sustainability

Competitiveness

Growth

Innovation

People

People are the core of our business. We want our employees to feel recognised and to have the maximum opportunities for personal and professional growth.

We seek to generate a culture of diversity and inclusion in which our employees can achieve their full potential. We are committed to equality and believe that we can develop our business and make a significant contribution to Chile's development.

We work to improve opportunities for individuals' internal promotion fostered through initiatives such as technical and managerial training programmes. Our goal is to be the best employer in the mining industry.

To achieve this, we understand the importance of creating an environment of trust and collaboration that looks to the long term.

+ See pages 42-44 for more information

Safety and Sustainability

The safety and health of our employees is non-negotiable. We are committed to achieving zero fatalities at our operations and continuing to reduce the number and seriousness of accidents and occupational health issues.

We view sustainability as a source of value creation that is an integral part of our decision-making processes. This includes taking into account all socio-environmental factors throughout the different stages of the development through to the closure of a mining operation.

In line with this, we manage natural resources efficiently and are constantly seeking ways to reduce water consumption, find energy from cleaner sources and protect biodiversity, while always collaborating with local communities.

We are sensitive to the threats posed by climate change and are always seeking to improve our practices accordingly. Our aim is to maximise the utilisation of renewable energy sources and to reduce our greenhouse gas (GHG) emissions.

+ See pages 45-47 for more information

Competitiveness

Our key focus as regards competitiveness is to achieve productivity gains through cost control and streamlining our processes.

Our Operating Model seeks to reduce the variability of our production plans and includes an operating excellence area, a discipline that focuses on productivity issues. Our Cost and Competitiveness Programme (CCP) has also produced significant savings.

+ See pages 80-81 for more information

Growth

We have a portfolio of growth projects that allows us to remain competitive and develop sustainable operations in the long term.

We continue to review our options for maximising returns and reducing the capital cost of projects, and are enhancing the capabilities of the project team to improve our project execution strategy, management and control.

Our focus is on the production of copper and by-products in the Americas (particularly Chile, Peru, Mexico, the United States and Canada).

+ See pages 74-76 for more information

Innovation

We innovate as a means of improving social, environmental and economic conditions while, at the same time, delivering strong returns for our shareholders.

Innovation is key to improving productivity and efficiency and promoting growth. We are investing in innovation and developing opportunities, and encourage and reward employees and contractors who send us their ideas for improving our operations.

During the year we continued to implement our digital roadmap to facilitate and accelerate the adoption of information and analysis technologies, automation and robotics.

+ See pages 80-81 for more information

Key Performance Indicators

Measuring our performance

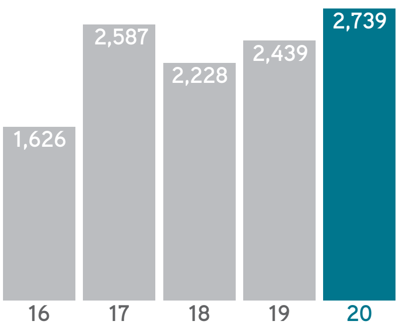
We use Key Performance Indicators (KPIs) to assess performance in terms of meeting our strategic and operating objectives.

Performance is measured against the following financial, operating and sustainability KPIs:

Financial KPIs

EBITDA[1]

$2,739m



Why it is important

This is a measure of our underlying profitability.

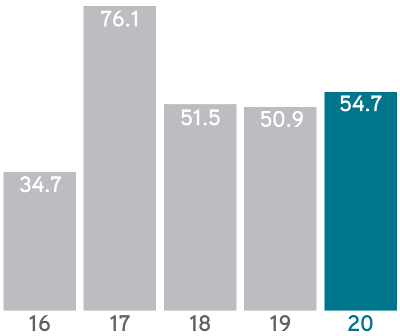
Performance in 2020

EBITDA was 12.3% higher than the previous year on higher realised copper and gold prices, and lower unit costs, partially offset by lower copper production.

+ See page 84 for more information

Earnings per share[2]

$54.7¢/share



Why it is important

This is a measure of the profit attributable to shareholders.

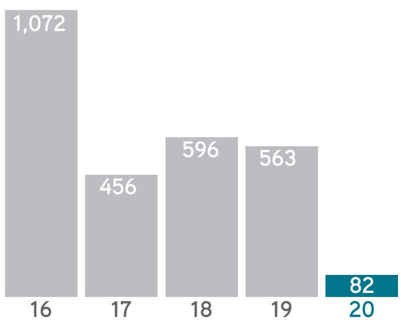
Performance in 2020

Underlying earnings per share from continuing operations of 54.7 cents per share, a 7.5% increase on 2019, on higher EBITDA, partially offset by increased net finance expenses.

+ See page 91 for more information

Net debt[1]

$82m



Why it is important

This measure reflects our financial liquidity.

Performance in 2020

Net debt remained low and decreased by 85.4% in 2020 to $82 million.

+ See page 93 for more information

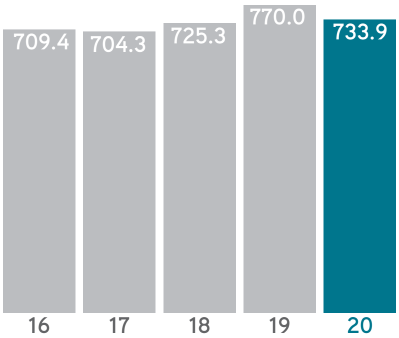
Remuneration performance criteria. See page 145 for more information

1. Non-IFRS measures, refer to the alternative performance measures section on page 216.
2. Underlying EPS from continuing operations, excluding exceptional items. Reconciled to EPS from continuing and discontinued operation, including exceptional items in the consolidated income statement on page 165.
3. 100% of Los Pelambres, Centinela and Antucoya, and 50% of Zaldívar's production.
4. Mineral resources (including ore reserves) relating to the Group's subsidiaries on a 100% basis and Zaldívar on a 50% basis.
5. The Lost Time Injury Frequency Rate is the number of accidents with lost time during the year per million hours worked.
6. Mining division only.
7. Tonnes of CO_2 equivalent per tonne of copper produced.

Operating KPIs

Copper production[3]

733.9k tonnes



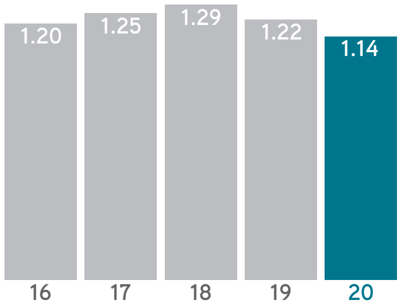
Why it is important
Copper is our main product and largest source of revenue.

Performance in 2020
Copper production was 733,900 tonnes. This was a 4.7% decrease on 2019 mainly as grades at Centinela Concentrates fell as expected.

+ See page 64 for more information

Net cash costs[1]

$1.14/lb



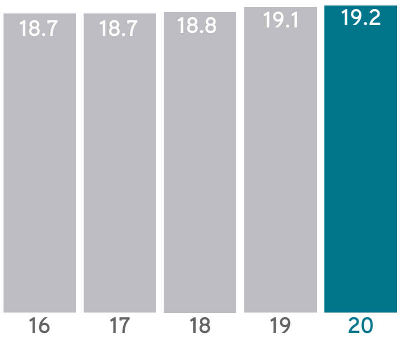
Why it is important
This is a key indicator of operating efficiency and profitability.

Performance in 2020
Net cash costs of $1.14/lb, 6.6% lower than in 2019 due to the weaker Chilean peso, lower input costs and continued tight cost control, partially offset by lower production.

+ See page 64 for more information

Mineral resources[4]

19.2bn tonnes



Why it is important
The Group's mineral resources base supports its strong organic growth pipeline.

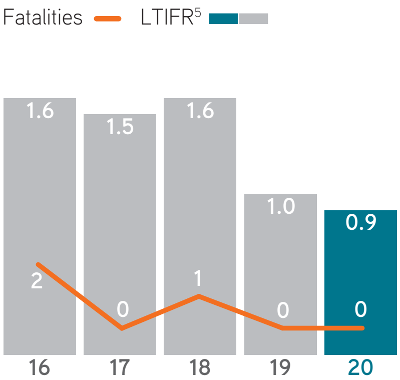
Performance in 2020
Mineral resources at Centinela increased as new geological data were included for the first time.

+ See page 222 for more information

Sustainability KPIs

Safety

0 0.9



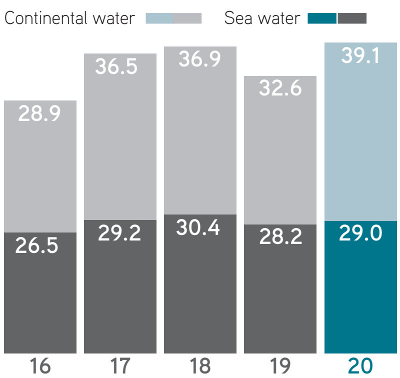
Why it is important
Safety is our top priority, with fatalities and the LTIFR[5] being two of the principal measures of performance.

Performance in 2020
Record safety performance with no fatal accidents and a LTIFR of 0.9.

+ See page 45 for more information

Water consumption

68.1m m^3



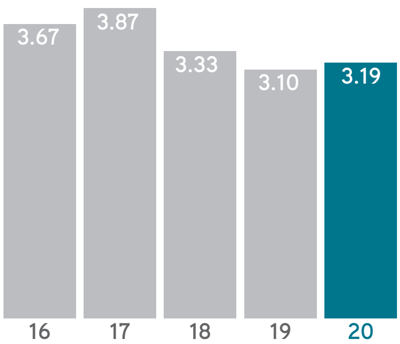
Why it is important
Water is a precious resource and we are focused on using the most sustainable sources and maximising its efficient use.

Performance in 2020
Our consumption of continental water and sea water increased by 19.9% and 2.8% respectively mainly due to an increase in water scarcity and material processed.

+ See page 53 for more information

CO_2 emissions intensity[6, 7]

3.19tCO_2e



Why it is important
We recognise the risks and opportunities arising from climate change and the need to measure and mitigate greenhouse gas (GHG) emissions.

Performance in 2020
Total emissions were 2.0% lower in 2020, but CO_2 emission intensity increased by 2.9% compared to 2019 on lower copper production due to lower grades at Centinela Concentrates.

+ See page 53 for more information

Risk management framework

Effective risk management is an essential part of our culture and strategy.

The accurate and timely identification, assessment and management of key risks give us a clear understanding of the actions required to achieve our objectives.

Key elements of integrated risk management

We recognise that risks are inherent to our business

Only through adequate risk management can internal stakeholders be effectively supported in making key strategic decisions and implementing our strategy

Exposure to risks must be consistent with our risk appetite

The Board defines and regularly reviews the acceptable level of exposure to principal and emerging risks. Risks are aligned with risk appetite, taking into consideration the balance between threats and opportunities

We are all responsible for managing risks

Each business activity carries out risk evaluations to ensure the sound identification, management, monitoring and reporting of risks that could impact the achievement of our goals

Risk is analysed through a consistent framework

Our risk management methodology is applied to all our operating companies, projects, exploration activities and support areas so that we have a comprehensive view of the uncertainties that could affect us in achieving our strategic goals

We are committed to continuous improvement

Lessons learned and best practices are incorporated into our procedures to protect and unlock value sustainably

Areas of focus and development during 2020

Our main focus in 2020 was to implement a world-class risk management tool, in line with our commitment to digital transformation, to review key risks according to our risk methodology and to improve risk management tools for the procurement area and in our planning cycle. These are some of the actions that have taken place during the year:

- Implemented the Active Risk Manager (ARM) system and trained its main users. The ARM system is a single, secure repository of risks
- Co-ordinated the COVID-19 contingency committees throughout 2020, in line with the risk management response system
- Held a key risks awareness workshop for the Executive Committee. During this workshop the Executive Committee reviewed the risks faced by the Group during the pandemic and the relevant aspects to consider when updating and managing the key risks. External risks were defined as external threats that were difficult to predict, with broad consequences and low probability, that could significantly impact the Group in achieving its objectives. Following the outbreak of COVID-19, this probability has been increased
- Presented an update of the Company's risk appetite statement to the Board which included one new key risk category – external risks, to which the Board assigned a risk appetite of medium
- Carried out risk assessment updates at all operating companies, projects, exploration activities and support areas, using the ARM system. Key risks that threaten the achievement of our strategic goals were managed and, when necessary, updated according to external and internal assessments of how the risk is changing and our risk appetite. The outcome was presented to the Audit and Risk Committee and the Board for their review
- Updated and monitored critical controls and action plans dashboards
- Prepared new action plans to maintain risk exposure within acceptable limits
- Embedded timely and comprehensive risk analysis into each relevant decision-making process
- Defined specific procedures to support timely and in-depth risk analysis for the procurement area and for the planning cycle
- Shared best practices across our operating companies
- Included budgeting and planning processes related to risk monitoring in the monthly executive review to identify and manage any deviation from expected performance in a timely fashion

Governance

The Board determines the nature and extent of the principal and emerging risks that we will accept in order to achieve our strategic objectives and maintains sound risk management systems.

The Board receives detailed analysis of key matters in advance of Board meetings. This includes reports on our operating performance, covering safety and health, financial, environmental, legal and social matters, and key developments in our exploration, project and business development activities, information on the commodity markets, updates on talent management and analysis of financial investments.

The provision of this information allows the early identification of potential issues and the assessment of any necessary preventive and mitigating actions.

The Audit and Risk Committee assists the Board by reviewing the effectiveness of the risk management process and monitoring principal and emerging risks, preventive and mitigation procedures and action plans. The Chairman of the Committee reports to the Board following each Committee meeting and, if necessary, the Board discusses the matters raised in more detail.

These processes allow the Board to monitor effectively Antofagasta's major risks and preventive and mitigating procedures, and to assess whether the actual exposure is consistent with the defined risk appetite. If a gap is identified, additional action plans are prepared.

The Risk and Compliance Management Department is responsible for risk management systems across the Group. It implements the Company's risk management policy, vision and purpose to ensure a strong risk management culture at all levels of the organisation. The Department supports business areas in analysing their risks, identifying existing preventive and mitigating controls and defining further action plans. It maintains and regularly updates the Company's risk register.

The Department reports several times a year to the Audit and Risk Committee on the overall risk management process, with detailed updates on key risks, mitigation activities and actions being taken.

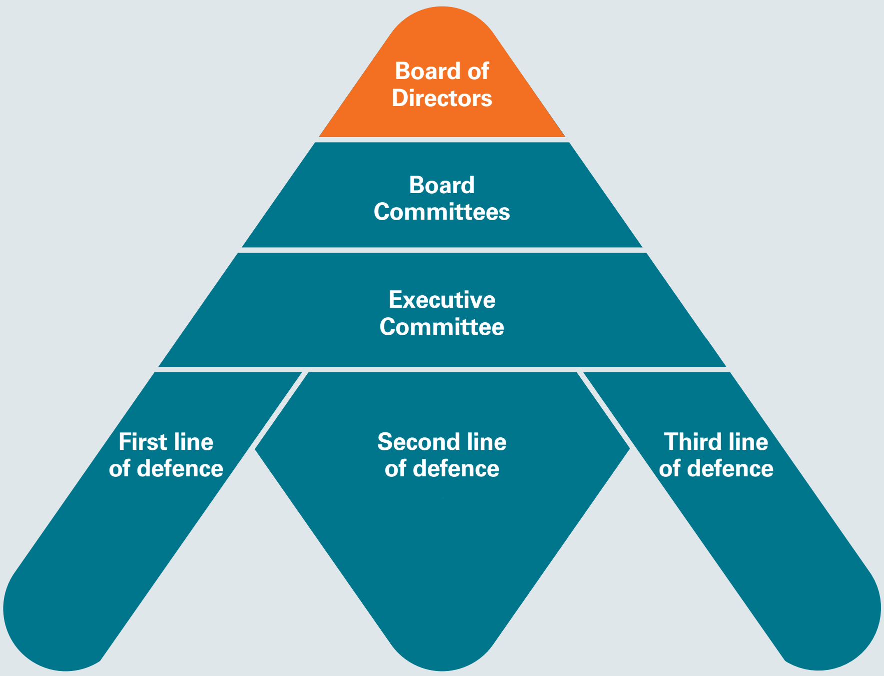
The General Managers of each of the operations have overall responsibility for leading and supporting risk management. Risk owners within each operation have direct responsibility for the risk management processes and for regularly updating individual business risk registers, including relevant mitigation activities. The individual owners of the risks and controls at each business unit are identified, to provide effective and direct management of risk. Each operation holds its own annual risk workshop at which the business unit's risks and mitigation activities are reviewed in detail and updated as necessary. Workshops are also used to assess key risks that may affect relationships with stakeholders, limit resources, interrupt operations and/or negatively affect potential future growth.

Mitigation techniques for significant strategic and business unit risks are reviewed quarterly by the Risk and Compliance Management Department.

We promote a consistent risk management process across our different business units, ensuring risk is considered at all levels of the organisation. Risk information flows from the business units to the centre and from the Board back to the business units.

+ See page 124 for more information

Our risk management structure



Board of Directors
- Overall responsibility for risk management and its alignment with Antofagasta's strategy
- Approves the Risk Management Policy
- Defines risk appetite
- Reviews, challenges and monitors key risks

Board Committees
- Support the Board in monitoring key risks and exposure relative to our risk appetite
- Make recommendations to the Board on the risk management system
- Review the effectiveness and implementation of the risk management system

Executive Committee
- Assesses risks and their potential impact on the achievement of our strategic goals
- Promotes our risk management culture in each of the business areas
- Is the owner of key risks

First line of defence
Each person is responsible for identifying, preventing and mitigating risks in their business area and escalating concerns to the appropriate level, if required.

Second line of defence
The Risk and Compliance Department is accountable for monitoring our overall risk profile and risk management performance, registering risks and issuing alerts if any deviation is detected.

Third line of defence
The Internal Audit Department provides assurance on the risk management process, including the effectiveness of the performance of the first and second lines of defence.

Principal risks

We maintain a risk register through a robust assessment of the potential key risks that could affect the Company's performance. This register is used to ensure that key risks are identified in a thorough and systematic way and that agreed definitions of risk are used.

Risk management

We are aware that not all risks can be completely eliminated and exposure to some risks is necessary in pursuit of our corporate objectives.

Mining is, by its nature, a long-term business and as part of the key risks update and evaluation process we identify new or emerging risks which could impact the Company's sustainability in the long run, even if there is limited information available at the time of the evaluation.

Any new or emerging identified risks that could impact long-term strategic objectives are included in the key risk analysis and are reviewed and monitored periodically by the Board. As new information based on research, expert analysis and internal investigations becomes available, suitable controls and action plans are defined and incorporated into the Company's risk matrix.

We identify, assess and manage the risks critical to the Company's success. Overseeing these risks benefits Antofagasta and protects our business, people and reputation. The risk management process provides reasonable assurance that the relevant risks are recognised and controlled, and the Company achieves its strategic objectives and creates value.

Because risks change and are periodically re-evaluated, the risk map shown here represents the position at a specific point in time and the changes that have taken place since 2019.

The Board carried out a robust assessment of the Company's principal and emerging risks during the year, which are set out below with the related preventive and mitigation measures.

Risk Heat Map

Risk	Risk appetite	Risk level 2020	Risk level v. 2019
People			
1. Talent management[1]	High	Medium	=
2. Labour relations[1]	High	High	=
Safety and Sustainability			
3. Safety and health	Medium	Very high	=
4. Environmental management	Medium	High	=
5. Climate change	Medium	Medium	↘
6. Community relations	Medium	High	=
7. Political, legal and regulatory	Medium	Very high	↗
8. Corruption	Low	High	=
Competitiveness			
9. Operations	High	High	=
10. Tailings storage	Low	High	=
11. Strategic resources	High	Very high	↗
12. Cyber security	Medium	Medium	=
13. Liquidity	High	Medium	=
14. Commodity prices and exchange rates	High	High	=
Growth			
15. Growth of mineral resource base and opportunities	High	High	=
16. Project execution	Medium	High	=
Innovation			
17. Innovation and digitisation	Very high	High	=
Transversal			
18. External risks		Very high	NEW

KEY

	Risk appetite	Risk level
Low	◆ (dark blue)	● (green)
Medium	◆ (blue)	● (yellow)
High	◆ (teal)	● (orange)
Very high	◆ (light)	● (red)

1. Prior to 2020 Talent management and Labour relations were treated as a single risk category.

Key risks

Defining risk appetite is key in the process of embedding the risk management system into our organisational culture. The Company's risk appetite statement helps to align our strategy with the business units' objectives, clarifying which risk levels are, or are not, acceptable. It promotes consistent risk decision-making, allied to the strategic focus and risk/reward balance approved by the Board.

During the year the Board reviewed and updated Antofagasta's risk appetite, including one new risk category – external risks – and updating Climate Change and Project Execution.

We maintain a risk register through a robust assessment of the potential key risks that could affect the organisation's performance. This process ensures that key risks are identified in a thorough and systematic way and that agreed definitions of risk are used.

The key risks, together with related preventive and mitigation measures, have been presented to the Board and are in line with the organisation's strategic pillars of People, Safety and Sustainability, Competitiveness, Growth and Innovation. In addition, these strategic pillars are supported by our corporate governance structures. The key risks are outlined in the risk chart and table, and in more detail below.

People

1. Talent management

Risk appetite | Risk level | Trend v. 2020

Description

Managing talent and maintaining a high-quality labour force in a changing technological and cultural environment is a key priority for us. Any failures in this respect could have a negative impact on the performance of the existing operations and prospects for future growth.

Preventive and mitigation measures

We develop the talents of our employees through training and career development, invest in initiatives to widen the talent pool and are committed to our diversity and inclusion policy. Through these actions we aim to increase employee retention, as well as the number of women, people with disabilities and employees with international experience in the workplace.

Our Employee Performance Management System is designed to attract and retain key employees by creating suitable reward and remuneration structures and providing personal development opportunities. We have a talent management system to identify and develop internal candidates for key management positions, as well as identifying suitable external candidates when appropriate.

Highlights

During 2020 our Group leadership framework was released, the diversity and inclusion strategy was strongly promoted and a new remote working standard was launched.

2. Labour relations

Risk appetite | Risk level | Trend v. 2020

Description

Our highly skilled workforce and experienced management team are critical to maintaining our current operations, implementing development projects and achieving long-term growth without major disruption.

Preventive and mitigation measures

We maintain good relations with our employees and unions, which are founded on trust, regular dialogue and good working conditions. We are committed to safety, non-discrimination, diversity and inclusion, and compliance with Chile's strict labour regulations.

There are long-term labour agreements in place with all the unions at our operations, helping to ensure labour stability.

We seek to identify and address labour issues that may arise throughout the period covered by the labour agreements (usually three years) and to anticipate any potential issues in good time. Contractors are an important part of our workforce and under Chilean law are subject to the same duties and responsibilities as our own employees. We treat contractors as strategic associates and build long-term, mutually beneficial relationships with them.

We maintain constructive relationships with our employees and their unions through regular communication and consultation. Union representatives are regularly involved in discussions about the future of the workforce.

Highlights

Ten labour negotiations took place in 2020. In all cases, the Company and labour representatives successfully reached agreement.

Safety and sustainability

3. Safety and health

Risk appetite ◆ Risk level ● Trend v. 2020 =

Description

Safety and health incidents could result in harm to our employees, contractors and local communities. Ensuring their safety and wellbeing is our ethical obligation and first priority and is one of our core values. A poor safety record or serious accidents could have a long-term impact on morale and on Antofagasta's reputation and production.

Preventive and mitigation measures

We seek to continuously improve our safety and health risk management procedures, with particular focus on the early identification of risks and the prevention of fatalities.

The Corporate Safety and Health Department provides a common strategy for our operations and co-ordinates all safety and health matters. We have a Significant Incident Report system, which is an important part of the overall approach to safety.

Our goals of zero serious accidents and fatalities and the minimising of the number of accidents require all contractors to comply with our Occupational Safety and Health Plan. This plan is monitored through monthly audits and is supported by regular training and awareness campaigns for employees, contractors, employees' families and local communities, particularly with regard to road safety. We require all staff in defined safety-critical roles to satisfy at least the minimum qualifications, to have the necessary experience for their role and to complete any required training prior to commencing their work activities.

Critical controls and verification tools are regularly strengthened through the verification programme and regular audits of critical controls for potentially high-risk activities.

We continuously seek to incorporate technology and innovation to reduce workers' exposure to safety and health risks.

Highlights

In 2020 there were no fatal accidents. The COVID-19 outbreak threatened the health of all employees and contractors, and local communities. We focused on implementing controls to prevent and mitigate the impact of infection, prioritising the health of our employees and contractors while minimising the impact on operational continuity.

4. Environmental management

Risk appetite ◆ Risk level ● Trend v. 2020 =

Description

An operating incident that damages the environment could affect both our relationship with local stakeholders and our reputation, reducing the social value we generate.

We operate in challenging environments, including the largely agricultural Choapa Valley and the Atacama Desert, where water scarcity is a key issue.

Preventive and mitigation measures

We have a comprehensive approach to incident prevention. Relevant risks are assessed, monitored and controlled in order to achieve our goal of zero incidents with significant environmental impact. We work to raise awareness among employees and contractors, providing training to promote operating excellence. The potential environmental impact of a project is a key consideration when assessing its viability, and we encourage the integration of innovative technology in the project design to mitigate such impacts.

We prioritise the efficient use of natural renewable resources by using sea water, favouring the use of renewable power sources, achieving higher rates of reuse and recovery of water through thickened tailings technology and reducing greenhouse gas emissions.

We recognise that environmental sustainability is key to our ability to generate social value and perform regular risk assessments in order to identify potential impacts and develop preventive and mitigating strategies.

Each site maintains updated environmental emergency preparedness and detailed closure plans with appropriate financial provisions to ensure physical and chemical stability once operations have ceased.

Highlights

We had no significant environmental incidents during 2020.

We monitored and reinforced our critical controls in line with our low appetite for environmental risk.

5. Climate change

Risk appetite ◆ Risk level ● Trend v. 2020 ↗

Description

The effects of climate change have had an increasing impact on our operations. The drought in the central area of Chile is affecting water availability, while higher than expected rainfall in the northern part of the country is impacting the infrastructure in the region and the increasing severity of sea swells are leading to delays in the delivery of key supply materials.

We are committed to contributing to the reduction of the global problem of growing greenhouse gas emissions and water scarcity by reducing our own emissions. We can do this by increasing the amount of power and water we obtain from renewable and sustainable sources.

Preventive and mitigation measures

We recognise that climate change is a threat to human life and the planet as we know it today.

We measure and report our greenhouse gas emissions and have committed to reduction targets based on realistic plans.

As regards water scarcity, we are reducing our dependence on continental water through improved water use efficiency and the increased use of sea water as a total proportion of our water consumption. On completion of each phase of the Los Pelambres desalination plant construction, the proportion of continental water used will decrease and significantly lower the potential impact of water scarcity on the Group.

We seek constantly to identify risks associated with climate change and to implement actions to mitigate and adapt to their potential impact. For each risk evaluated as "High" or "Extreme" we define specific action plans and strategies.

As part of our regular communication with local stakeholders we discuss the material risks and our controls, action plans and related strategies.

Highlights

In 2020, a Climate Change Strategy was approved by the Board. It has five pillars: the development of climate change resilience, the management of GHG emissions, supply security and efficient use of strategic resources, the management of environmental and biodiversity, and the integration of stakeholders. While being committed to reducing GHG emissions we also support local communities in preparing for the effects of increasing emissions.

6. Community relations

Risk appetite | Risk level | Trend v. 2020

Description

Failure to identify and manage local concerns and expectations could negatively impact the Company. Relations with local communities and stakeholders affect our reputation and our ability to generate social value and grow.

Preventive and mitigation measures

We have a dedicated team that establishes and maintains relations with local communities. These relationships are based on trust and mutual benefit throughout the mining lifecycle, from exploration to final remediation on closure. We seek to identify early any potentially negative operating impacts and minimise these through responsible behaviour. This means acting transparently and ethically, prioritising the safety and health of our employees and contractors, avoiding environmental incidents, promoting dialogue, complying with our commitments to stakeholders and establishing mechanisms to prevent or address a crisis. These steps are undertaken in the early stages of each project and continue throughout the life of each operation.

We contribute to the development of communities in the areas in which we operate, starting with an assessment of the existing situation and their specific needs, while looking to develop long-term, sustainable relations and evaluating the impact of our contributions. We are also focused on developing the potential of members of local communities through education, training and employment.

We work to communicate clearly and transparently with local communities, in line with our Community Relations Plan. This includes a grievance management process, local perception surveys, and local media and community engagement.

Highlights

During the COVID-19 pandemic the Company has worked with the local and regional government to support local communities, including establishing a community support fund providing financial support and PPE and testing equipment.

7. Political, legal and regulatory

Risk appetite | Risk level | Trend v. 2020

Description

Political instability may affect our operations, projects and exploration activities in the countries in which we operate. Issues regarding the granting of permits, or amendments to permits already granted, and changes to the legal environment or regulations, could also adversely affect our operations and development projects.

Preventive and mitigation measures

Political, legal and regulatory developments affecting our operations and projects are constantly monitored. We comply fully with the existing laws, regulations, licences, permits and rights in each of the countries in which we operate.

We assess political risk as part of our evaluation of potential projects, including the nature of any foreign investment agreements.

We monitor proposed changes in government policies and regulations, particularly in Chile, and belong to several associations that engage with governments on these matters. This helps to improve our internal processes and means we are prepared to meet any new regulatory requirements.

As we have no operations in or material exposure to the UK, Brexit is not expected to have any appreciable impact on the Company.

Highlights

Monitoring of possible regulatory changes due to planned constitutional reform in Chile. We will evaluate the impact of these changes on our activities and will seek to mitigate any negative impacts.

8. Corruption

Risk appetite | Risk level | Trend v. 2020

Description

Our operations or projects around the world could be affected by risks related to corruption or bribery, including operating disruptions or delays resulting from a refusal to make “facilitation payments”. Such risks depend on the economic or political stability of the country in which we are operating.

Preventive and mitigation measures

We have a zero-tolerance regime for any activity that would result in contravening anti-bribery and corruption legislation. A robust governance regime, including an Ethics Committee, open channels of communication, training and multiple layers of controls, are maintained at all our operations, projects and exploration activities, and in our third-party relationships.

Our Compliance Model seeks to prevent any activity which may involve us directly or indirectly in any irregular situation, to detect any potential risk in good time and to act accordingly. There are control procedures in place that help to prevent corruption, covering such issues as conflicts of interest, suitability of suppliers, the receiving and giving of gifts and hospitality, and facilitation payments.

All our employees receive training on our Compliance Model, which is subject to external certification.

Highlights

During 2020 new offences were included in the Chilean anti-bribery and employment protection laws relating to health measures during emergencies. Accordingly, our crime prevention model was updated, and related risks re-evaluated. The main risk identified is a severe transgression of the law, which has been evaluated as being very unlikely, yet with potentially severe consequences.

Risk management continued

Competitiveness

9. Operations

Risk appetite | Risk level | Trend v. 2020

Description

Our operations are subject to a number of circumstances not wholly within our control. These include damage to or breakdown of equipment or infrastructure, unexpected geological variations or technical issues, any of which could adversely affect production and/or costs.

Preventive and mitigation measures

Key risks relating to each operation are identified as part of the regular risk review process undertaken by the individual operations. This process also identifies appropriate mitigation measures for such risks. Monthly reports to the Board provide variance analysis of operating and financial performance, allowing potential issues to be identified in good time and any necessary monitoring or control activities to be implemented to prevent unplanned downtime.

Our focus is on maximising the availability of equipment and infrastructure and ensuring the effective use of our assets, in line with their nameplate design and technical limits. We keep the variation of processes within defined tolerance limits.

We have Business Continuity Plans and Disaster Recovery Plans for all key processes within our operations to mitigate the consequences of a crisis or natural disaster. We also have property damage and business interruption insurance to provide protection from some, although not all, of the costs that may arise from such events.

Highlights

In 2020 all operational risks were continually and consistently monitored at all our operations. Common operating models, preventive maintenance and cost control supported our strong operating performance during the year, despite the health restrictions imposed by the government.

10. Tailings storage

Risk appetite | Risk level | Trend v. 2020

Description

Ensuring the stability of our tailings storage facilities (TSFs) during their entire lifecycle is central to our operations. A failure or collapse of any of our TSFs could result in fatalities, damage to the environment, regulatory violations, reputational damage and the disruption of the quality of life of neighbouring communities as well as at our operations.

Preventive and mitigation measures

We manage our TSFs in a manner that allows the effectiveness of their design, operation and closure to be monitored at the highest level of the Company.

Catastrophic failures of TSFs are unacceptable and their potential for failure is evaluated and addressed throughout the life of each facility. Our TSFs are constantly monitored and all relevant information is provided to the authorities, regulating bodies and the communities that could be affected.

We manage our TSFs using data, modelling, and construction and operating methods validated by highly qualified independent international experts, whose recommendations we implement in order to strengthen the control environment. Risk management includes timely risk identification, and control definition and verification. Controls are based on the consequences of the potential failure of the tailings facilities.

Highlights

The Global Industry Standard on Tailings Management was adopted in 2020. In accordance with this new standard, we began to implement a more detailed risk identification and assessment methodology focused on failure modes, in order to avoid catastrophic failures.

11. Strategic resources

Risk appetite | Risk level | Trend v. 2020

Description

Disruption or restrictions to the supply of any of our key strategic inputs, such as electricity, water, fuel, sulphuric acid or mining equipment, could negatively impact production.

In the longer term, restrictions to the availability of key strategic resources such as water and electricity could also affect our growth opportunities.

Preventive and mitigation measures

In order to maintain our security of supply, contingency plans are in place to address any short-term disruptions to strategic resources. We negotiate early with suppliers of key inputs to ensure continuity. Certain key supplies are purchased from several sources to mitigate potential disruption arising from exposure to a single supplier.

To achieve cost competitiveness, we endeavour to buy the highest possible proportion of our key inputs, such as fuel and tyres, on as variable a price basis as possible and to link costs to underlying commodity indices where this option exists.

We are committed to incorporating sustainable technological and innovative solutions, such as using sea water and renewable power when economically viable, to mitigate exposure to potentially scarce resources.

We maintain a rigorous, risk-based supplier management framework to ensure that we engage solely with reputable product and service providers and keep in place necessary controls to ensure the traceability of all supplies (including avoiding any conduct related to modern slavery).

Highlights

During the health emergency the supply of critical inputs has been maintained through constant monitoring and the application of contingency plans.

12. Cyber security

Risk appetite | Risk level | Trend v. 2020

Description

Breaches in, or failures of, our information security management could adversely impact our business activities. Malicious interventions (hacking) of our information or operations' networks could affect our reputation and/or operational continuity.

Preventive and mitigation measures

Our information security management model is designed with defensive structural controls to prevent cyber risks and mitigate their effects. It employs a set of rules and procedures, including a Disaster Recovery Plan, to restore critical IT functions in the event of an attack.

Our systems are regularly audited to identify any potential weaknesses or threats to the operations, and specific systems are in place to protect our assets and data.

Highlights

In 2020 preventive controls and constant communication with users were reinforced to prevent cyber attacks.

13. Liquidity

Risk appetite | Risk level | Trend v. 2020

Description

Restrictions in financing sources for future growth could prevent us from taking advantage of growth or other opportunities available in the market.

Preventive and mitigation measures

Security, liquidity and return represent the order of priorities for our investment strategy. We maintain a strong and flexible balance sheet, consistently returning capital to shareholders while leaving sufficient funds to progress our short-, medium- and long-term growth plans and maintain the financial flexibility to take advantage of opportunities as they may arise.

We have a risk-averse investment strategy, managing our liquidity by maintaining adequate cash reserves and financing facilities through the periodic review of forecast and actual cash flows. We choose to hold surplus cash in demand or term deposits or highly liquid investments.

Highlights

During 2020 the Company launched its inaugural corporate bond, raising $500 million.

14. Commodity prices and exchange rates

Risk appetite | Risk level | Trend v. 2020

Description

Our results are heavily dependent on commodity prices – principally copper and, to a lesser extent, gold and molybdenum. The prices of these commodities are strongly influenced by a variety of external factors, including world economic growth, inventory balances, industry demand and supply, possible substitution, etc.

Our sales are mainly denominated in US dollars, although some of our operating costs are in Chilean pesos. As a result, the strengthening of the Chilean peso may negatively affect our financial results.

Preventive and mitigation measures

We consider exposure to commodity price fluctuations to be an integral part of our business and our usual policy is to sell our products at prevailing market prices. We monitor the commodity markets closely to determine the effect of price fluctuations on earnings, capital expenditure and cash flows. Very occasionally, when we feel it is appropriate, we use derivative instruments to manage our exposure to commodity price fluctuations.

We run our business plans through various commodity price scenarios and develop contingency plans as required.

As copper exports account for some 50% of Chile's exports, there is a correlation between the copper price and the US dollar/Chilean peso exchange rate. This natural hedge partly mitigates our foreign exchange exposure. However, we monitor the foreign exchange markets and the macroeconomic variables that affect them and occasionally we implement a focused currency-hedging programme to reduce short-term exposure to fluctuations in the US dollar against the Chilean peso.

Highlights

Some limited copper hedge positions were put in place when prices fell and the Chilean peso weakened significantly following the outbreak of COVID-19. However, both had strengthened materially by the end of the year.

Growth

15. Growth of mineral resource base and opportunities

Risk appetite | Risk level | Trend v. 2020

Description

We need to identify new mineral resources to ensure continued future growth, and we do this through exploration and acquisition.

We may fail to identify attractive acquisition opportunities or select inappropriate targets. The long-term commodity price forecast, and other assumptions used when assessing potential projects and other investment opportunities, have a significant influence on the forecast return of investments. If incorrectly estimated, these could result in poor decision-making.

As regards exploration, there is a risk that we may not identify sufficient viable mineral resources.

Preventive and mitigation measures

Our exploration and investment strategy prioritises exploration and investment in the Americas. We focus on growth opportunities in stable and secure countries in order to reduce our risk exposure.

We conduct rigorous assessment processes to evaluate and determine the risks associated with all potential business acquisitions and strategic exploration alliances, including conducting stress-test scenarios for sensitivity analysis. Each assessment includes a country risk analysis (including corruption) and analysis of our ability to operate in a new jurisdiction.

At the very least, all joint ventures must operate in line with, or to the equivalent level of, our policies and technical standards.

Our Business Development Committee reviews potential growth opportunities and transactions, approving or recommending them within authority levels set by the Board.

Highlights

During 2020 we reduced the volume of activity during the COVID-19 pandemic, giving priority to compliance with protocols to ensure the health of workers.

Our exploration activities continued to be focused mostly on the Americas and our risk exposure level remained at the same level as in 2019.

16. Project execution

Risk appetite | Risk level | Trend v. 2020

Description

Failure to effectively manage our development projects could result in delays to the start of production and cost overruns.

Preventive and mitigation measures

We have a project management system to ensure that best practices are applied at each phase of a project's development. The project management system provides a common language and standards to support the decision-making process by balancing risk with the benefit of growth. In addition, all geometallurgical models are reviewed by independent experts.

During the project development lifecycle, quality checks for each of the standards applied are carried out by a panel of experts from within the Company. This panel reviews each completed feasibility study to assess the technical and commercial viability of the project. It also assesses how the project can be developed safely and considers any relevant risks or opportunities that could potentially impact the schedule, cost or future performance of the project.

Detailed progress reports on ongoing projects are regularly reviewed and include assessments of progress against key project milestones and performance against budget.

Project robustness is stress-tested against a range of copper price scenarios. Joint project/operation teams are established early in the development project in order to ensure smooth transition of the project into operating mode once construction is completed.

Highlights

The Los Pelambres Expansion project was largely suspended for some five months following the outbreak of COVID-19. The project risks are being proactively managed and frequently evaluated by the project team according to a specific project risk management procedure.

Risk management continued

Innovation

17. Innovation and digitisation

Risk appetite | Risk level | Trend v. 2020

Description

Our ability to deliver on our strategy and performance targets may be undermined by missed opportunities or delays in adopting new technologies or innovations.

Preventive and mitigation measures

We seek value-capturing innovations that realise cost savings and/or improve the efficiency, reliability and safety of our processes while supporting our corporate strategic pillars. We evaluate the potential of all ideas using our stage-gate approval process and Innovation Board.

We maintain partnerships with academic institutions and companies specialising in technology and engineering – including peers where there is no competitive barrier to doing so – in order to maximise the potential for improvements in our processes and systems. A dedicated team monitors, identifies and analyses external innovation trends with potential application to our business, including in non-operational areas such as product sales and purchasing. The team also maintains and manages a portfolio of ongoing innovation projects.

We have a recognition and incentives programme to encourage all staff to suggest innovations to our day-to-day operating systems. We also dedicate resources to evaluating and implementing innovations which have the potential to positively impact our business and growth options.

Highlights

In 2020 we launched three automation projects: a remote operations centre in the city of Antofagasta, autonomous drilling at Los Pelambres and the use of autonomous trucks in a new pit at Centinela.

Transversal

18. External risks

Risk appetite | Risk level | Trend v. 2020 NEW

Description

We must develop the ability to manage external threats that are complex to predict and can significantly impact the Group's strategic objectives and its operational continuity.

Preventive and mitigation measures

We promote the flexibility of our business and our labour force. We have defined a new structure for working both from home and at the workplace and have implemented many other measures as part of a project on new ways of working.

We incorporate lessons learned into our business, maintaining good practice and including potential improvements learnt from responses and actions taken during periods of crisis.

We annually challenge the risk strategies associated with each key risk category, including the diversification of suppliers, routes, levels of autonomy, etc.

We recognise the volatility of the markets and proactively seek new business models and work to expand our client base.

We regularly review our Business Continuity Plan.

We conduct scenario analysis to challenge the principles on which we base our financial planning, identifying potential risks and cost/benefits of feasible action plans.

Highlights

This new key risk category was included in our risk analysis for the first time in 2020. The risks in this category cut across the other key risk categories and high-impact risks were identified, particularly COVID-19. Control actions were implemented to guarantee the safety and health of our employees and provide support to local communities in order to maintain their wellbeing and the operations' continuity.

Viability statement

To address the requirements of provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period of five years.

Mining is a long-term business and timescales can run into decades. The Group maintains Life-of-Mine plans covering the full remaining mine life for each mining operation. More detailed medium-term planning is completed for a five-year time horizon (as well as very detailed annual budgets). Accordingly, five years has been selected as the appropriate period over which to assess the prospects of the Group.

When taking account of the impact of the Group's current position on this viability assessment, the Directors have considered in particular its financial position, including its significant balance of cash, cash equivalents and liquid investments and any borrowing facilities in place, including their terms and remaining durations.

The Group had a strong financial position as at 31 December 2020, with combined cash, cash equivalents and liquid investments of $3,672.8 million. Total borrowings were $3,754.8 million, resulting in a net debt position of just $82.0 million. Of the total borrowings, only 16% is repayable within one year, and 14% repayable between one and two years. 43% of the borrowings are repayable after more than 5 years, beyond the viability review period.

When assessing the prospects of the Group, the Directors have considered the Group's copper price forecasts, the Group's expected production levels, operating cost profile, capital expenditure and financing plans. This analysis has focused on the existing asset base of the Group, without factoring in potential development projects, which is considered appropriate for an assessment of the Group's ability to manage the impact of a depressed economic environment. The Directors have assessed the principal risks which could impact the prospects of the Group over this period and consider the most relevant to be risks to the copper price outlook. Robust down-side sensitivity analyses have been performed, assessing the impact of:

- a significant deterioration in the copper price outlook over the five-year period
- no additional borrowing facilities being available to the Group over the review period
- a shut-down of the Group's operations for several months as the result of COVID-19 related issues
- the occurrence of several of the Group's most significant potential risks within a single year, such as temporary shut-downs or operational disruption due to issues such as labour strikes or water availability.

The stress tests indicated results which could be managed in the normal course of business. Based on their assessment of the Group's prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Compliance and internal controls

The way in which we achieve our objectives is crucial to the long-term sustainable development of the Company. We have zero tolerance for bribery and corruption, and we are committed to working with integrity and transparency. We comply with all applicable anti-corruption and anti-bribery legislation and ensure the necessary controls are in place to prevent any unethical behaviour.

Areas of focus and development during 2020

- Review of the complaint management system and segregation of duties between Compliance Management and the Crime Prevention Officer
- Launch of digitisation initiatives, including the automation of the due diligence process (EVA II) for suppliers, communities and the development of a system to monitor potential conflicts of interest
- Development of a virtual management system for complaint resolution and an Ethics committee. New methods for rating and classifying the complaints according to their severity – critical, high, medium and low
- Compliance e-learning for all Directors and executives
- In-depth training and briefings in ethics and compliance, particularly in higher-risk areas such as procurement and community relations
- New employees were trained in the Compliance Model as part of their induction programme
- Controls in the Procurement Department were reinforced, and the supply chain due diligence process was strengthened, particularly in respect of working conditions and modern slavery
- All employees updated their conflict of interest disclosures
- We improved and updated our whistleblowing channel through which employees and third parties can submit questions and complaints

A total of 372 allegations were received, of which 162 (44%) were ethics related and 210 (56%) were non-ethical concerns.

- By severity the allegations were: 5% (21) Critical, 28% (105) High, 43% (161) Medium and 23% (85) Low
- There were 19 Company Ethics Committee meetings during the year to consider the 162 allegations which were classified: 60% (98) harassment, abuse and mistreatment, 5% (8) bribery and corruption, 15% (25) fraud or misuse of property, 9% (14) conflicts of interest, 4% (6) wrongful labour or contractual practices, 0% modern slavery and 7% (11) other

Code of Ethics

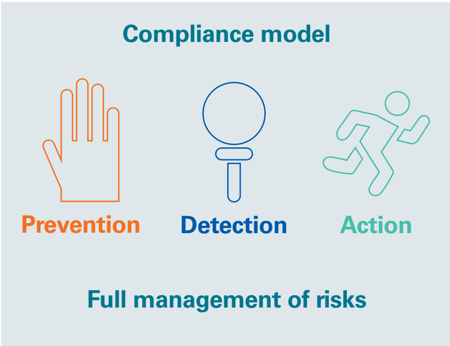
The Code of Ethics sets out Antofagasta's commitment to undertaking business in a responsible and transparent manner. The Code requires honesty, integrity and accountability from all employees and contractors and includes guidelines for identifying and managing potential conflicts of interest. It is the basis for the Compliance Model and supports the implementation of all other related activities.

Compliance Model

Antofagasta's Compliance Model applies to both employees and contractors. It is clearly defined and is communicated regularly through internal channels, as well as being available on our website. All contracts include clauses relating to ethics, modern slavery and crime prevention to ensure contractors' adherence to our Compliance Model.

We actively promote open communication with all our employees, contractors and local communities. This helps ensure that our corporate and value creation objectives are achieved in an ethical and honest way.

The Compliance Model is reviewed regularly, both internally and by third parties, and on corruption-related matters it is certified under Chilean anti-corruption legislation.



Prevention: The main focus of the Compliance Model is to prevent any irregular situations arising. We provide a series of tools and training opportunities to all employees and contractors to support appropriate behaviour through:

- Internal procedures
- Anti-trust guidelines (Politically Exposed Persons, facilitation fees, etc)
- Due diligence, including the review of conflicts of interest and of potential business partners
- Inclusion of anti-corruption clauses in contracts
- Training and communication

Detection: We have several tools to detect any potentially irregular situations, including:

- Whistleblowing channels
- Data analysis
- Regular due diligence
- Internal controls
- Internal audit

Action: If an irregular situation is detected, it is investigated according to Antofagasta's procedures. Each operating company has an internal Ethics committee which reviews the conclusions of investigations and suggests action plans to the Company's Ethics committee. The performance of the compliance programme is reported quarterly to the Audit and Risk Committee and every six months to the Board. The anonymity of employees using the whistleblowing channels is guaranteed, which safeguards individuals and achieves greater transparency.

Our Crime Prevention Model ensures compliance with anti-bribery and anti-corruption laws in the United Kingdom and Chile and is certified by an external entity.

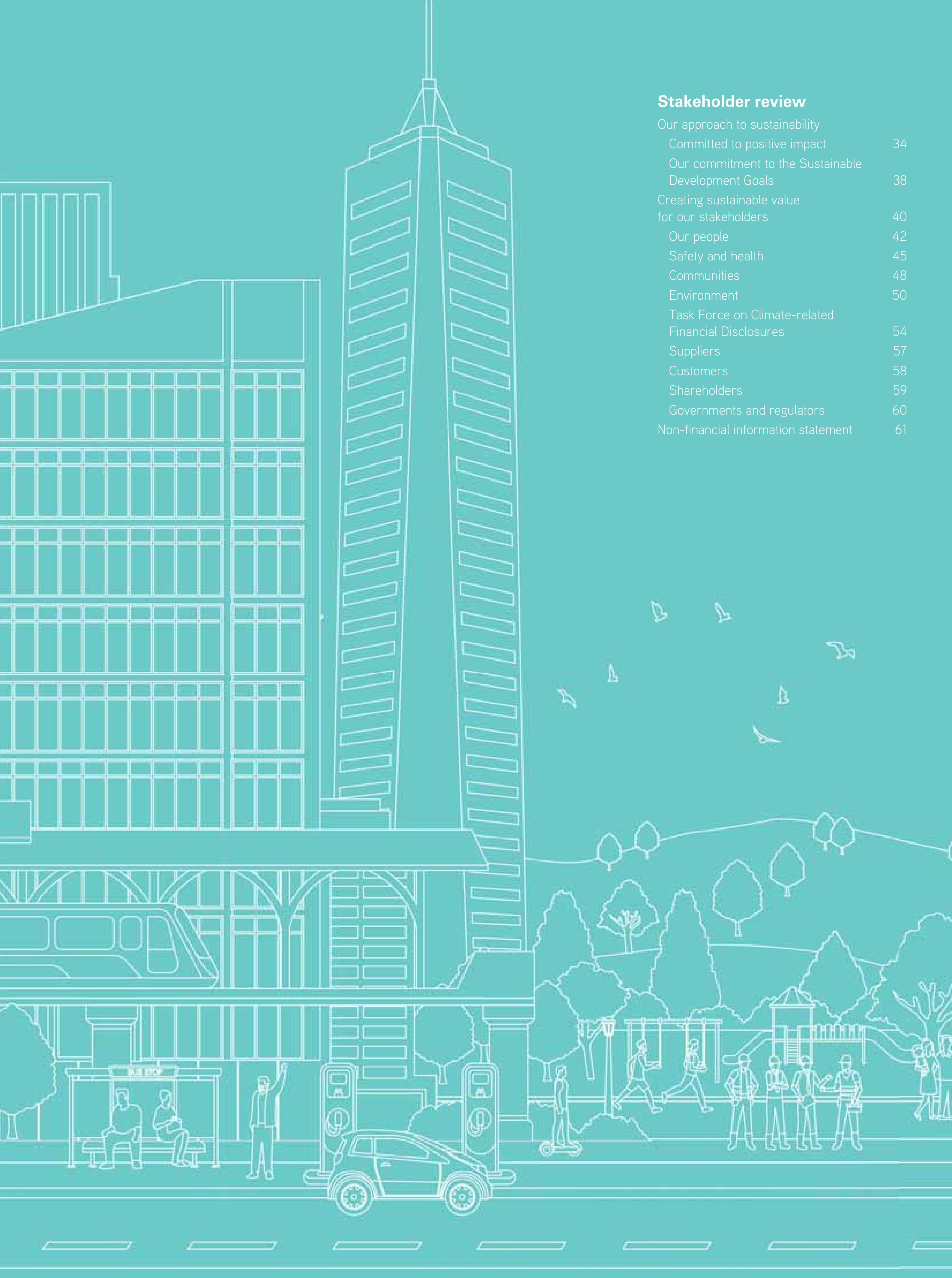
Due diligence highlights

During the year 5,963 suppliers were reviewed, of which 0.84% (50) were rejected and the others were approved. Of the rejected suppliers 64% were local, 34% national and 2% were international. The reasons for rejection were: 28% high financial or tax risk, 6% non-compliance with Law 20.393 (Criminal Responsibility of Legal Entities), 12% did not comply with Group guidelines, 4% had criminal records and 50% were for other reasons.

Stakeholder review

Mining is a long-term activity which has an even longer-term impact and we seek to ensure that our business develops on a sustainable basis.

Stakeholder review



Our approach to sustainability

Committed to positive impact

Sustainability is intrinsic to every aspect of how we do our work, whether it is the safety and health of our employees and communities, our impact on the environment or how we relate to our partners and shareholders.

A commitment to sustainability is one of our six core values. It influences the way we grow our business, manage our risks and impacts, contribute to the development of communities in the areas where we operate and address global challenges such as climate change.

Within the framework of our core values, our Sustainability Policy establishes the principles that guide our day-to-day actions on economic, social and environmental matters and the management of our supply chain. It also underpins our system of corporate governance. Its application is overseen by the Board, with particular focus from the Sustainability and Stakeholder Management Committee. This Committee's regular interaction with the sustainability team enables it to provide timely guidance and support should the need arise. We also seek to ensure the whole organisation's alignment behind our commitment to sustainability through regular training and the inclusion of sustainability targets in annual performance bonus agreements.

We constantly review our policies and in 2020 the Board approved a comprehensive new Climate Change Policy in order to better co-ordinate the numerous initiatives we are implementing in this field. We also began work towards compliance with the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD) and signed a letter of commitment to The Copper Mark, a comprehensive assurance framework to demonstrate the copper industry's responsible production practices and industry contribution to the United Nations Sustainable Development Goals (SDGs).

We currently have plans that will increase our use of sea water and recycled water by 2025. We have entered into power agreements so that all our mining operations will be using exclusively renewable power from 2022. Through these actions, we are reducing our impact locally and further afield.

Our purpose

Our purpose is to develop mining for a better future. As custodians of natural resources, we believe we have a responsibility not only to manage these resources efficiently and responsibly, but also to harness copper's potential to contribute to the development of a greener and more sustainable world.

In line with this, we give particular emphasis to innovation through our own InnovaMinerals platform and our participation in Expande, a broader public-private open innovation programme for mining. We are also developing an electromobility roadmap, covering its applications for society in general and its use at our mines.

Antofagasta during 2020

Safety and health

- At the end of 2020, we achieved a record 27 months without fatalities
- Both Division's LTIFRs fell to record lows
- High potential incidents fell 63% year-on-year, far exceeding our reduction target of between 10% and 15%

Our people

- We approved a permanent form of part-time remote working
- We set up a Digital Academy to improve employees' skills
- In 2020, 50% of employees recruited were women
- Performance agreements and long-term incentives were used to align and motivate employees to achieve the Company's objectives

Suppliers

- We continue with our programme of developing good quality local suppliers
- SMEs accounted for 54% and 63% of our Mining and Transport divisions' spending on goods and services respectively in the regions where we operate, and 93% of our suppliers are based in Chile
- We reduced payment times for local suppliers to nine days

Communities

- In 2020, the Board approved our first formal Human Rights Policy
- We created a $6 million COVID-19 fund to provide economic and health support for our neighbouring communities
- We renewed our alliance with the Antofagasta Mining Cluster for two more years

Environment

- In 2020, no significant environmental incidents occurred at our operations
- Our new climate change strategy was launched in October 2020
- In July 2020, Zaldívar became our first mine to use only electricity generated from renewable sources
- We started sponsoring a university programme in water sustainability

Sustainable governance

- We responded quickly to the pandemic with very limited impact on production or costs
- It accelerated our innovation and digital transformation programme
- We conducted a materiality assessment to identify the most important sustainability issues for our stakeholders
- We committed to The Copper Mark, an assurance framework to demonstrate the copper industry's responsible production practices
- We published our fifth Payment to Governments Report in June

Distribution of economic value generated

Our aim is to develop mining for a better future and we understand that generating economic value means more than making a profit.

We generate economic value for all of our stakeholders; distributed as wages to our employees, purchases of goods and services from our suppliers, contributions to local communities, taxes to governments, dividends to our shareholders and interest paid to our lenders.

In 2020, we distributed a total of $4,856 million.

For Antofagasta, creating economic value implies generating profits responsibly and with a long-term vision, incorporating unique and innovative solutions in business decisions to address challenges in the regions in which we operate, and working to tackle today's global challenges.

> "Our aim is to create lasting value for communities' long-term economic and social development, a task in which we work in alliance with other players, including local governments, other companies and NGOs."

René Aguilar
Vice President of Corporate Affairs and Sustainability

$4,856m
Total economic contribution

Shareholders
$131m
Dividends

Lenders
$53m
Interest payments

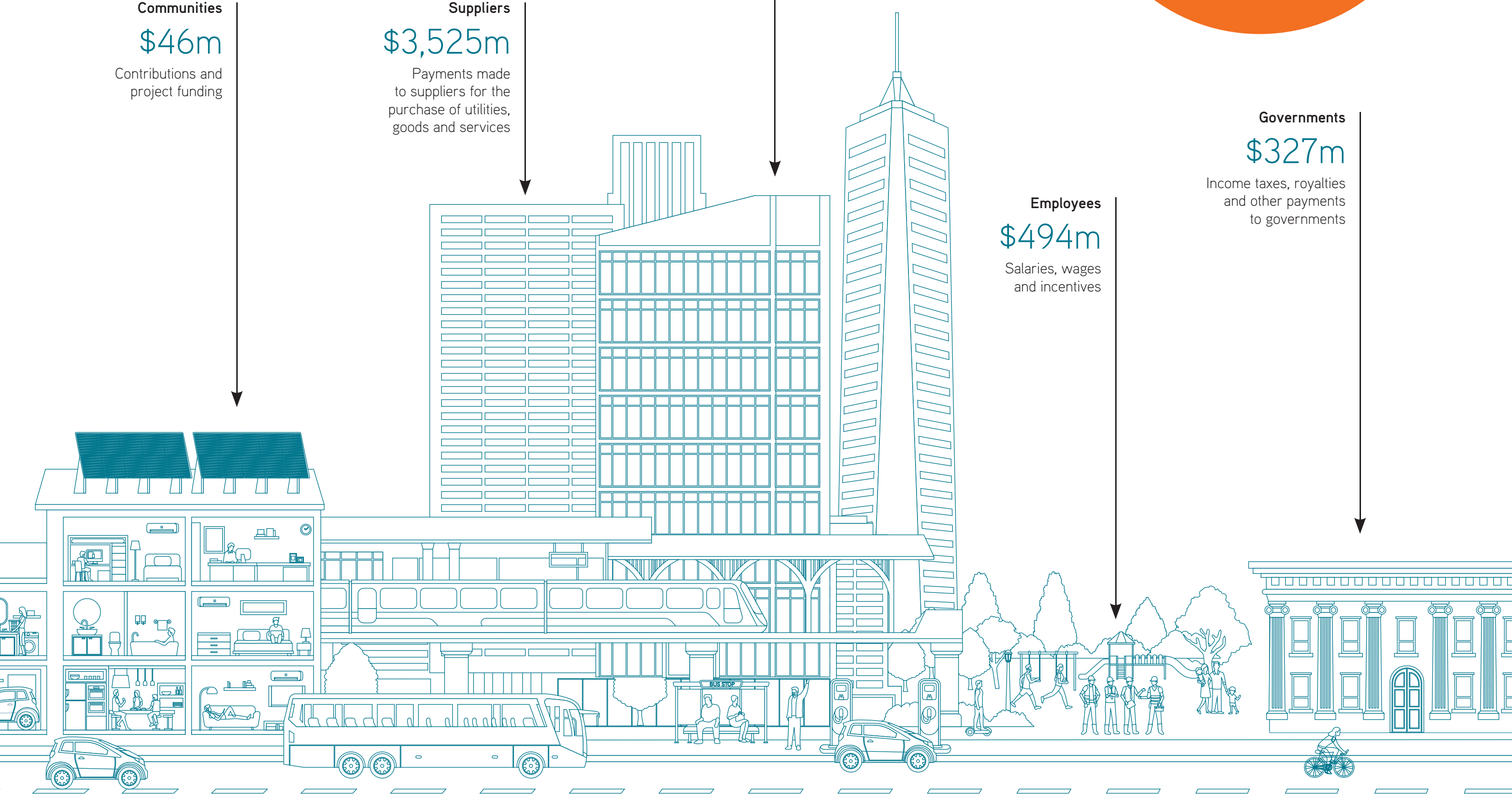
Subsidiaries´ non-controlling interests
$280m
Dividends

Communities
$46m
Contributions and project funding

Suppliers
$3,525m
Payments made to suppliers for the purchase of utilities, goods and services

Governments
$327m
Income taxes, royalties and other payments to governments

Employees
$494m
Salaries, wages and incentives



Creating value for stakeholders

We are committed to building lasting and sustainable relationships with our different stakeholders in order to foster transparent dialogue and achieve mutually beneficial outcomes.

We seek to ensure a safe working environment for all our employees and contractors, and our top priority is their safety and health. We also seek to provide a workplace that enables employees to achieve their maximum potential, facilitates a healthy work life balance and fosters diversity and inclusion.

In the case of contractors, we work with them to ensure they benefit from the same standards we have for our own employees. Through suppliers, we seek to support local jobs by prioritising local suppliers and, in the case of large suppliers from outside the regions where we operate, encouraging them to recruit locally.

Our engagement with communities is based on a bottom-up approach, under which we establish joint working groups to define priorities, projects and programmes. We aim to create lasting value for communities' long-term economic and social development, working alongside other players, including local governments, other companies and NGOs.

In 2020, in the context of the COVID-19 pandemic, the emphasis of our engagement with stakeholders necessarily shifted. Our first concern was to ensure the health and safety of our employees and contractors. Relations with local communities also took on particular importance as, together with the local authorities, we supported them in addressing the health challenge and relieving the economic difficulties they faced.

"All this help we have been offered adds up, especially when we are experiencing a crisis. The help of private companies and the efforts of the Ministry of Health have led to an exponential growth that we never thought we would have."

Alejandro Césped
Director of Illapel's Hospital

$6m
COVID-19 fund for communities

Materiality analysis

In 2020, we conducted a materiality assessment to identify the sustainability issues most critical to our business and stakeholders. This was a three-stage process:

- Identification of potential issues. Through desktop research into existing, new and emerging material topics for the copper mining industry both in Chile and internationally, we identified 38 potential topics.
- Prioritisation of issues. Based on internal workshops, a survey of our operations' union leaders and interviews with external stakeholders, we prioritised these topics, drafting a materiality matrix for each operation.
- Validation. These matrices were presented to Antofagasta's Executive Committee for validation and then weighted by the size of the operation and the level of risk to produce a materiality matrix for the Group.

This new matrix, which reassesses the importance of existing issues and incorporates topics emerging at both international and local levels, will not only determine the content of our 2020 Sustainability Report but also guide our strategies, policies and practices in 2021.

Materiality matrix 2020

Influence on stakeholders' assessments & decisions	Low	Medium	High
High		• Human rights • Air quality • Responsible supply chain management • Transparency	• Renewable energy • GHG emissions • Water management • Safety and health • Ethics and compliance • Creation of local jobs and capacity building • Tailings and dust • Community relations
Medium	• Higher-quality education in regions	• Corporate governance • Labour relations • Emergency planning • Indigenous peoples • COVID-19 • Heritage buildings (Transport division) • Extreme weather events • Traffic congestion	• Economic performance and contribution • Talent attraction, development and retention • Diversity and inclusion • Automation and digitalisation • Political outlook (elections, constitutional reform) • Regulatory changes • Project permitting
Low	• Mine closure • Circular economy	• Biodiversity • Marine pollution • Non-mining waste management • Urban development plan (Transport division)	• Operational innovation

Significance of organisation's economic, environmental & social impacts

Our commitment to the Sustainable Development Goals

The United Nations Member States adopted the Sustainable Development Goals (SDGs) in 2015 as a universal call to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. At Antofagasta, we are committed to playing our part in achieving the SDGs.

No poverty:

End poverty in all its forms everywhere

Antofagasta has an ethical monthly minimum wage for contractors of Ch$500,000, two thirds above Chile's legal minimum wage. During the COVID-19 pandemic, we focused on protecting jobs, and those contractors unable to work due to restricted access to offices and sites received at least the ethical minimum wage. We also supported local economies and took measures that ranged from the distribution of boxes of basic supplies to grants for small businesses.

Good health and wellbeing:

Ensure healthy lives and promote wellbeing for all at all ages

Our Safety and Health Strategy aims to protect the physical and mental health of employees and contractors and includes the provision of preventive health programmes and supporting community health projects. In response to COVID-19, we spent over $3 million on community healthcare and prevention measures. Aside from the pandemic, our Flexitime and Work-Life Balance Guidelines are designed to help improve our employees' work experience and quality of life.

Quality education:

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

We support inclusive access to quality education in order to improve job opportunities in the regions where we operate. Initiatives range from providing school and higher education scholarships to creating or strengthening professional-level technical courses. We also offer Young Graduate programmes, apprenticeships and internships to provide learning and work opportunities for local young people.

Gender equality:

Achieve gender equality and empower all women and girls

The Group seeks to increase the participation of women in our workforce. In 2020, we reviewed and closed gender pay gaps among employees and surpassed our annual inclusion targets for women. Our apprenticeship programmes, in particular, target local women.

Clean water and sanitation:

Ensure availability and sustainable management of water and sanitation for all

All our operations are in water-stressed areas and to protect the resource's availability for our communities, the environment, and our own operations we apply water management practices aligned with the International Council on Mining and Metals' (ICMM) Water Stewardship Framework. Our Antucoya and Centinela mines use almost entirely raw sea water and Los Pelambres will soon begin to use desalinated water. To address severe drought in the area around Los Pelambres, we are implementing a special programme to secure water for human consumption and increase the efficiency of the local agricultural irrigation.

Affordable and clean energy:

Ensure access to affordable, reliable, sustainable and modern energy for all

Our Mining division has renegotiated its power purchase agreements in order to switch all its operations from conventional to renewable energy sources in 2022. In July 2020, Zaldívar became the first of our operations to make the switch. We have also provided training on the installation, use and maintenance of solar energy systems in the town of Sierra Gorda, equipping 49 homes with solar panels.

Decent work and economic growth:

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

The Group complies with the UK Modern Slavery Act and its Code of Ethics and Human Rights Policy aims to ensure a harassment-free, inclusive workplace for all, that respects human rights and diversity. In 2020 we spent $1.2 million on training initiatives and launched a Digital Academy to prepare employees for the world of work and enhance their job opportunities. We also offer a range of economic and business development opportunities to people in the regions where we operate.

Industry, innovation and infrastructure:

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Innovation is one of the five pillars of our Strategy to develop mining for a better future. In 2020, we reinforced this objective by creating a Vice Presidency of Strategy and Innovation to drive the implementation of our digital roadmap and transformational change. We foster innovation through our InnovaMinerals open platform, participation in the Industrial Weeks for Innovation in the city of Antofagasta, and pitch days for technology companies at our operations.

Reduced inequalities:

Reduce inequality within and among countries

Antofagasta contributes to reducing inequality by providing help in the form of scholarships and educational support. This promotes social mobility in remote and vulnerable sectors in the regions where we operate. We also generate work opportunities and enhance the capabilities of local people and businesses.

Sustainable cities and communities:

Make cities and human settlements inclusive, safe, resilient and sustainable

Our Social Management Model ensures that we choose, develop and implement social investment projects. Working together with local communities, we strengthen local leadership and monitor the long-term impact of our initiatives. Our operations also work with the local authorities and communities to improve public spaces, sports facilities and healthcare infrastructure.

Responsible consumption and production:

Ensure sustainable consumption and production patterns

Our Sustainability Policy establishes the basis for the responsible management of the Group's activities. In 2020, Centinela and Zaldívar signed letters of commitment to The Copper Mark, the copper industry's new responsible production framework, assessed by independent assurance experts, and they will be followed by Los Pelambres and Antucoya.

Climate action:

Take urgent action to combat climate change and its impacts

Antofagasta takes into account Chile's particular vulnerability to climate change. Our risk matrix has specifically included climate change since 2019 and our Board approved a comprehensive Climate Change Strategy in October 2020. Since 2017, we have been implementing a series of projects to reduce our direct and indirect annual CO_2 emissions by 300,000 tonnes by 2022. To achieve this, we are switching our mining operations to renewable energy and are implementing initiatives to reduce the use of diesel at our mines.

Life below water and Life on Land:

Conserve and sustainably use the oceans, seas and marine resources for sustainable development. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss

Our Biodiversity Standard is aligned with the ICMM's position statement on Mining and Protected Areas. It has three goals: to prevent and minimise impacts on biodiversity, to restore or appropriately compensate for any impact, and to generate additional benefits for the areas where we operate. We implement programmes to protect animal, bird, plant and marine species and administer a number of nature sanctuaries.

Peace, justice and strong institutions:

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Antofagasta's activities conform to the UK's Bribery Act and Modern Slavery Act as well as Chilean Law No 20.393 on bribery and asset laundering. Our Code of Ethics, Compliance Model and Crime Prevention Manual define how we undertake our business in a responsible, accountable, honest and transparent manner.

Partnerships for the goals:

Strengthen the means of implementation and revitalise the global partnership for sustainable development

We promote the creation of public-private alliances, taking advantage of our partners' experience and strategies, to contribute to the achievement of the SDGs in the regions where we operate. Our partners include the state, Chilean and international trade associations, other mining companies and/or industry groups, civil society, academic institutions and NGOs. In particular, we use alliances, mostly with local or national foundations, to implement our social programmes which, in many cases, leverage or complement government programmes.

+ For more information on these initiatives, see the Safety and Health, People, Communities, Suppliers, Climate Change and Environment sections of this report

Stakeholder review

Creating sustainable value for our stakeholders

Respect for people is one of our core values and therefore we engage with stakeholders openly, transparently and collaboratively, using appropriate mechanisms to interact with them, provide them with information and learn about their interests and concerns.

This review also includes our Safety and health (p.45), and Environment (p.50) disclosures. These issues are of high importance to all of our stakeholders.

Our people

Over 23,200 people (direct employees and contractors' employees) work at our operations, projects, exploration programmes and corporate offices. They are almost all based in Chile.

Why we engage

Constructive relationships, anchored in mutual respect and transparency, are crucial for a good work climate and talent retention, as well as for productivity and efficiency. Through our engagement with contractors, who are essential for operational continuity, we seek to transfer knowledge and ensure compliance with our standards, particularly on safety and health.

How we engage

Our mechanisms of engagement with our employees include regular site visits by senior management, on-site reviews, work climate surveys and performance evaluations. Regular meetings take place with unions and contract managers on specific topics such as safety and health.

+ See page 42 for more information

Communities

We operate in Chile's Antofagasta and Coquimbo regions where our neighbours include a range of communities around our mines and transport business as well as near our port facilities on the coast.

Why we engage

The wellbeing of local communities is directly related to the sustainable development and success of our business. Through engagement, we seek to grow together with these communities and contribute to their long-term social and economic development, while taking care to prevent, mitigate and compensate for any adverse impact our activities may have.

How we engage

We engage with communities through different social programmes, often implemented in alliance with local foundations. Initiatives are selected and designed with the community through working groups on specific areas of community development or concerns.

+ See page 48 for more information

Suppliers

We work with over 3,200 suppliers of which 93% are based in Chile. They provide a broad range of products and services, ranging from large mining equipment to catering and transport.

Why we engage

Suppliers play a critical role in our ability to operate sustainably and safely and, through our engagement with them, we seek to ensure that they comply with our standards and guidelines on sustainability matters. We also work with suppliers to ensure that they offer us cost-effective and efficient solutions.

How we engage

The procurement team regularly meets with suppliers. Tenders take place through an online platform, designed to guarantee fairness and transparency. To ensure the broadest possible access to tenders, we use an automated invitation system and utilise different external platforms. By prioritising local suppliers, we seek to foster the development of neighbouring communities.

+ See page 57 for more information

S.172(1) Statement

Antofagasta's purpose is to develop mining for a better future – to achieve this and continue to deliver sustainably, we rely on the support of a range of different stakeholders. This means always putting the safety of our people first as we seek to deliver value to our customers, suppliers, shareholders and the communities in which we operate.

The Directors of Antofagasta plc have acted in accordance with their duties to operate in the way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole, particularly with regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006, including amongst other matters:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

Section 172 considerations are embedded in decision-making at Board level and throughout the Group. Throughout the Strategic Report we outline the way in which we engage with our stakeholders to create value throughout our operational activity. Within the Corporate governance report on page 108 we discuss, in respect of the key decisions that the Board has taken in the year, how stakeholders were considered and how we engaged with them.

Customers

We sell principally to industrial customers, who refine or further process our copper concentrate and cathodes.

Why we engage

Most sales are made under long-term framework agreements or annual contracts with sales volumes agreed for the following year. Without these long-term customer relationships, we would have to sell a larger proportion of our cathodes and concentrate through traders on the spot market, with greater uncertainty about pricing and volume.

How we engage

Some of our major customers are also equity holders in our mining operations. The Chairman and several Directors visit Japan each year to meet our partners. We also hold regular meetings with customers around the world and have a marketing office in Shanghai.

+ See page 58 for more information

Shareholders

Shareholders are the companies, financial institutions and individuals that hold a stake in the Company. They are entitled to receive dividends and to vote at shareholder meetings on certain matters, including the election of the Company's Directors.

Why we engage

Shareholders, and particularly institutional investors, are constantly evaluating their holdings in the Company and require regular information about its strategy, projects and performance. We therefore pay special attention to our communications with them, maintaining fluent and transparent dialogue in order to ensure that they receive all the relevant information.

How we engage

We regularly meet with institutional investors and brokers' analysts at industry conferences and roadshows, as well as in one-on-one meetings. The Board attends the Company's Annual General Meeting, either physically or virtually, and its members are available to answer questions. The Company also provides regular production and financial reports and other ad hoc information.

+ See page 59 for more information

Governments and regulators

Governments and regulators at national, regional and local levels draft, implement and uphold legislation, rules and regulations, setting the framework within which we operate.

Why we engage

Mining is a long-term business and timescales can run into decades. Political cycles are typically far shorter and material developments and changes to policy, legislation or regulations can have a major impact on the business.

How we engage

We work alongside mining associations and other industry-related bodies to engage with governments on public policy, laws, regulations and procedures that may affect our business. We deal with governments and regulators strictly within their engagement mechanisms which, in Chile, are clearly defined in Law N° 20.730 (lobbying).

+ See page 60 for more information

Our people

Antofagasta seeks to promote a diverse and inclusive culture that fosters innovation and allows employees to meet their full potential. Our Digital Transformation Programme is an increasingly important part of this strategy.

In 2020, the main focus of the Human Resources area was to manage the impact of the COVID-19 health emergency and to protect the health and safety of the Group's employees and contractors, ensure operational continuity and safeguard jobs.

COVID-19 forced us to change some plans but also helped to reinforce parts of our People Strategy, which is built on the four pillars of culture, organisational effectiveness, labour relations and engagement, and organisational capabilities and talent management.

Organisational effectiveness

In April we created the Strategy and Innovation function to drive the Company's digital adoption plan and innovation. Its responsibilities include the Digital Transformation Programme to introduce technologies to eliminate paperwork, automate repetitive processes and make data-based decisions. By the end of the year, 20 projects had been implemented, seven were under development and six were in the design stage.

To support this change in the way everyone works, we established a Digital Academy to ensure we have the organisational capabilities to capture the benefits of technology as well as improve employees' skills and job opportunities. Over 1,500 senior leaders and supervisors took digital literacy courses on basic terminology and tools. By the end of the year, 94% had received diplomas for completing all nine online courses and 234 had moved onto a specialist course on data-based decision-making.

In response to COVID-19, Antofagasta's first priority was to minimise the number of people working in the Group's offices and operations in order to control the spread of infection at the workplace and in nearby communities. We rapidly implemented remote working for all possible roles, closing corporate offices and reducing employee numbers at the operations by between 30% and 35%.

Overall employee feedback was positive about working remotely, and productivity and efficiency were not compromised. Most importantly, it demonstrated that our operations could meet production and budget targets safely. Although we partially reopened offices and resumed suspended activities in the second half of the year, we decided to examine the longer-term opportunities offered by remote working with a view to:

- Building a resilient and flexible organisation with the capacity to respond to unexpected external events.
- Capturing opportunities to improve productivity and efficiency, for example by reducing travel.
- Offering a more attractive work life balance, which also supports our Diversity and Inclusion (D&I) strategy.

The resulting "new form of working" project was approved by the Board in November adopting a permanent hybrid system of in-person and remote working that is adapted to individual positions. We began to roll out the new system in December.

Inclusive culture

These initiatives build on our Work Life Balance Guidelines, launched in 2019, which introduced flexitime, time off for family and personal reasons, and occasional remote working, among other measures designed to improve employees' work experience. The guidelines are a central part of the Group's Diversity and Inclusion (D&I) strategy to increase the participation of women, people with disabilities and employees with international experience in the workforce.

In 2020, we included targets for the inclusion of women in employees' performance scorecards for the first time and we continue to raise awareness about unconscious bias through webinars and video spots. We also reviewed and closed any identified gender pay gaps.

"As a woman this is a great opportunity for me, not only to take part but also to be able to continue my training and work in the mining sector, which has always been my dream."

Katerine
Apprentice 2020

Gender Balance

	Executive Committee		Reports to the Executive Committee	
Male	9	82%	59	83%
Female	2	18%	12	17%

95%

of the apprentices live in the Antofagasta region where Centinela is located

Centinela's apprentices drive change

Antofagasta seeks to increase the share of women in its workforce, improve employees' job opportunities and give more jobs to local people in the regions where we operate.

Centinela's growth strategy meets all of these objectives.

Some of its mine truck drivers are being retrained to operate the autonomous trucks which will start working in the new Esperanza Sur pit at the end of 2021.

Women make up all but four of the 91 apprentices that began training in December to take over operations of its current fleet of manual trucks.

23,248
People

29%
Employees

71%
Contractors

14.7%
Women

76%
Unionised employees

By the end of 2020, women represented 14.7% of our workforce compared to 10% last year and exceeded our target of 13.3% for the year. Our goal is to double female participation by the end of 2022 compared to the 2018 baseline of 8.6%.

Under Chile's Workplace Inclusion Law, from 1 April 2020 people with disabilities must account for at least 1% of a company's workforce. The Group has met, and aims to go beyond, this requirement by focusing on inclusive recruitment and adapting the workplace environment to be more suitable for people with some disabilities. We continue to work with Chile's Mining Council to define the minimum standards to allow people with disabilities to work at mine sites.

Building human capital

Antofagasta is committed to promoting a culture that fosters innovation, develops skills and enables transformation. In 2020, we invested $1.2 million in employee training, the equivalent of 23 hours of training per employee, including the Digital Academy and courses of inclusive leadership and safety and health.

We also developed a training programme that will be implemented in 2021 on non-technical skills that are required in today's digital world such as the capacity to learn quickly, change habits, work in a team, be curious and promote innovation.

Our Mining division ran leadership development programmes for 130 women, a record number.

We also run graduate programmes for our executive talent pool as well as apprenticeships and internships at our operations, the latter through a public-private partnership called Eleva.

+ See page 48 for more information

Labour relations

Antofagasta recognises employees' rights to union membership and collective bargaining. In Chile, freedom of association is protected by law. The Group has 16 unions: 11 in the Mining division and five in the Transport division. Together they represent 76% of our direct employees.

In 2020, we closed 10 labour agreements: one at Zaldívar, four at Centinela and five in our Transport division. Negotiations were conducted remotely and involved no strikes. Under Chilean law, these binding agreements are renegotiated up to every three years and cover salaries, shift patterns and employment benefits among other matters.

Chilean legislation prohibits forced and child labour, limits working hours and includes 15 days' annual paid leave and a minimum wage.

Our employees and contractors can make complaints on the confidential Tu Voz system available on our website, as well as directly with the operations.

Contractors

In early 2020 we demobilised 1,875 contractors, due to the temporary suspension of the Los Pelambres expansion project to protect workers and communities from COVID-19. Agreements were reached with contractor companies to keep suspended contractors on at least the ethical monthly minimum wage of Ch$500,000, set by Antofagasta in January 2020, which is approximately two thirds higher than the national minimum wage. This commitment to our contractors' job retention allowed us to resume activities quickly when we began restarting projects in the third quarter.

Contractors perform key tasks in our businesses and account for 71% of our total workforce. They are contractually required to comply with Antofagasta's safety and health, environmental and ethical standards, as well as the UK Modern Slavery Act, and are monitored for compliance.

Contractors and subcontractors are also required by the Group to provide their employees with health and life insurance and, in the case of Los Pelambres and Centinela, support for their children's education.

+ See page 57 for more information

Safety and health

The safety and health of our employees, contractors and nearby communities are our top priority. During 2020, our swift and decisive action helped control the spread of COVID-19, allowing us to operate safely and continuously throughout the year.

In 2020 we continued to deepen our safety and occupational health strategy, which is based on four pillars: safety risk management, health risk management, standardised reporting and continuous improvement, and leadership. The strategy aims to meet four main goals: zero fatalities, zero occupational illnesses, the development of a resilient culture and the automation of hazardous processes.

During the year we strengthened the effective implementation of our critical controls for our high-risk activities. The strategy involves continually improving the identification of safety breaches and understanding the root causes of high-potential incidents (HPIs), in order to establish corrective actions to reinforce the preventive and mitigating controls for such events.

Safety risk management

In 2020, we updated our Control Strategies for 10 identified fatal risks and more clearly defined the safety and health roles and responsibilities at operational level to improve the management of critical controls. We continue to focus on learning and sharing findings across operations, from investigations into HPIs to closing risk management gaps. The improved identification of the root causes of accidents has in turn strengthened our corrective actions to prevent safety breaches.

The Group began using HPIs as a measure of safety performance in 2020, to reinforce a preventative and resilient safety culture. High-potential hazards, near-misses and accidents are leading indicators of the effectiveness of safety controls and facilitate the early introduction of improvements to prevent future accidents. We recorded 71 HPIs during the year, a decline of 63% year-on-year, far exceeding our reduction target of between 10% and 15%. The frequency rate for near-misses, which includes high-potential hazards, rose by 9% to 288, reflecting a significant improvement to our reporting culture.

During the year, we strengthened the management of contractors' safety and health performance. At the end of the contract, the contractor is graded according to their overall safety and health performance, and this information is used by the Supply area when awarding new contracts. Contractors may be removed from the Suppliers register if they fail to meet certain standards.

Automated drill rigs

The Mining division successfully implemented autonomous production drill rigs at Los Pelambres during the year, which not only increased productivity but improved safety, reducing workers' exposure to occupational hazards such as noise, dust and vibration.

Occupational health risk management

The Group is committed to providing a healthy workplace and contributing to the physical and mental wellbeing of our employees and contractors. In 2020 we established Control Strategies for four of our most significant occupational health risks: silica dust, noise, fatigue and drowsiness, and acid mist.

For the first time, we also established a reporting target for high-potential health events to stimulate awareness, reporting and to facilitate improvements. The Group registered a frequency rate of 111 such events per million hours worked.

In addition, we strengthened our psychosocial health programme to help employees and contractors handle any harmful effects on their mental health caused by the COVID-19 pandemic, including a new, confidential 24/7 helpline. We also set up a working group of representatives from the unions, human resources, operating companies and occupational health areas, to deepen the understanding of psychosocial risks and identify improvements.

Performance in 2020

For the second consecutive year, there were no fatal accidents related to the Group's activities among employees and contractors of our Mining and Transport divisions or related third parties, such as communities. By the end of 2020, we had completed almost 27 months with no fatalities, a record for the Group.

We continued to improve our Lost Time Injury Frequency Rate (LTIFR) which fell 15% to 0.86 per million hours worked compared to 2019, another new record.

The Transport division continued to make significant safety improvements, more than halving its LTIFR over the last 24 months by focusing on the implementation and management of Control Strategies and critical controls respectively.

In 2020, the Group did not register any cases of occupational illness.

Number of fatalities

	2020	2019	2018	2017	2016
Chilean mining industry	**12**	14	16	14	18
Mining division	**0**	0	1	0	1
Transport division	**0**	0	0	0	1
Group	**0**	0	1	0	2

Lost Time Injury Frequency Rate (LTIFR)[1]

	2020	2019	2018	2017	2016
Chilean mining industry	**N/A**	1.54	1.65	1.78	1.83
Mining division	**0.73**	0.75	1.10	0.99	1.21
Transport division	**2.37**	4.03	6.66	7.20	5.78
Group	**0.86**	1.01	1.59	1.53	1.61

Occupational Illness Frequency Rate (OIFR)[2]

	2020	2019	2018	2017	2016
Mining division	**0.00**	0.08	0.09	0.00	0.03
Transport division	**0.00**	0.47	0.24	0.00	N/A
Group	**0.00**	0.11	0.10	0.00	0.02

1. Number of accidents with lost time during the year per million hours worked.
2. Number of occupational illnesses during the year per million hours worked.

COVID-19

Antofagasta began implementing measures in February to prevent or slow the spread of COVID-19, maintaining a safe and healthy workplace and protecting the health of our employees, contractors and nearby communities.

Our first step was to limit access to offices and operations to those roles that required in-person attendance to ensure operational continuity. Higher-risk individuals, including those with respiratory symptoms, were excluded from attending work. Remote working, including through online platforms, was swiftly organised for all possible administrative and supervisory roles.

Main controls

Four basic controls were implemented to prevent COVID-19 infection in the workplace:

- Health self-assessment questionnaires and health checks prior to each shift
- Obligatory use of masks in all common areas
- Physical distancing on buses, pick-up trucks, charter planes and common areas
- Frequent hand cleansing

In addition, we hired buses and charter planes to transfer employees and contractors to and from site at the start and end of each shift. Other measures included installing barriers in vehicles to separate people, frequently disinfecting spaces and training catering staff on how to handle food.

We also carried out information campaigns on critical COVID-19 control habits through e-learning, posters, videos and competitions.

COVID-19 protocol

In 2020, the Group traced and monitored 11,131 suspected cases of COVID-19 among its employees and workers. 1,186 of the cases tested positive with a quarter of them being identified at the workplace. Tragically, three of our contractor workers died of COVID-19 during the year.

Employees or contractors with COVID-19-related symptoms identified in the workplace are immediately isolated in the polyclinic and transferred as soon as possible to a health centre for a PCR test. Low-risk cases and their close contacts are traced, tested and removed from the workplace.

Close workplace contacts must quarantine for 14 days at home or in sanitary accommodation. For low-contact cases, quarantine is lifted as soon as they test negative for COVID-19.

Asymptomatic confirmed cases must stay in quarantine for 14 days and symptomatic confirmed cases for 28 days, to ensure that employees and contractors only return to work once they are fully recovered.

We also proactively test employees and contractors in areas where there are high levels of personal contact.

Communities

During the COVID-19 crisis, our operations' ties with neighbouring communities strengthened as we stood by them, seeking to protect their health and economic wellbeing.

In response to the pandemic, we rapidly refocused our social programmes to support nearby communities in containing the spread of the virus and mitigating its economic impact. In April, we established a $6 million COVID Fund to finance a three-phase response: an Emergency Phase, focusing on preventive health measures; a Recovery Phase to alleviate economic hardship; and a Normalisation Phase to support communities once the worst of the pandemic had passed.

In all these activities we worked closely with local authorities and the central government, complementing their efforts, while collaborating with other companies and industry and business associations. As with our regular social programmes, we implemented many of the COVID Fund's initiatives in alliance with local and national foundations and, in the case of Los Pelambres, its own foundation, Fundación Minera Los Pelambres.

Health measures

Health measures in neighbouring communities ranged from the provision of medical supplies and PPE to the donation of PCR testing machines and respirators. In northern Chile's Antofagasta region, where our Antucoya, Centinela and Zaldívar mines are located, we reduced pressure on local health services by taking doctors into the communities to treat non-COVID health problems and by setting up a telemedicine programme.

Economic relief

In one key initiative, Fundación Minera Los Pelambres (FMLP) implemented the Choapa Emergencia Económica (Choapa Economic Emergency) programme in the Coquimbo region where Los Pelambres is located. In a bid to save struggling small businesses, the programme awarded over 2,000 grants accompanied by technical assistance. FMLP also published a number of guides with advice on how to access the support available from the government. Other initiatives in the Coquimbo and Antofagasta regions ranged from the distribution of boxes with basic supplies to the organisation of local suppliers to produce masks. A total of 90,000 reusable masks were distributed in the Choapa Province, equivalent to one for each inhabitant.

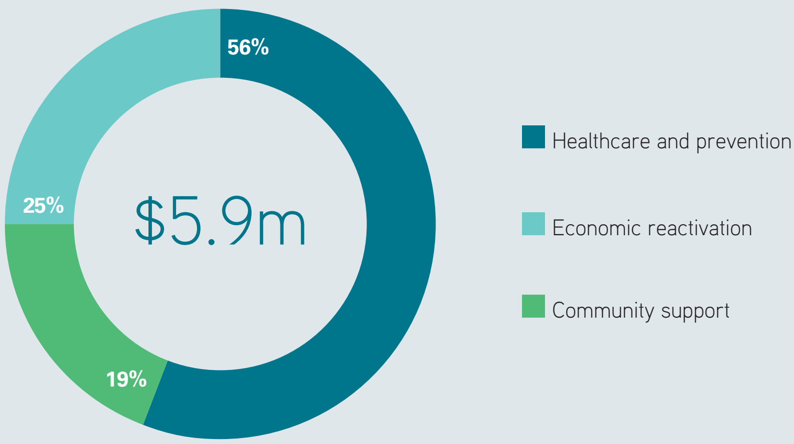
Reactivation

This phase of our response included measures at a micro level – for example, pavement markings to enable street markets to resume activities in a safely distanced way – and at a more macro level, as in the case of the funds we set up with other companies in the Antofagasta region to expand the reach of the reactivation funds established by the government's economic development agency, CORFO.

Due to the pandemic, demand for local job creation, always a key issue in community relations, acquired new intensity. In 2020, as part of our regular activities, we launched a platform to encourage our larger suppliers to hire locally.

+ See page 57 for additional information

COVID Fund



Social Management Model

The Social Management Model rolled out by our Mining division in 2019 is designed to ensure the consistent application across operations of our engagement principles, methodologies and practices. It has four components: Engagement, Initiative Management, Impact Measurement and Socio-Territorial Risk Management. Following the planned incorporation of our new Impact Measurement and Risk Management Standards in 2020, all four components now have a corresponding standard.

In 2020, we formally adopted a Human Rights Policy. This applies to all the Group's companies, which will also seek to ensure compliance by contractors and other companies in our supply chain.

Community members have a number of channels through which to register a complaint. They can send an email to the corresponding operation or a letter to one of its local offices or use the confidential Tu Voz (Your Voice) reporting line on the Group's website. However, their first point of contact is typically the local community relations co-ordinator.

Indigenous peoples

Our Human Rights Policy explicitly recognises and undertakes to respect the rights, culture and traditions of indigenous peoples. The areas of influence of Los Pelambres and Zaldívar include indigenous communities and relations with them are aligned with local legislation, ILO Convention 169 and the guidelines of the International Council on Mining and Metals (ICMM).

$46.7m[1]

Economic social contribution in 2020

$45.7m

Mining division

$1.0m

Transport division

1. Includes community investment programmes (Somos Choapa, Dialogues for Development), social projects and programmes established as part of our legal obligations, as well as donations, sponsorships and contributions under the Caimanes, Salamanca and Cuncumén agreements and by Fundación Minera Los Pelambres.

Flagship programmes

Most of the activities of our Somos Choapa (We are Choapa) and Diálogos para el Desarrollo (Dialogues for Development) social engagement programmes, implemented in the Coquimbo and Antofagasta regions, respectively, had to be adapted in response to the pandemic. In the Coquimbo region, however, some key projects were completed:

- **Los Vilos dialysis centre.** Thanks to this new centre, which opened in September, patients in the town of Los Vilos no longer have to travel long distances several times a week to centres in other towns. Los Pelambres financed the construction of the building while the regional government provided the equipment.
- **Aguas Claras 2 housing project.** Los Pelambres implemented this public-private project in Salamanca, in alliance with the Housing Ministry, providing the design and assisting with obtaining the required permits. Homes have been provided for 50 low-income families, mostly with female heads of household, including some homes adapted for the needs of family members with disabilities.

The Coquimbo region is suffering a longstanding drought and, in light of this, Somos Choapa reinforced its drinking water and water conservation programmes.

Antofagasta mining cluster

We participate actively in the Antofagasta Mining Cluster, a public-private alliance of mining companies, government agencies and educational institutions to foster the development of the Antofagasta region. We are particularly committed to two of its strategic pillars: the creation of human capital and the development of regional suppliers, especially those with a focus on innovation.

Our contribution to strengthening human capital includes Antucoya's Relevos (Relief Workers) programme, which trains people from nearby communities to operate mine trucks and employs them to cover the regular operators' shift breaks. In 2020, 10 participants in the programme (five men and five women) received certification under the Eleva programme, a public-private educational initiative.

In 2020, our three operations in northern Chile implemented an Apprentices Programme in which a total of 181 young people, mostly from local communities, participated. Similarly, in selecting students to prepare their undergraduate thesis at our operations, we give priority to universities in the Antofagasta region, which accounted for 75% of the intake in 2020.

+ See page 57 for supplier development and innovation activities

Impact measurement

In 2020, we met our goal of measuring the impact of four social programmes. All showed a positive social return on investment (SROI), led by the Relevos programme and followed by the programme of doctors' visits and telemedicine for the town of María Elena.

Citizen participation processes

In 2020, Zaldívar successfully carried out the Group's first voluntary indigenous consultation process. Implemented as part of the environmental evaluation of the operation's mine life extension project, it concluded with the signing of an agreement with the Socaire Atacameño community.

Los Pelambres implemented an Early Citizen Participation Process (PACA) to inform the community about its Operational Adaptation project, which was announced in September.

Meetings have been held with local farmers' organisations, water users' associations, fishermen's organisations, neighbourhood associations and indigenous communities.

In November, the Transport division launched a consultation process about the future use of its Estación Valdivia, an old railway station in the city of Antofagasta, which it plans to restore. The restoration forms part of a broader plan to vacate the division's railway yards in the city and prepare them for urban development. Built in the early twentieth century and no longer in use, Estación Valdivia, like other buildings owned by the division, is an important part of the city's heritage and identity.

Environment

Environmental management

Our Environmental Management Model covers leadership, incident reporting, operating risk management, and regulatory risk management. Environmental performance is reported monthly to the Executive Committee and at least twice a year, or when is needed, to the Sustainability and Stakeholder Management Committee.

In 2020, Internal Audit performed environmental audits on all our operations with no significant negative findings.

At all four mining operations, compliance with our emissions budget reduction plan accounts for 5% of employees' annual performance bonus targets. Los Pelambres, which is in the drought-stricken Coquimbo region, also has specific water consumption targets.

Environmental compliance

In Chile, large-scale projects are subject to strict environmental and social impact assessments by the Environmental Evaluation Service (SEA) in order to obtain a Resolution of Environmental Approval (RCA) and to proceed with the project. These RCAs include legally binding commitments on matters such as the prevention and mitigation of the project's impact on the environment and any necessary compensation measures. Compliance with the commitments is verified by the Superintendency of the Environment (SMA) and failure to comply can result in fines or the revocation of the RCA. Antofagasta has a total of 62 RCAs, entailing over 10,000 commitments on matters that include water use, air quality, biodiversity, construction, operation and closure.

Zaldívar is currently seeking approval of the Environmental Impact Assessment (EIA) for its mine life extension project. In the first quarter of 2021, Los Pelambres plans to submit the EIA for the first stage of its Pelambres Futuro project. This will be followed by the EIA for the second stage of the project.

Incident reporting

In 2020, the Group reviewed its procedures for the internal reporting, investigation, evaluation and classification of environmental incidents. In addition to purely environmental parameters, classification now takes into account community reaction to an incident in order to incorporate the reputational effect that an incident may have, even if no environmental norm was infringed.

Incidents are classified as Real, with high-, medium- and low-severity, or Potential Severity (high or low) if the event could, in slightly different circumstances, have caused an incident. Real high or medium-severity incidents are investigated by a commission established especially for this purpose.

Training

Environmental training programmes for both our operations and projects have continued throughout the year with lectures taught by external experts. During the year, there was a workshop on mine closure plans and talks included topics such as waste management, climate change, project permitting and archaeology.

Responsible production

In November, Centinela and Zaldívar committed to The Copper Mark, an independent assurance process for copper companies' environmental, social and governance practices. Developed by the International Copper Association (ICA) in line with the UN Sustainable Development Goals (SDGs), it includes matters such as greenhouse gas emissions, tailings management and biodiversity, and is designed to enable investors and consumers to make informed decisions about responsibly produced copper. Antofagasta plans to extend the assurance process to Los Pelambres and Antucoya.

Tailings

Our mining operations have three main tailings storage facilities (TSFs): the El Mauro and Los Quillayes conventional tailings dams at Los Pelambres and a thickened tailings deposit at Centinela. In addition, Zaldívar has a small TSF from the flotation of some of its sulphides. Los Quillayes, the original TSF at Los Pelambres, has limited remaining capacity and is used as backup for El Mauro TSF.

All our TSFs are built using the safest downstream construction method and are designed to withstand severe earthquakes and extreme weather. They are subject to regular inspection by the government's National Geology and Mining Service (SERNAGEOMIN).

In 2020, we strengthened our system of governance for TSFs. This included an increase in the involvement of the independent Review Board we have for the Los Pelambres and Centinela TSFs. In 2020, in line with best international practices, an independent review of the Zaldívar deposit was also conducted.

In August, the new Global Industry Standard on Tailings Management (Standard) was launched. This followed the completion of the Global Tailings Review, co-convened by the International Council on Mining and Metals (ICMM), the United Nations Environment Programme (UNEP) and the Principles for Responsible Investment (PRI) in the wake of the failures at the Brumadinho and Mariana TSFs in Brazil. We have undertaken to comply with the Standard at Los Pelambres within three years and, at Centinela and Zaldívar within five years of its launch.

El Mauro has continued its work as a pilot for the Programa Tranque (Tailings Programme), a public-private and community initiative to establish an online monitoring system for TSFs in Chile.

In 2020, Centinela started using remotely operated equipment, such as the excavators used on its TSF. This reduces a potential risk to employees' safety.

Air quality

At our mines, we have robust programmes to suppress and control dust (PM10 and 2.5) emissions. They are monitored permanently, in some cases with the participation of the local community. In addition, air quality data is reported monthly to the regional authority.

In May, a combination of unusual weather conditions, thermal inversion and operating conditions at the El Mauro TSF at Los Pelambres produced a dust cloud that was visible from the nearby Pupío Valley and the town of Caimanes. The emissions were controlled and the corresponding air quality norm was not infringed. However, in response to community concerns, we are implementing a series of additional voluntary controls in conjunction with the environmental authority, the SMA.

Biodiversity

Our Biodiversity Standard is aligned with the ICMM's position statement on Mining and Protected Areas. It has three goals: to prevent or minimise impacts on biodiversity, to restore or provide appropriate compensation for any impact, and to generate additional benefits for the areas where we operate.

We currently implement programmes for bird, animal and plant species in our operations' areas of influence. Of these, the gaviotín chico – a type of tern – is classified as endangered by the International Union for Conservation of Nature (IUCN) while another bird species and four plant species are classified as vulnerable.

Twin Metals Minnesota (TMM)

Our copper, nickel, cobalt and PGM project in the United States, continued progressing the environmental review having submitted the Mine Plan of Operations (MPO) in late 2019. The US Bureau of Land Management has confirmed that the MPO is sufficiently complete to begin the environmental impact statement (EIS) process and notified TMM in June that it intends to progress the EIS and commit the necessary resources to the process. In addition, the Minnesota Department of Natural Resources reviewed the state data submittal and numerous comments raised have been resolved. Once the submittal is complete, it will be published for public comment and the state EIS will begin.

Both Centinela and Los Pelambres monitor the environmental variables of the marine environment in the vicinity of their port facilities, studying the water column, sediments and the marine fauna. Through a public-private programme led by the Chilean government's economic development agency, CORFO, Los Pelambres participates in R&D projects to repopulate the area near its port facilities with the Chilean sea urchin and the Chilean abalone. Other initiatives are associated with the Chilean conger (congrio colorado and congrio dorado).

The Los Pelambres mine is located at the head of the Choapa Valley, which is rich in biodiversity. We manage four nature sanctuaries in the area, including an important wetland (a RAMSAR site). Together with areas of reforestation and other initiatives, these sanctuaries and protected areas total 27,000 hectares, equivalent to seven times the area used for the operation.

Mine closure

As required under Chilean law, all our operations have closure plans approved by SERNAGEOMIN. In addition, we have our own Integrated Mine Closure Standard that goes beyond legal requirements in some areas.

As part of the required programme to regularly update closure plans, Centinela presented its update to SERNAGEOMIN in November and Antucoya plans to submit its update early in 2021. In 2020, our operations also progressed the alignment of their closure plans with the ICMM's Integrated Mine Closure – Good Practice Guide.

Climate change

At Antofagasta, we take into account Chile's particular vulnerability to climate change. Since 2019, our risk matrix has specifically included climate change as a key risk and we have drawn up a comprehensive Climate Change Strategy, which was approved by the Board in 2020.

As part of this Strategy, we will take a multi-disciplinary approach to the challenges posed by climate change, better co-ordinating the many initiatives, large and small, undertaken by our operations and projects, and taking advantage of synergies between them. The Strategy has five pillars: the development of climate change resilience; reduction of greenhouse gas (GHG) emissions; supply security and the efficient use of strategic resources; management of the environment and biodiversity; and the integration of stakeholders.

In 2020, we also worked on the implementation of a programme to comply with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These propose that companies report the impact of climate change on their operations and results in order to help financial markets understand whether it has been correctly accounted for in the valuation of the company's assets. We expect to complete the process in 2022 and have reported on our progress on pages 54-56.

Switching to renewable energy

Over the past few years, our mining operations have renegotiated their power purchase agreements (PPAs), switching from conventional sources – principally coal – to renewables. In July 2020, Zaldívar became the first of the Group's mining operations to use 100% renewable energy and by the end of 2020, 19.4% of the Mining division's energy came from renewable sources.

Zaldívar will be followed by Antucoya, Centinela and Los Pelambres, and during 2022, the Group expects that its Mining division's electricity consumption will be supplied exclusively from renewable sources.

Reducing greenhouse gas emissions

Since 2017, we have been implementing a series of projects to reduce our annual direct (Scope 1) and indirect (Scope 2) CO_2 emissions by 300,000 tonnes between 2018 and 2022. By the end of 2020 emissions had been reduced by 581,355 tCO_2e achieving the Mining division's target two years early.

Streamlined energy and carbon reporting

	2020	2019	2018
Energy consumed (MWh)[1]			
• Outside the UK	**7,339,151**	7,154,015	7,179,013
• Within the UK	**49**	65	65

1. To calculate energy in kWh, multiply by one thousand.

Energy consumed is the sum of the electric energy consumed, measured in MWh, and total fuel consumption, measured in GJ. A conversion factor of 0.28 was used to convert GJ to MWh. Fuels include diesel, petrol and LNG.

The five pillars of our Climate Change Strategy

To strengthen the Group's capacity to mitigate and adapt to climate change

1. Development of climate change resilience
2. Reduction of GHG emissions
3. Supply security and efficient use of strategic resources
4. Management of the environment and biodiversity
5. Integration of stakeholders

Our reduction of Scope 2 emissions reflects the impact of the energy efficiency projects at all our mining operations and the introduction of hybrid diesel-electric trains at the Transport division. A key contributor has also been the integration of Chile's formerly separate electricity systems which allowed lower-carbon energy from central and southern Chile to be brought to northern Chile, where the Centinela, Antucoya and Zaldívar mines are located and thus significantly reduced their emissions.

In July 2020, Zaldívar started operating with 100% renewable energy, which reduced our Scope 2 emissions by a further 67,615 tCO_2e. However, in accordance with the GHG Protocol Standard, this is not included in the above reduction numbers as the certification from the power suppliers requires validation and the necessary local regulatory changes have not yet been implemented to allow this. As a result, the Chilean average grid emission factor has continued to be used to calculate our emissions from all the energy we consumed during 2020.

In 2021 we are identifying the gaps in the available data and determining the methodology we will use to calculate our Scope 3 emissions in 2022.

CO_2 emissions (tonnes of CO_2 equivalent)[1]

	Scope 1 Direct emissions			Scope 2 Indirect emissions			Total Scope 1 & Scope 2 emissions			CO_2 emissions intensity tCO_2e/tCu[2]		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Los Pelambres	**257,801**	251,580	262,355	**464,492**	544,900	523,942	**722,293**	796,480	786,297	**2.01**	2.19	2.20
Centinela	**492,496**	448,890	453,898	**542,020**	539,300	563,101	**1,034,516**	988,190	1,016,999	**4.19**	3.57	4.10
Zaldívar	**152,340**	140,623	141,475	**162,688**	192,862	180,109	**315,028**	333,485	321,584	**3.27**	2.87	3.40
Antucoya	**152,577**	152,231	168,490	**120,087**	114,337	123,353	**272,664**	266,568	291,843	**3.44**	3.71	4.04
Corporate offices	**108**	106	1	**603**	825	1,189	**711**	931	1,191	**–**	–	–
Mining division	**1,055,322**	993,430	1,026,219	**1,289,890**	1,392,224	1,391,694	**2,345,212**	2,385,654	2,417,914	**3.19**	3.10	3.33
Transport division	**88,936**	96,854	99,400	**858**	1,118	1,224	**89,794**	97,972	100,624	**N/A**	N/A	N/A
Total	**1,144,258**	1,090,284	1,125,619	**1,290,748**	1,393,342	1,392,918	**2,435,006**	2,483,626	2,518,538	**–**	–	–

1. Further information on our CO_2 emissions can be found on the Carbon Disclosure Project website (www.cdp.net).
2. Tonnes of CO_2 equivalent per tonne of copper produced.

Water consumption

All our mining operations are in water-stressed areas. Care for water is therefore a key part of our approach to mitigating and adapting to climate change, as we seek to ensure sufficient water availability for our operations and local communities, and for the benefit of the environment. We are achieving this already through the use of raw sea water at two of our mines and will increase our use of sea water further once the desalination plant at Los Pelambres is completed in 2022.

In 2020, sea water accounted for 43% of our Mining division's water consumption. At Antucoya, it accounted for 97% and, at Centinela, 86%. Centinela, which also uses thickened tailings technology to reduce its water consumption, currently has some water extraction rights which it does not plan to renew when they expire in 2022.

Zaldívar exclusively uses continental water, drawn from wells some 100km from the mine. These water extraction permits will expire in 2025 and, as part of the Environmental Impact Assessment (EIA) submitted to extend the mine's life, we are seeking to extend them to 2031.

The main loss of water is through evaporation and no water is discharged into continental water bodies. All our operations are working to increase their water reuse rates, which currently vary between 78% and 96%, depending on the operation.

Los Pelambres is located in the mainly agricultural Choapa Valley and currently only uses continental water. However, a 400 l/s desalination plant is being built, which is scheduled to start operation in 2022.

During the year, it was decided to double the plant's capacity to 800 l/s by 2025. This will allow Los Pelambres to stop drawing water from the Choapa River and increase its use of desalinated and recycled water to around 96% of its total consumption.

In 2020, total water consumption rose mainly because continental water withdrawal increased at Los Pelambres due to the critical lower levels of water in the Mauro tailings storage facility (where water is recirculated to the concentrator plant), the increased ore throughput volumes and our prioritisation of local communities' use of continental water.

Water withdrawal by source in 2020 (millions of m^3)

Source	**2020**	2019	2018
Surface water	**19.5**	13.9	16.5
Underground water	**19.4**	18.3	19.4
Third-party suppliers	**0.2**	0.4	0.9
Sea water	**29.0**	28.2	30.4
Total	**68.1**	60.8	67.2

Task Force on Climate-related Financial Disclosures

The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) provide a framework with which to disclose our ongoing work to reduce our exposure to climate risks, ensure business continuity and future-proof our position as responsible and sustainable producers of copper in the long term.

We recognise that TCFD is a journey that will evolve through time and is an important part of an ongoing dialogue with our stakeholders to ensure they have the right information about our business response to climate change. As our first disclosure against the TCFD recommendations, we are building on our existing carbon management programme and have a clear understanding of what we must focus on next. In recent years we have more clearly identified our climate change impact, developing robust systems to measure, manage and target carbon emissions. We have also established adaptation and mitigation plans, many of which are now incorporated into our near-term financial plans.

Strategy

In 2020 we conducted a climate scenario analysis to evaluate the resilience of our Group strategy to climate change over time. We reviewed a range of globally recognised and publicly available scenarios for two different hypothetical climate futures in the short (present – 2025), medium (2025-2040) and long (2040+) term; one aligned to a low-carbon economy through aggressive mitigation, and one aligned with a high global warming scenario under which limited action to address rising emissions leads to an increase in average temperatures. These scenarios are used to consider potential changes in the physical, regulatory, market and stakeholder operating conditions over the lifetime of our assets and long-term financial planning forecasts. In both cases we selected the most ambitious or extreme scenario, in order to assess the full potential spectrum of climate-related risks and opportunities that could occur.

- **Transition scenario selected:** To provide a global view of and context for a low-carbon transition, we selected the International Energy Agency's (IEA) Sustainable Development Scenario (SDS). The SDS is one of the most ambitious scenarios limiting temperature rise to between 1.5˚C and 1.65˚C by the end of the century. It is also one of the most commonly used transition scenarios, thereby allowing comparison with other companies.
- **Physical scenario selected:** To explore the upper range of physical changes to which we may eventually be exposed, we selected the RCP8.5 scenario. The RCP8.5 scenario is commonly used across our industry to assess physical risks and relevant information is readily available. This choice is aligned with the MiCA (Mining Climate Assessment tool) developed by the ICMM. It is also the principal scenario analysed by the Government of Chile to inform development of adaptation policies.

We used these scenarios to identify potential risks and opportunities, and convened internal working groups to understand the relevance and impact of these across our business.

The TCFD recommendations

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Risk Management
The processes used by the organisation to identify, assess and manage climate-related risks

Metrics and Targets
The metrics and targets used to access and manage relevant climate-related risks and opportunities

"We recognise climate change as one of the greatest challenges facing society. At Antofagasta we acknowledge our role and responsibility to become part of the solution and that is why we are on a journey to put climate change at the heart of our business. Our response to tackling climate change directly aligns with our core business strategy, to reduce exposure to future risk, fulfil our commitment as a responsible mining company as well as developing mining for a better future."

Iván Arriagada
Chief Executive Officer

Governance

The Board of Directors has ultimate responsibility and oversight, with the Sustainability and Stakeholder Management Committee, and the Audit and Risk Committee having key roles to play.

Climate-related responsibilities are assigned to specific management-level positions. The CEO is responsible for approving goals and monitoring the status of emissions reduction initiatives. Responsibility for the management of specific climate-related risks and opportunities is distributed within the organisation, with some roles defined.

In 2020, an internal, cross-departmental Climate Change Committee was established, chaired by the Corporate Affairs and Sustainability Vice presidency to monitor the development and implementation of the Climate Change Strategy.

The achievement of the 2018-22 emissions reduction target is a performance measure for senior managers.

+ See LTIP Awards, page 147

Risk management

Climate change risks are identified, assessed and managed within our Integrated Risk Management System. In assessing climate-related risks, we broadly divide risks into two categories; risks related to the impact of the transition to a low-carbon economy, and risks related to the physical impacts of climate change.

The Board has defined the Group's risk appetite for climate change as "low", indicating that the level of risk should be reduced to the minimum level theoretically possible, with the cost of achieving this being a secondary consideration. Existing and short-term physical risks were identified, evaluated and incorporated into the Risk Register for the first time in 2019. Transition and physical risks that may emerge in the medium and long term, identified during the scenario analysis, will be assessed and incorporated in 2021.

+ See Risk management, page 22

Metrics and targets

Reporting our GHG emissions and environmental footprint helps us to understand our contribution to climate change and allows us to monitor performance and progress against our environmental commitments and targets.

+ See Reducing greenhouse gas emissions, page 52

Through conversion of our mining operations to fully renewable energy by 2022 and energy efficiency initiatives such as replacing the diesel used in boilers with LNG, we plan to progress on our five-year target to reduce emissions by 300,000 tCO_2e.

+ See page 52

Our long-term ambition is to replace our consumption of diesel with low-carbon alternatives. This aligns with our Electromobility Plan, currently in development, which aims to replace diesel used for transportation purposes at our mines. We are conducting analysis to understand how further low-carbon alternatives and reduction measures could be implemented in the medium and long term.

Next steps

We have set ourselves ambitious goals for 2021 to further strengthen our resilience to future physical and transition climate impacts:

- We will fully integrate climate change into our governance procedures to ensure accountability across our business.
- We will further customise risk management processes to ensure the intricacies of climate risk are effectively managed.
- We will deepen our climate scenario analysis by quantifying the potential financial impacts from our most material climate-related risk, and the opportunities across different forward-looking climate scenarios.
- We will seek to better understand the full scope of our GHG emissions, including those from associated upstream and downstream operations.
- We will further demonstrate our commitment to reduce our climate impact and exposure by setting longer-term carbon reduction targets.
- We will continue to advance our mitigation and adaptation response.
- We will report in full in accordance with the TCFD in 2022 and publish a Climate Change Report.

Stakeholder review continued

Transition risks and opportunities

Local context	TCFD category	Transition risks and opportunities	Potential impacts
• Chile carbon price instrument • The Co-operation Agreement and Energy Efficiency Law • Phasing out coal and increasing use of renewables • National Green Hydrogen Strategy to develop a roadmap for competitive green hydrogen • National Electromobility Strategy • Long-Term Climate Strategy and sector-specific mitigation and adaptation plans	**Risk**		
	Policy and legal	• Carbon tax on operational emissions if industry coverage is revised • The development of the Co-operation Agreement and Energy Efficiency Law results in stricter legislation and mandates	• High GHG emission costs • Increased costs of compliance
	Market and technology	• Increased cost of fuel and electricity • Change in consumers' mindset about low-carbon products • Dependence on development of hydrogen technologies	• Increased operating costs • Large upfront costs for low-carbon investments • Early retirement of existing technology • Increased cost of research and development (R&D), and implementation
	Reputational	• Pressure from stakeholders for responsible mining	• Lose licence to operate • Compliance with The Copper Mark expected
	Opportunities		
	Resource efficiency	• Implementation of energy efficiency and carbon reduction measures	• Lower carbon intensity and reduced exposure to potential future cost of carbon
	Energy source	• Replace diesel with low-carbon alternatives • Reduced price for renewable electricity	• Reduced operating costs and increased capital availability for further abatement measures and investments in low-carbon solutions
	Products	• Increased demand for copper as a key material in low-carbon technologies	• Potential impact on the copper price and the Group's revenues

Physical risks

Local context	TCFD Category	Physical risks	Potential impacts
Chronic			
• Coquimbo and Antofagasta regions experience an increase in average temperatures of around 2°C by 2050, rising to as high as 4°C by the end of the 21st century • More frequent and longer heatwave events	**Rising air and ocean temperatures**	• Extreme temperatures and heatwave events • Dry particulate matter blown into the air • Proliferation of algae and other microorganisms	• Stress to infrastructure and equipment • Safety and health conditions not met for workers and local communities • Disruption to sea water capture and port activities
• Drought events in the Coquimbo region, where Los Pelambres is located, become more frequent and average annual precipitation drops • Arid conditions in the Antofagasta region, where Centinela, Antucoya and Zaldívar are located, continue and cumulative annual precipitation remains low	**Low or reducing annual rainfall**	• Reduced security of water supply	• Sites reliant on continental water cease operation • Increased need to support local communities
Acute			
• Increase in the frequency of short, intense rainfall events, in particular in the Antofagasta region during the winter • Potential to generate flash flooding, that may carry alluvium, and other hazards	**Intense rainfall events**	• Flood and alluvium events	• Damage to assets and suspension of operations, as well as to local communities
• Disruptive wave and swell events become more frequent in some parts of the coastline • Warmer sea temperatures may encourage algal blooms	**Extreme waves and sea swells**	• Increased frequency and intensity of wave and swell events	• Disruption to port activities and delays in the export of product and import of key supplies

Suppliers

Our suppliers play a critical role in our ability to operate continuously, safely and efficiently, and we worked particularly closely with them this year in combating the impact of COVID-19.

Responsible supply

Antofagasta works with 3,250 suppliers of goods and services ranging from electricity and fuel to catering and maintenance services. Our central procurement team applies common procedures to ensure compliance with our standards throughout the Group, as well as competitive and fair tender processes.

We carry out due diligence on all potential suppliers prior to awarding a contract. We review company ownership, the participation of politically exposed persons (PEP), anti-trust issues, compliance models, commercial behaviour, legal cases, labour practices, conflicts of interest and contract risks.

Tenders take place on an online platform to ensure objective and auditable award procedures. In 2019 we introduced Robotic Process Automation (RPA) solutions to automate tender invitations, leading to greater participation and competitiveness. In 2020, the software was updated to assist in the evaluation of bids.

Contracts with suppliers include clauses requiring compliance with Chilean Law N° 20.393 on bribery and asset laundering, the UK's Bribery Act and Modern Slavery Act, and the Group's own policies and procedures. In addition, we consider safety and health, and energy efficiency criteria when awarding contracts. Audits are conducted to ensure compliance.

In 2020, our procurement team received refresher training on the Group's Crime Prevention Manual, modern slavery and our Compliance Model.

Suppliers can use the tender platform, as well as the Tu Voz reporting line on the Group's website to make complaints that can be filed anonymously.

COVID-19

The COVID-19 pandemic posed extra challenges for our procurement team in 2020, mainly due to health restrictions on manufacturing and transport logistics which had an impact on international supply chains. Weekly review meetings with critical suppliers allowed us to address these issues by accelerating purchases and increasing stocks when alerted about longer delivery times.

Contractors affected by Antofagasta's decision to temporarily suspend its Los Pelambres and Zaldívar expansion projects and some other activities at its operations received a minimum monthly salary of at least Ch$500,000, the ethical minimum wage set by the Group. The Company began gradually resuming suspended activities in the third quarter of the year.

Prioritising local growth

Our procurement team seeks to stimulate economic growth in the regions where we operate by generating opportunities for local suppliers, enhancing their business capabilities and encouraging suppliers to employ local people. Our strategy is supported by alliances with regional stakeholders such as business associations, universities, government agencies, local municipalities and community organisations.

Opportunities for local suppliers

Our Mining and Transport divisions have guidelines on regional procurement and recruitment to promote the contracting of supplier companies with headquarters in the Antofagasta and Coquimbo regions where our operations are based. The guidelines reduce administrative and financial conditions in tenders for small and medium-sized companies (SMEs) in these regions.

In 2020, we met our objectives to increase the number of local suppliers registered in our database and invited to participate in our tenders. During the year, SMEs accounted for 54% and 63% of our Mining and Transport divisions' spending on goods and services respectively in the regions where we operate, and 93% of our suppliers are based in Chile.

In July we signed an agreement with the Antofagasta Industrialists' Association (AIA) to use its Approved Supplier Company System (SICEP), a digital database of certified suppliers. This allowed us to increase our list of potential local suppliers and to publish tenders for the next six months, providing local suppliers with advance knowledge of upcoming opportunities and therefore more time to prepare offers.

The Group held online business meetings for Antofagasta and Coquimbo-based suppliers in August and November respectively, to discuss upcoming tenders and connect potential suppliers with opportunities.

Fostering local employment

In August our Mining division launched a platform to allow large suppliers to publish job opportunities locally for contracts with our northern mining operations. Four major global suppliers have committed to using this platform and giving priority to hiring local people.

Our Transport division required 100% of the workforce to be from the Antofagasta region in a tender to maintain railway equipment.

Los Pelambres includes a KPI in non-specialist contracts for 30% of supplier companies' workforce to be recruited locally.

Developing suppliers

As active members of the Antofagasta Mining Cluster, in 2020 we proposed operational challenges to local technology companies at the Industrial Weeks for Innovation in Antofagasta. After two series of online workshops, participating suppliers pitched their solutions: four to the Mining division and six to the Transport division. Since this initiative was launched in 2018, 120 companies have taken part, with 754 people attending the launch events and 398 attending the workshops.

In addition, our Mining division held 17 online pitch days for suppliers to present solutions to 10 challenges published on our InnovaMinerals open innovation platform. We are currently co-developing 12 innovation projects.

In December we provided training to around 200 regional SME suppliers on taking part in our tenders and using our digital platforms.

+ See page 49 for more information

Stakeholder review continued

Customers

Our business model is underpinned by relationships with local, regional, national and international stakeholders. Successful management of these relationships contributes to our long-term success.

Customers

Most copper and molybdenum sales are made under annual contracts or longer-term framework agreements, with sales volumes agreed for the coming year. Gold and silver is contained in the copper concentrates and is therefore part of copper concentrates sales.

Most sales are to industrial customers who further process the copper into more value added products; smelters, in the case of copper concentrate production; and copper fabricators and trading companies in the case of cathode production. We build long-term relationships with these key smelters and fabricators, while ensuring customer diversification. We also maintain relationships with trading companies that participate in shorter-term sales agreements, or in the spot market.

About 70% of our mining sales are under contracts of a year or longer and metals sales pricing is generally based on prevailing market prices.

Structure of sales contracts

Typically, our sales contracts set out the annual volumes to be supplied and the main terms for the sale of each payable metal, with the pricing of the contained copper in line with LME prices.

In the case of concentrates, a deduction is made from LME prices to reflect TC/RCs, the smelting and refining costs to process the concentrate into refined copper. These TC/RCs are typically determined annually, in line with market developments and the parties' assessments of the copper concentrate market at the time of the negotiation of the terms.

In the case of copper cathode transactions, a premium, or in some cases a discount, on the LME price is negotiated to reflect differences in quality, logistics and financing compared with the metal exchange's standard copper contract specifications.

Similarly, our molybdenum contracts are made under medium- and long-term framework agreements, with pricing usually based on Platts' average prices for Technical Molybdenum Oxide with a deduction to reflect the cost of converting molybdenum sulphide concentrate into molybdenum oxide.

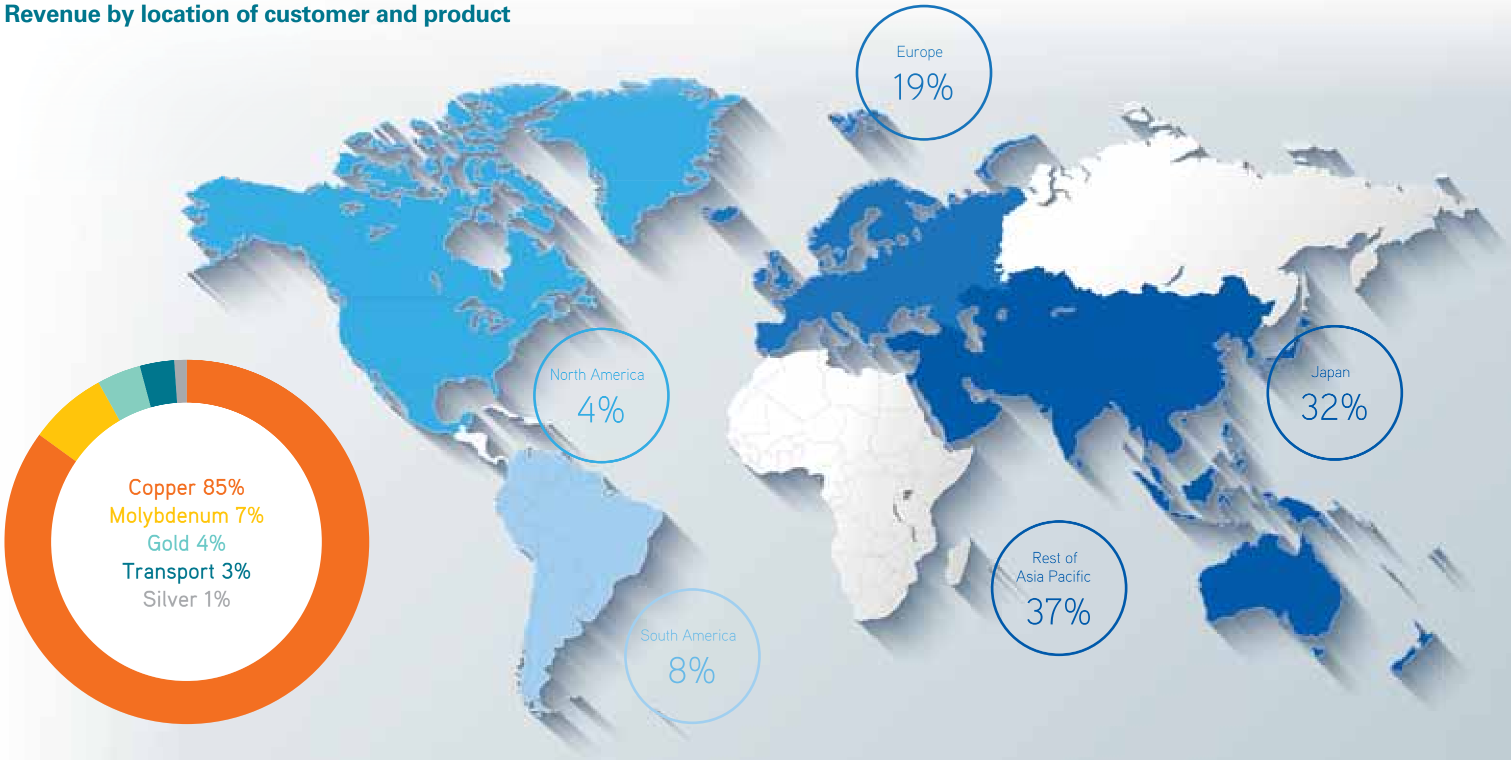
Across the industry, neither copper producers nor consumers tend to make annual commitments for 100% of their respective sales or purchases, and normally retain a portion to be sold or purchased on the spot market during the year.

In line with industry practice, our sales agreements generally provide for provisional pricing at the time of shipment, with final pricing based on the average market price in the month in which settlement takes place.

For copper concentrates, the final price remains open until settlement occurs, on average four months from the shipment month.

Settlement for the gold and silver contained in the copper concentrates occurs approximately one month after shipment. Copper cathode sales remain open for an average of one month from the month of shipment. Settlement for copper in concentrate sales is later than for copper cathode sales, as copper in concentrate requires more processing to produce refined copper for sale. Molybdenum sales generally remain open for two or three months after the month of shipment.

Revenue by location of customer and product



Shareholders

The shares of Antofagasta plc are listed on the main market of the London Stock Exchange. As explained in the Directors' Report on page 153, the controlling shareholders of the Company hold approximately 65% of the Company's ordinary shares. The majority of the Company's remaining ordinary shares are held by institutional investors, mainly based in the UK and North America.

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

Throughout 2020, due to the travel restrictions imposed by the COVID-19 pandemic we have held virtual meetings with institutional investors and sell-side analysts, including international investor roadshows and presentations at industry conferences. These were attended by the CEO and various members of the management team, including the CFO and the Vice President of Corporate Affairs and Sustainability.

We publish quarterly production figures as well as half-year and full-year financial results. Copies of these production reports, financial results, presentations and press releases are available on our website. We also publish a separate Sustainability Report on our social and environmental performance during the year. The latest report is available on our website in both Spanish and English.

What investors focused on most in 2020

- Our ability to achieve our full-year production and cost guidance
- Impact of COVID-19 on our operations, and our workers and neighbouring communities
- Free cash flow generation and capital allocation
- Our capital expenditure programme and the potential of our longer-term growth projects
- Progress on the Los Pelambres Expansion, Esperanza Sur pit and Zaldívar Chloride Leach growth projects
- Supply and demand factors in the world copper market
- Labour negotiations at some of our operations
- Potential impact on the Company of the planned rewriting of Chile's constitution

2020 Shareholder engagement calendar

Q1	• CEO presented at an industry conference for institutional investors in the US • In-person and virtual one-on-one and small group meetings with some 65 investors, of which senior management participated in 50% • Virtual presentation of full-year 2019 results by the CEO and CFO followed by a telephone question and answer call open to all investors, and a virtual roadshow with investors in Europe and the US • Investor relations team attended one in-person investor conference in the US
Q2	• CEO presented at an industry conference for institutional investors in London • Virtual one-on-one and small group meetings with some 80 investors, of which senior management participated in 60% • A recorded presentation by CEO at the time of the Annual General Meeting • Investor relations team attended four virtual investor conferences
Q3	• Virtual presentation of half-year 2020 results by the CEO and CFO followed by a question and answer video call open to all investors, and a virtual roadshow with investors in Europe and the US • Virtual one-on-one and small group meetings with some 210 investors, of which senior management participated in 40% • CEO and CFO made a virtual presentation to institutional investors in Chile • Investor relations team attended four virtual investor conferences
Q4	• Video conference question and answer call by the CEO with investors following the release of the 3Q production report • Virtual one-on-one and small group meetings with some 140 investors, of which senior management participated in 40% • Investor relations team attended eight virtual investor conferences

Governments and regulators

Mining is a long-term business in which timescales can run into decades.

Political cycles are typically far shorter and material developments and changes to policy, legislation or regulations can have a major impact on our business.

Governments and regulators engagement

Our operations, projects and exploration are mainly located in Chile, where we interact with both the central government and the governments of the Antofagasta and Coquimbo regions, as well as with the municipalities that are part of our areas of direct influence.

The relationship with governments and regulators is subject to their strict engagement mechanisms, which in Chile are clearly defined under Lobby Law No. 20.730. This Law seeks to regulate the activity of lobbying and other efforts to represent particular interests, in order to strengthen transparency and honesty. It applies to the officials of central and local administrations who regulate activities such as the issue, modification and repeal of administrative acts and laws, and the decisions of the authorities and officials.

Outside Chile, we comply with our own policies and the laws and regulations of the host countries, at all times maintaining high standards of engagement.

Payments to governments

Antofagasta makes payments to governments relating to our activities involving the exploration, discovery, development and extraction of minerals, and our Transport division.

These payments are primarily taxes paid to the Chilean government and mineral licence fees, which in 2020 totalled $327 million of which 99.5% was paid in Chile.

Chilean law allows political donations to be made subject to certain requirements, but Antofagasta made no political donations in 2020. However, we often contribute towards the financing of projects benefiting local communities, in alliance with local municipalities and the government. These contributions are regulated by specific laws and are reviewed by the Chilean Internal Revenue Service (SII).

Public-private alliances

Since mining is a long-term business, we seek to contribute to Chile's development and prosperity, including through public-private alliances with local government. Examples include our active participation in a workshop jointly organised by the Mining Ministry and the Women and Gender Equality Ministry to encourage female participation in the mining industry, and our commitment to the Mining Cluster in northern Chile, a public-private alliance to promote local employment, technology and skills development.

Another example of our active participation in a public-private alliance is the Provincial Water Working Group. This is organised by the Coquimbo region government to identify and implement collective solutions that can contribute to the area's water security in the short, medium and long term.

Chilean Constitutional reform process

In a referendum in October 2020, the Chilean people voted in favour of rewriting the country's Constitution. This process will be conducted through a Constitutional Assembly of 155 members elected in a national vote in April 2021.

The Constitutional Assembly will have a maximum of 12 months to discuss and agree the text of a new Constitution, which then must be ratified through the means of another national referendum within 60 days of its approval by the Assembly. If approved, the new Constitution will be enacted and replace the current Constitution. If it is not approved the current Constitution will remain in force.

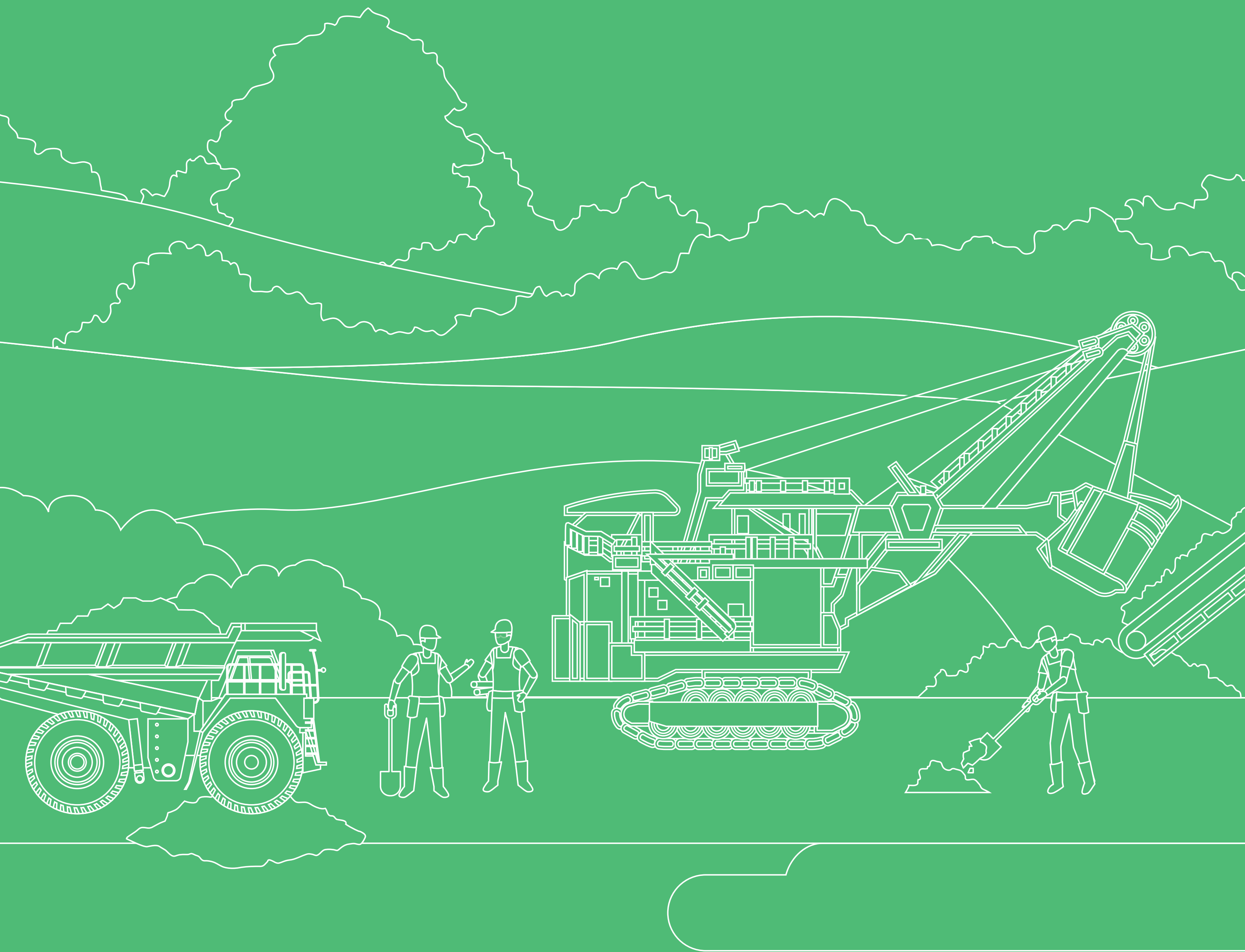
Non-financial information statement

The table below sets out where stakeholders can find information in the Strategic Report on non-financial matters, as required under the Non-Financial Reporting Directive requirements. As described in this report, the effective application of these Policies and Standards underpins the Group´s management of the risks in relation to these matters.

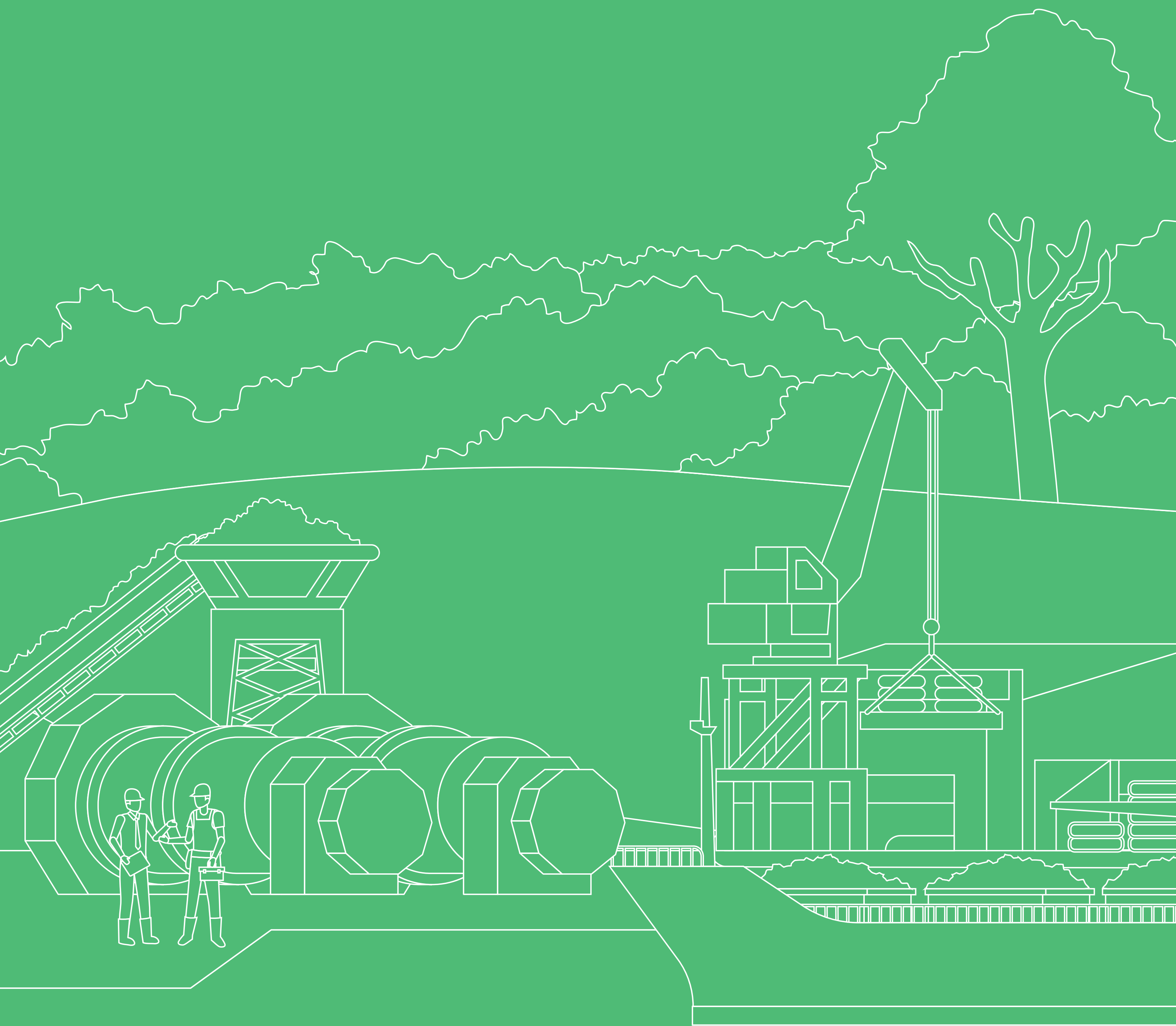
Reporting requirement	Relevant policies and standards	Content	Page
Sustainability	Value Chart Sustainability Policy ICMM Guidelines	Letter from the Chairman Letter from the CEO Value creation How we engage with our stakeholders Sustainability and Stakeholder Management Committee	6 8 40 40-41 129
Safety and health	Safety and Occupational Health Strategy Special Corporate Safety and Health Regulation for Contractors and Subcontractors (RECCS) Fatal Risk Standard (ERFT) Occupational Health Standard (ESO)	Safety and Occupational Health Strategy Safety risk management Health risk management Performance	45
Environmental matters	Environmental Management Model Integral closure of mining operations standard Climate change standard Water management standard Biodiversity standard	Environmental management Environmental compliance Water management Mining waste Responsible production Climate change Carbon footprint Energy management Biodiversity Air quality Mine closure TCFD	50
Our people	People Strategy Diversity and Inclusion Strategy	Inclusive culture Building human capital Labour relations Aligning contractors Employee wellbeing	42
Social matters	Social Management Model Engagement Standard Management of initiatives standard	Social Management Model Flagship programmes Engagement mechanisms Open social innovation Culture and heritage Local jobs Addressing social concerns Impact measurement	48
Suppliers	Code of Ethics Purchase and contracts guidelines Direct award procedure Material management policy	Responsible supply Local suppliers Supplier development Local alliances Energy efficiency in suppliers	57
Human Rights	Code of Ethics	Respectful, diverse and inclusive work culture Human Rights Modern Slavery Act	43
Anti-corruption and anti-bribery	Code of Ethics Compliance Model Anti-Corruption Model Antitrust Protocol	Business integrity and compliance Code of Ethics Management of Compliance Risks	31
Description of principal risks and impact on business activity		Risk Management Framework Principal risks Key risks	22 24 25
Description of the business model		The mining lifecycle	16
Non-financial Key Performance Indicators		2020 highlights Total economic contribution Key Performance Indicators	3 35 20

Operating review

The Group seeks to set realistic but demanding operating targets each year and achieves them year after year.



Operating review



Operating review

Mining division

Antofagasta owns and operates four mines. Los Pelambres is located in the Coquimbo region of central Chile and Centinela, Antucoya and Zaldívar are in the Antofagasta region of northern Chile.

"The COVID-19 pandemic placed significant pressure on our operations, but we swiftly adopted new operating procedures that allowed us to adapt our production, waste stripping and maintenance schedules so that most of our planned targets were achieved and copper production of 733,900 tonnes was only slightly impacted. We entered 2021 with a clear plan on how to continue operating under the COVID-19 restrictions while operating effectively and safely.

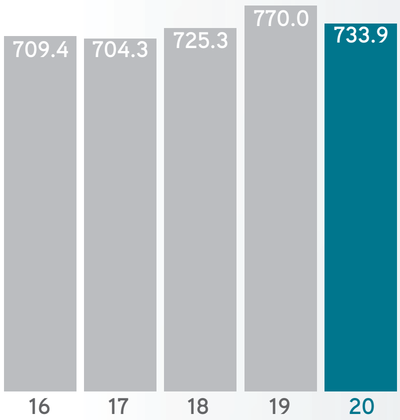
Our strong safety culture formed the basis for confronting the additional challenges and our safety performance in 2020 was good with no fatalities and lower injury frequency rates."

Hernán Menares
Vice President of Operations

Production highlights

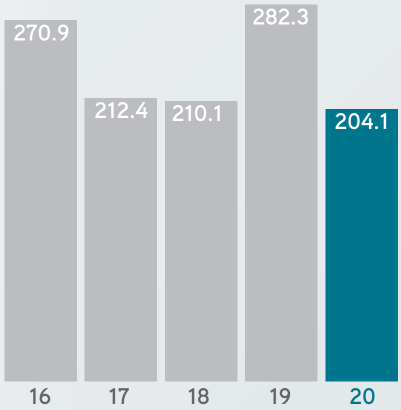
Tonnes of copper produced

733.9k tonnes



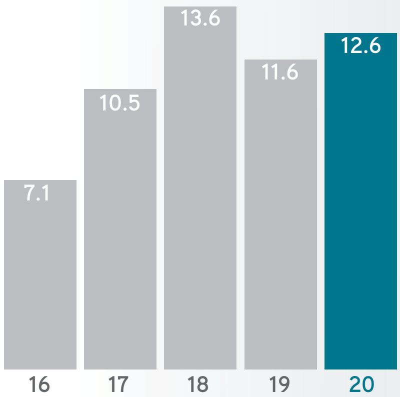
Ounces of gold produced

204.1k ounces



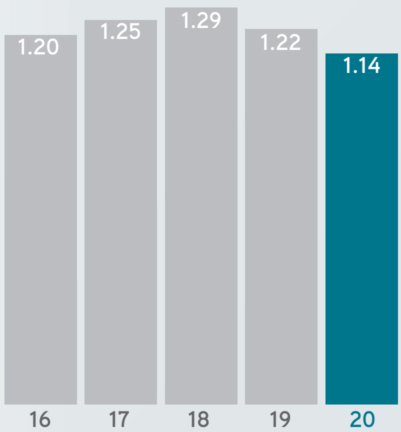
Tonnes of molybdenum produced

12.6k tonnes



Net cash costs[1]

$1.14/lb



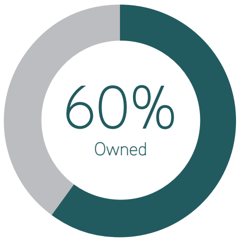
1. Non-IFRS measure, refer to the alternative performance measures section on page 216.


Antofagasta region
Esperanza Port
Antucoya
Mejillones
Centinela
Antofagasta
Zaldívar
Coquimbo region
La Serena
Illapel
Punta Chungo Port
Los Pelambres
Los Vilos
Peru
Bolivia
Pacific Ocean
Antofagasta region
Coquimbo region
Argentina
Santiago
Los Pelambres
Centinela
Antucoya
Zaldívar
Capital city
Cities and town centres
Ports

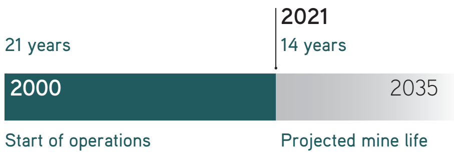
Mining division

Los Pelambres

Los Pelambres is a sulphide deposit in Chile's Coquimbo region, 240 km north of Santiago. It produces copper concentrate (containing gold and silver) and molybdenum concentrate through a milling and flotation process.



Lifecycle of mine



2020 financials

$2,655m +12.3%

Revenues

$1,663m +20.2%

EBITDA

2021 forecast

340-350k

Copper (tonnes)

50-60k

Gold (ounces)

8.0-9.0k

Molybdenum (tonnes)

$1.05/lb

Net cash costs

Net cash costs

$0.81/lb

Copper production

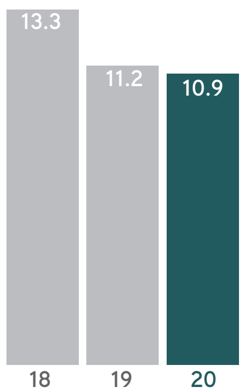
359.6k tonnes

Gold production

60.3k ounces

Molybdenum production

10.9k tonnes



2020 Performance

Operating performance

Los Pelambres had a strong year with copper production at the top end of guidance and costs outperforming guidance despite restrictions due to the pandemic. This confirms its position as a stable and reliable world-class operation.

EBITDA at Los Pelambres was $1,663 million, compared with $1,384 million in 2019, reflecting higher sales volumes and realised prices, combined with lower operating costs.

Production

Copper production for the year decreased by 1.0% to 359,600 tonnes.

Molybdenum production in 2020 was 10,900 tonnes, slightly lower than in 2019 as a result of the lower throughput.

Gold production was 60,300 ounces, 1.0% higher than the previous year.

Cash costs

Cash costs before by-product credits at $1.27/lb were 9.3%, or 13c/lb, lower than in 2019, reflecting strong cost control during the year and the weaker Chilean peso.

Net cash costs for the full year were $0.81/lb, or 11.0% lower than in 2019.

Capital expenditure

As a result of the COVID-19 pandemic the Los Pelambres Expansion project was temporarily suspended from March to August. Work resumed with approximately 75% of the original planned workforce on-site and it is assumed that these manpower levels will continue throughout 2021.

A detailed review of the project schedule and costs, including those associated with the realised and continued restrictions due to COVID-19, and changes to the marine works to enable the future expansion of the desalination plant to 800 l/s was completed. The revised capital cost estimate is $1.7 billion and completion is expected in early H2 2022.

Throughput at the plant will increase from the current capacity of 175,000 tonnes of ore per day to an average of 190,000 tonnes of ore per day and copper production will increase by 60,000 tonnes.

At the end of 2020, the Los Pelambres Expansion project (engineering, procurement and construction) was 45% complete.

Capital expenditure during 2020 was $783 million, including $139 million on mine development and $471 million on development.

Outlook for 2021

The forecast production for 2021 is 340–350,000 tonnes of copper, 8–9,000 tonnes of molybdenum and 50–60,000 ounces of gold.

Cash costs before by-product credits are forecast to be approximately $1.45/lb and net cash costs $1.05/lb as grades decline in 2021.

Los Pelambres will operate mainly with sea water from 2025

After producing copper for more than 20 years, Los Pelambres will invest in works to adapt its operations to the changes that have occurred in the Choapa province as a result of the prolonged drought caused by climate change and the increase in the region's population and productive activity.

A central objective of the investment is to stop using water from the Choapa River and nearby wells, and to use mainly sea water from 2025 onwards by expanding the 400 l/s desalination plant that is currently being built, to 800 l/s.

In addition, Los Pelambres is planning to build a replacement concentrate transportation system with modern control systems, routed away from the most populated areas.

By 2025 approximately 95% of the water consumed at Los Pelambres is expected to be sea or recycled water.

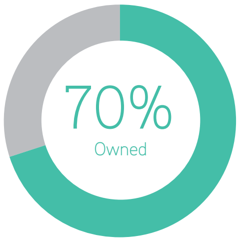
Operating review continued

Mining division

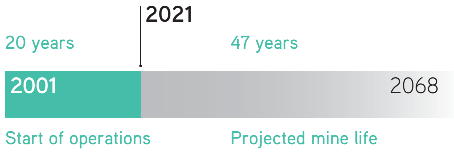
Centinela

Centinela mines sulphide and oxide deposits 1,350km north of Santiago in the Antofagasta region, one of Chile's most important mining areas.

Centinela produces copper concentrate (containing gold and silver) through a milling and flotation process, and molybdenum concentrate. It also produces copper cathodes, using the solvent extraction and electrowinning (SX-EW) process.



Lifecycle of mine



2020 financials

$1,845m -8.1%

Revenues

$912m -5.0%

EBITDA

2021 forecast

270-280k

Copper (tonnes)

190-200k

Gold (ounces)

1.5-2.0k

Molybdenum (tonnes)

$1.15/lb

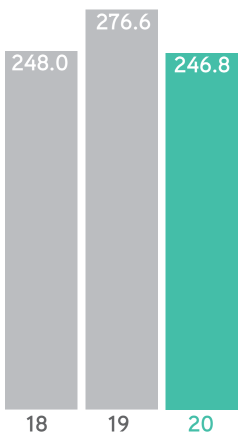
Net cash costs

Net cash costs

$1.27/lb

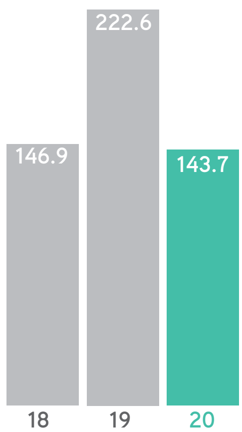
Copper production

246.8k tonnes



Gold production

143.7k ounces



2020 Performance

Operating performance

Centinela had a solid year in 2020 despite expected lower copper and gold grades, as throughput increased at both the concentrate and cathodes lines and cash costs outperformed guidance.

EBITDA at Centinela was $912 million, compared with $960 million in 2019, on lower copper and gold sales volumes, offset by higher realised prices and lower unit costs.

Production

Copper production was 246,800 tonnes, 10.8% lower than in 2019 due to the expected lower grades at Centinela Concentrates, partially offset by the higher production at Centinela Cathodes due to increased plant throughput during the year.

Production of copper in concentrate was 153,500 tonnes, 21.5% lower than in 2019 as copper grades decreased to an average of 0.53%.

Copper cathode production during the year was 93,300 tonnes, 15.0% higher than in 2019, primarily due to higher throughput and grades.

Gold production was 143,700 ounces, 35.4% lower than 2019, due to expected lower grades.

Molybdenum production was 1,700 tonnes on improved grades.

Cash costs

Cash costs before by-product credits in 2020 were $1.85/lb, 1.1% higher than in 2019 as a result of the lower copper production offset by tight cost control, a weaker Chilean peso and lower input costs.

By-product credits were $0.58/lb, $0.01/lb higher than in 2019 as lower gold production was offset by a higher realised gold price.

Net cash costs during the year were $1.27/lb, 0.8% higher than in 2019.

Capital expenditure

Capital expenditure was $442 million, including $198 million on mine development.

Pre-stripping started at the Esperanza Sur pit in the third quarter and is expected to be completed in H1 2022.

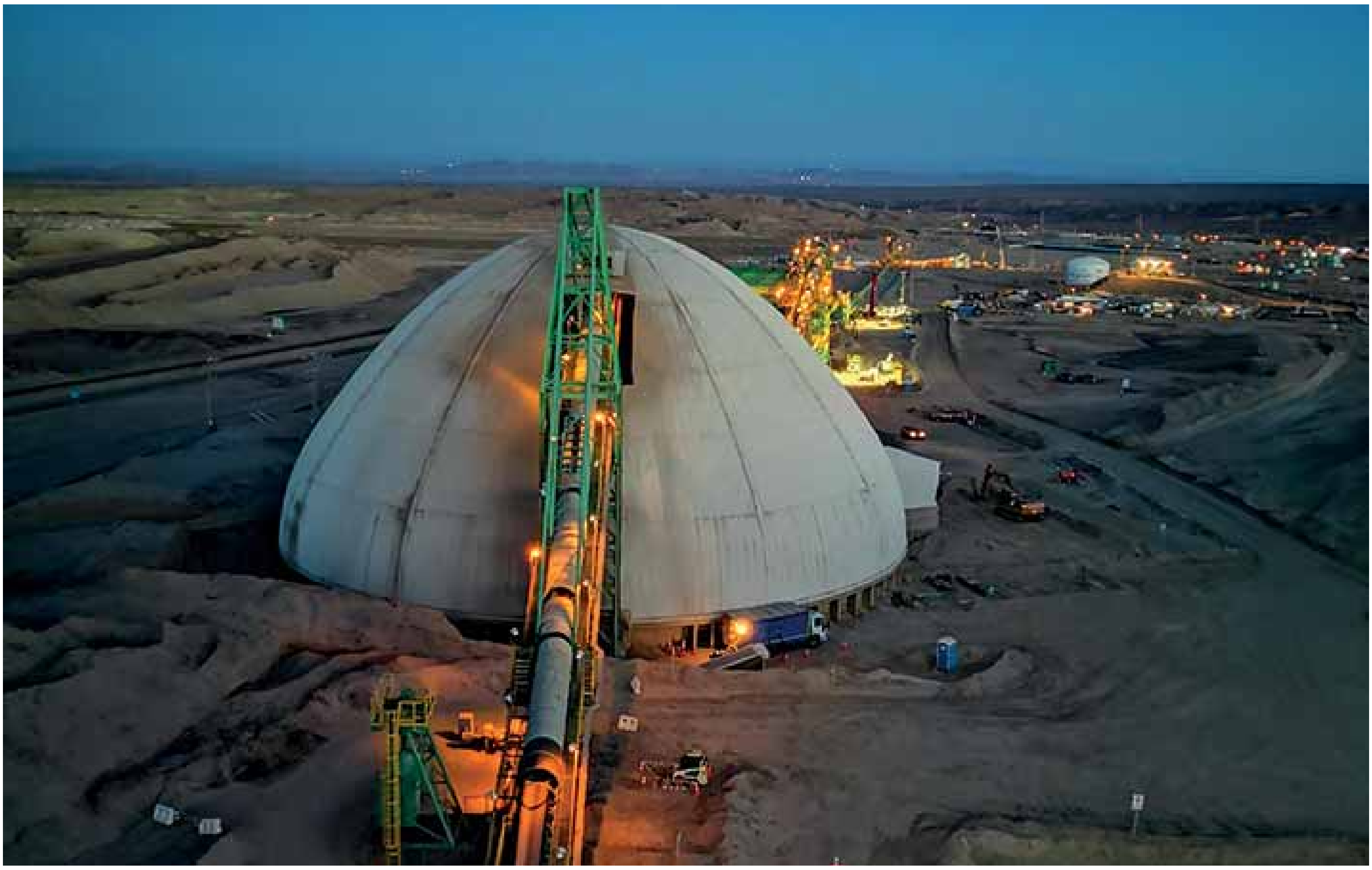
During 2021 and 2022 autonomous trucks will be acquired to continue mining once the contracted stripping has been completed.

Outlook for 2021

Production for 2021 is forecast at 270–280,000 tonnes of copper, 190–200,000 ounces of gold and 1,500–2,000 tonnes of molybdenum.

Copper production should increase compared to 2020 as grades improve at Centinela Concentrates to an expected 0.59%.

Cash costs before by-products are forecast to be approximately $1.75/lb and net cash costs $1.15/lb.

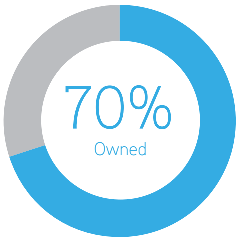


Operating review continued

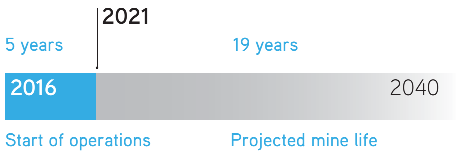
Mining division

Antucoya

Antucoya is approximately 1,400 km north of Santiago and 125 km north-east of the city of Antofagasta. Antucoya mines and leaches oxide ore to produce copper cathodes using the solvent extraction and electrowinning (SX-EW) process.



Lifecycle of mine



2020 Performance

Operating performance

Antucoya improved its operational reliability and consistency during the year with daily ore throughput increasing by 14.3% compared to 2019.

EBITDA was $166 million compared with $86 million in 2019, reflecting higher sales volumes and realised prices, and lower operating costs.

Production

Antucoya produced 79,300 tonnes, 10.3% higher than the previous year on higher throughput, partially offset by lower grades and recoveries.

Cash costs

Cash costs for 2020 were $1.82/lb, 16.1% lower than in 2019 due to tight cost control, higher production, the weaker Chilean peso and lower input prices.

Capital expenditure

Capital expenditure was $42 million, including $19 million on mine development.

Outlook for 2021

Production is forecast to be 75–80,000 tonnes of copper and cash costs are expected to be approximately $1.80/lb.

2020 financials

$480m +11.1%

Revenues

$166m +92.1%

EBITDA

2021 forecast

75-80k

Copper (tonnes)

$1.80/lb

Cash costs

Copper production

79.3k tonnes

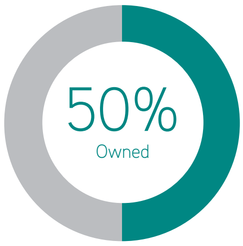
Net cash costs

$1.82/lb

Mining division

Zaldívar

Zaldívar is an open-pit, heap-leach copper mine which produces copper cathodes using the solvent extraction and electrowinning (SX-EW) process. It is located at an elevation of 3,000 metres above sea level, approximately 1,400 km north of Santiago and 175 km south-east of the city of Antofagasta.



Lifecycle of mine

2020 Performance

Operating performance

Zaldívar had a challenging 2020 due to lower recoveries compared to 2019.

Attributable EBITDA was $96 million compared with $113 million in 2019.

Production

Attributable copper production was 48,200 tonnes, mainly due to lower recoveries. Ore throughput and grades were slightly lower than in 2019.

Cash costs

Cash costs were $1.80/lb, 2.9% higher than in 2019, as lower production was offset by the weaker exchange rate and lower input prices.

Capital expenditure

Attributable capital expenditure in 2020 was $74 million, including approximately $18 million of mine development.

Outlook for 2021

Attributable copper production is forecast to be 45–50,000 tonnes at a cash cost of approximately $1.75/lb.

Other matters

An Environmental Impact Assessment (EIA) has been submitted to extend the mine's life to 2031. The application process was delayed during 2020 due to COVID-19 and approval is now expected in early 2022. This EIA includes the extension of the water permit from 2025 to 2031 and remediation.

Zaldívar's final pit phase, which represents approximately 20% of current ore reserves, impacts a portion of Minera Escondida's mine property, as well as infrastructure owned by third parties (road, railway, powerline and pipelines). Mining of the final pit phase is subject to agreements or easements to access these areas and relocate this infrastructure.

2020 financials

$96m -15.2%

EBITDA

2021 forecast

45-50k

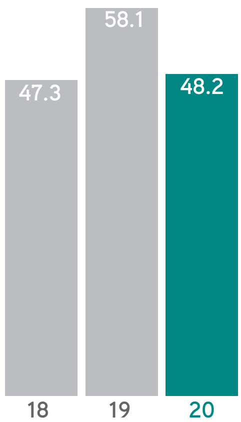
Copper (tonnes)

$1.75/lb

Cash costs

Copper production

48.2k tonnes



Net cash costs

$1.80/lb

Transport division

Transport division
Our Transport division is known as Ferrocarril de Antofagasta a Bolivia (FCAB) and provides rail and truck services to the mining industry in the Antofagasta region, including our own mining operations.

2020 financials

$149m -6.9%

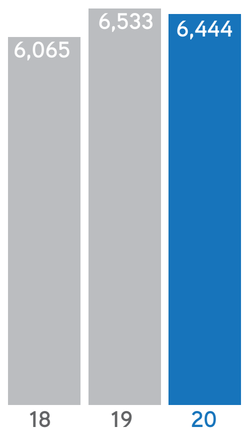
Revenue

$61m -24.5%

EBITDA

2020 Tonnage transported

6,444k tonnes



Customer map

- Road route
- Rail route
- FCAB customers

2020 Performance

The Transport division continued to improve its operating activity through the implementation of its Management Model, which is based on five key pillars: operating continuity, growth, urban development, transformation and community affairs. In 2020, the division optimised its organisational structure and focused on operational continuity, with an in-depth review of the processes and procedures used in the operations and maintenance areas.

Tonnage transported in 2020 was 1.4% lower than in the previous year as a result of the impact of COVID-19 on some of the division's customers, which affected their production levels and, to a lesser extent, adverse weather conditions.

During 2020 the division completed the investment and preparatory work for a significant new transport service contract for a mining client which will start in early 2021.

The truck transport business was awarded a new contract during 2020 to transport products for the lithium industry.

Operating performance

The division's EBITDA was $61 million, 24.5% lower than in 2019, reflecting the lower revenue and decreased EBITDA from associates and joint ventures, partly offset by the lower operating costs.

Costs and operating efficiency

Management is focused on optimising the division's business processes to ensure its long-term competitiveness. The Group's Cost and Competitiveness Programme (CCP) continued to be applied at the division during 2020 to improve its cost structure, revenue stream and operating standards.

Sustainability

The maturity of the safety processes applied at the division continued to show improvement, with the division recording its fourth year with no fatalities and the LTIFR (Lost Time Injury Frequency Rate) falling by 41% to 2.37, a record for the division.

In the occupational health area, the operation successfully managed the challenge of managing the impact of COVID-19 with minimal disruptions to its operations.

Also, in line with the Group's Diversity and Inclusion Policy, the number of women and people with disabilities in the division increased to 13% and 1% of the total workforce respectively.

Outlook

Over the next few years the division will transport an increasing quantity of bulk materials and is currently commissioning a project to further increase transport volumes, particularly of copper concentrates.

The division continues advancing its plans to convert land it owns in the centre of the city of Antofagasta from industrial to urban use. This has involved extensive consultion with communities, neighbours and other stakeholders, and approval of the project's Environmental Impact Assessment is expected in the first half of 2021.

Growth projects and opportunities

Our approach to considered growth means we focus on value, which includes controlling capital costs and optimising production at our existing operations and the development of new mining operations to deliver replacement and new production in the future. We achieve this through careful project management and constant monitoring of the efficiency of our mines, plants and transport infrastructure.

Development of our growth projects at Los Pelambres, Centinela and Zaldívar was impacted by COVID-19 during the year. Work at the Los Pelambres Expansion project was already under way when the pandemic reached Chile and the decision was made to temporarily suspend part of the project to reduce health risks. The start of work on the Esperanza Sur pit and the Zaldívar Chloride Leach projects was delayed for the same reason.

After the initial impact caused by COVID-19, work on all three projects started in the third quarter, but with workforces approximately 65% of the originally planned size. All projects are proceeding with fully integrated COVID-19 health protocols in place and these are expected to continue until the end of 2021.

With the impact of the initial delay and the revised execution schedules that incorporate the COVID-19 health protocols, the projects are now all expected to be completed in 2022.

Los Pelambres Expansion

This expansion project is divided into two phases.

Phase 1

This phase is designed to optimise throughput within the limits of the existing operating, environmental and water extraction permits.

During 2020 the decision was made to change the scope of the project and double the planned capacity of the desalination plant that is part of Phase 1 of the project, from 400 litres per second to 800 litres per second. The amount of work that can be done on the expansion of the desalination plant during Phase 1 is limited by what is allowed under the permits that have already been issued.

Following the change of scope and the delays due to COVID-19 the project reached 45% overall project completion by the end of the year and is now expected to be completed in the second half of 2022.

As mining progresses at Los Pelambres ore hardness will increase. The expansion is designed to compensate for this, increasing plant throughput from the current capacity of 175,000 tonnes of ore per day to an average of 190,000 tonnes of ore per day. The plant expansion includes not only the desalination plant and pumping infrastructure, but also an additional SAG mill, ball mill and six additional cells in the flotation circuit.

Annual copper production will be increased by an average of 60,000 tonnes per year over 15 years, starting at approximately 40,000 tonnes per year for the first four to five years and 70,000 tonnes for the rest of the period as the hardness of the ore increases and the benefit of the higher milling capacity is fully realised.

The 400 litres per second desalination plant includes a 62 km pipeline from the coast to the Mauro tailings storage facility, where it will connect with the existing recycling circuit that returns water to the Los Pelambres concentrator plant.

To complete the expansion of the desalination plant to 800 litres per second additional permits will be required, but some preparatory work will be carried out as part of Phase 1 of the Los Pelambres Expansion project. The planned investment to enable the future expansion will be limited to what is allowed under the existing permits and includes changes to the marine works associated with the inlet and outlet pipes, expanding the plant footprint and changes in the piping, cabling and civil works.

The capital cost of the project was revised to $1.7 billion during the year to include the direct costs related to COVID-19 and the delay caused by it, and the investment in enabling the future expansion of the desalination plant.

Phase 1

+60,000 tonnes

annual copper production

+400 litres

per second

Phase 2 – Future expansion

Following the decision in 2020 to increase the size of the desalination plant, Phase 2 of the expansion requires two separate EIA applications:

Desalination plant expansion

This project is to protect Los Pelambres from the future impact of climate change and the deteriorating availability of water in the region.

The additional works required, beyond those being completed as part of Phase 1, include the expansion of the desalination plant and the construction of a new water pipeline from the Mauro tailings storage facility to the concentrator plant. This project requires a new EIA application which will be submitted in the first half of 2021 following the completion of a community consultation process earlier in the year. The EIA also includes the desalination plant expansion and two sustaining capital infrastructure projects, the replacement of the concentrate pipeline, which is approaching the end of its useful life, and the construction of certain planned enclosures at the Mauro tailings storage facility. The EIA is expected to be approved in approximately two years with the project being completed by 2025 when the desalination plant will be able to supply Los Pelambres with over 95% of its water needs.

Mine life extension

The current mine life of Los Pelambres is 14 years and is limited by the capacity of the Mauro tailings storage facility. The scope of the second EIA will include increasing the capacity of the tailings storage facility and the mine waste dumps. This will extend the mine's life by a minimum of 15 years, accessing a larger portion of Los Pelambres's six billion tonne mineral resources. The EIA will also include the option to increase throughput to 205,000 tonnes of ore per day, increasing copper production by 35,000 tonnes per year.

Critical studies on tailings and waste storage capacity have been completed and are now progressing towards the feasibility study stage. The study will also include repowering the conveyor that runs from the primary crusher in the pit to the concentrator plant to support the additional throughput.

The capital expenditure to extend the mine life was estimated in a pre-feasibility study in 2014 at approximately $500 million, with most of the expenditure on mining equipment and increasing the capacity of the concentrator and the Mauro tailings facility. Community consultation is in its early stages and the EIA application is expected to be submitted to the authorities during 2022.

Phase 2

+15 years

Life-of-Mine extension

+35,000 tonnes

annual copper production

+400 litres

per second

Operating review continued

Centinela Second Concentrator
We are currently evaluating the construction of a second concentrator and tailings deposit some 7 km from the existing concentrator in two phases. Phase 1 would have an ore throughput capacity of approximately 90,000 tonnes per day, producing copper, and gold and molybdenum as by-products, with an annual production of approximately 180,000 tonnes of copper equivalent. Once Phase 1 has been completed and is operating successfully, a further expansion is possible and would involve increasing the capacity of the concentrator to 150,000 tonnes of ore per day with annual production increasing to 250,000 tonnes of copper equivalent, maximising the potential of Centinela's large resource base.

Ore for the second concentrator would be sourced initially from the Esperanza Sur deposit and later from Encuentro Sulphides. The latter lies under the Encuentro Oxides reserves, which are expected to be depleted by 2026.

The EIA for both phases of the project was approved in 2016 and the initial feasibility study for Phase 1 was completed during 2020 with further detailed and supplier engineering progressing during 2021 ahead of an expected decision by the Board in H1 2022. The capital cost estimated in the 2015 pre-feasibility study for Phase 1 was $2.7 billion, which included capitalised stripping, mining equipment, a concentrator plant, a new tailings storage facility, a water pipeline and other infrastructure, plus the owner's and other costs.

In late 2020 a tender process was started to invite third parties to provide water for Centinela's current operations, by acquiring the existing water supply system, and building the new water pipeline. It is expected this process will be completed during 2021.

Esperanza Sur pit
The Board has approved a pre-stripping contract to open the Esperanza Sur pit at Centinela. Esperanza Sur is 4 km south of the Esperanza pit and is close to Centinela's concentrator plant. The deposit contains 1.4 billion tonnes of reserves with a grade of 0.4% copper, 0.13 g/t of gold and 0.012% of molybdenum.

Stripping was expected to start in early 2020 but was rescheduled in response to COVID-19 to the third quarter, and is now expected to be completed in the first half of 2022 at an unchanged capital cost of $175 million. The stripping cost is being capitalised and is being carried out by a contractor. Once it is completed, autonomous trucks operated by Centinela will be used to mine the deposit.

Opening the Esperanza Sur pit will improve Centinela's flexibility to supply its concentrator and, over the initial years, the higher-grade material from the pit will increase production by some 10–15,000 tonnes of copper per year, compared to how much would be produced if material was solely supplied from the Esperanza pit. This greater flexibility will allow Centinela to smooth and optimise its year-on-year production profile, which has in the past been variable.

Zaldívar Chloride Leach
The start of the project was rescheduled in response to COVID-19 to the third quarter of 2020 and completion is now expected to be in the first half of 2022.

The project is expected to increase copper recoveries by approximately 10 percentage points with further upside in recoveries possible, depending on the type of ore being processed. This will increase copper production at Zaldívar by approximately 10–15,000 tonnes per annum over the remaining life of the mine.

The project requires an upgrade of the Solvent Extraction (SX) plant, new reagents facilities and the construction of additional washing ponds for controlling the chlorine levels, at an estimated capital cost of $190 million.

As the Group equity accounts for its interest in Zaldívar, capital expenditure at the operation is not included in Group total capital expenditure amounts.

Twin Metals Minnesota
In late 2019, Twin Metals Minnesota presented its Mine Plan of Operations (MPO) to the US Bureau of Land Management (BLM) and a Scoping Environmental Assessment Worksheet Data Submittal was also issued to the Minnesota Department of Natural Resources. These submissions start a multi-year scoping and environmental review process that will thoroughly evaluate the proposed project.

In June 2020, the BLM issued its Notice of Intent (NOI) to begin its environmental review, a process that is likely to take several years. The review process will include additional baseline data collection, impact analyses and multiple opportunities for public input. Permitting for the project will follow the environmental review.

Twin Metals Minnesota is a wholly owned copper, nickel and platinum group metals (PGM) underground mining project, which holds the Maturi, Maturi Southwest, Birch Lake and Spruce Road copper, nickel, cobalt-PGM deposits in north-eastern Minnesota, US. The MPO design is based on mining and processing 18,000 tonnes of ore per day for 25 years. The concentrator will produce three saleable concentrates – copper, nickel and cobalt/PGM.

Reko Diq project
In July 2019 the World Bank Group's International Centre for Settlement of Investment Disputes (ICSID) awarded $5.84 billion in damages (compensation and accumulated interest as at the date of the award) to Tethyan Copper Company Pty Limited (Tethyan), a joint venture held equally by the Company and Barrick Gold Corporation, in relation to an arbitration claim filed against the Islamic Republic of Pakistan (Pakistan) following the unlawful denial of a mining lease for the Reko Diq project in Pakistan in 2011.

In 2019, Pakistan requested that ICSID annul the award, and this triggered a provisional stay of enforcement of the award under the ICSID Convention. In March 2020, ICSID appointed a committee to consider Pakistan's request for annulment and whether the provisional stay of enforcement should continue for the duration of the annulment proceedings. The committee issued a decision in October partially terminating the stay of enforcement, permitting Tethyan to enforce 50% of the award plus accrued interest on the condition that any amounts collected through enforcement of the award must be put into escrow and returned if the award is annulled. Tethyan has resumed proceedings to enforce the award in accordance with the conditions set by the annulment committee.

The committee is expected to issue a decision on Pakistan's annulment application within the next one to two years.

The proceeds of the award will only be recognised in Antofagasta's financial statements once they are received by the Company.

Exploration activities

The exploration team has continued to conduct its activities at a reduced level in Chile and elsewhere in the Americas as it has adapted to the restrictions required under new COVID-19 protocols introduced during the year.

Exploration both in Chile and internationally remains key to the sustainable long-term growth of the Group´s copper business. In 2020, all our exploration activities were conducted in accordance with the new COVID-19 protocols, which restricted activity is some areas. The Group continued with its programme of early- and intermediate-stage projects, managed in South America by its team based in Santiago, and in North America by its team based in Toronto. In-house teams carried out these programmes, maintaining a well-balanced portfolio of exploration properties in Chile and Peru and looking for opportunities to work with third parties in the rest of the Americas, with the aim of building a portfolio of high-quality long-term copper projects.

The Group's exploration and evaluation expenditure in 2020, including expenditure on pre-feasibility studies, dropped by 23% to $85 million compared with 2019, following a reduction in expenditure triggered by the rapid weakening of the copper market in the first half of the year and restrictions on travel and other activities required under the new COVID-19 protocols.

Chile

The Group's exploration programmes are in the copper belts of northern-central Chile, particularly in areas with high prospectivity for porphyry copper, as well as manto and IOCG (Iron Ore Copper Gold)-type deposits. During 2020 the early-stage programmes completed more than 40,000 metres of drilling, some 50% less than in 2019.

Drilling evaluation was reduced at several of the brownfield projects in the Centinela Mining District with the focus continuing to be on identifying new high-quality oxide leach targets. As a result of the COVID-19 restrictions, more desktop evaluations were carried out than in 2019 in order to generate new land acquisition opportunities either by submitting exploration licence applications or by entering into agreements with third parties.

International

International exploration efforts remain concentrated on the key copper belts of North and South America, with a strong focus on Peru and western North America, which were also affected by COVID-19 restrictions.

Key inputs and cost base

Our mining operations depend on many inputs, ranging from energy and water to labour and fuel, the most important of which are reviewed below.

Contractor services, maintenance and spare parts account for 45% of the Mining division's total production costs, and energy and labour are the largest direct costs, accounting for 12% and 14% respectively. As concentrate producers, Los Pelambres and Centinela require reagents and grinding media. As cathode producers using the SX-EW process, Centinela, Antucoya and Zaldívar require sulphuric acid. The availability, cost and reliability of these inputs are central to our cost management strategy, which focuses on cost control and security of supply.

Energy

Our operations are on the country's main grid, the National Electrical System (SEN) and each of our operations sources power under medium- and long-term contracts called Power Purchase Agreements (PPAs).

In recent years, renewable technologies have significantly reduced in cost and many new renewable power plants are being built, mainly in the north of Chile. At the end of 2020, 50% of the SEN's installed capacity was generated from renewable sources and this will increase over the coming years. We are benefiting from these changes and in 2022 all of our mining operations will be using power from renewable sources. As at the end of 2020, 19% of the Mining division's power was from renewable sources.

In 2020, Centinela renegotiated its supply contract and will be 100% renewable from 2022, as will Antucoya. Zaldívar started operating on 100% renewable power in July 2020.

In addition, Los Pelambres increased its use of renewable power in 2020, and during 2022 it should start being supplied entirely from renewable sources.

Using energy only from renewable sources reduces both our carbon footprint and our power costs, as in Chile renewable power costs substantially less than power from conventional sources. As electricity makes up 12% of our production costs, this is having a significant impact on our total costs.

In addition to reducing the cost of our electricity, we are improving our energy consumption efficiency. We have an Energy Management System based on international standard ISO 50.001 to manage energy efficiency at our mining operations, from the design stage to the construction of mining and infrastructure projects.

During 2020, we implemented improvements that reduced our energy consumption by approximately 148 GWh and more than 1.9 million litres of diesel, equivalent to emissions of 61,000 tonnes of CO_2 and a significant step towards achieving our target of reducing emissions by 300,000 tonnes by 2022.

Water

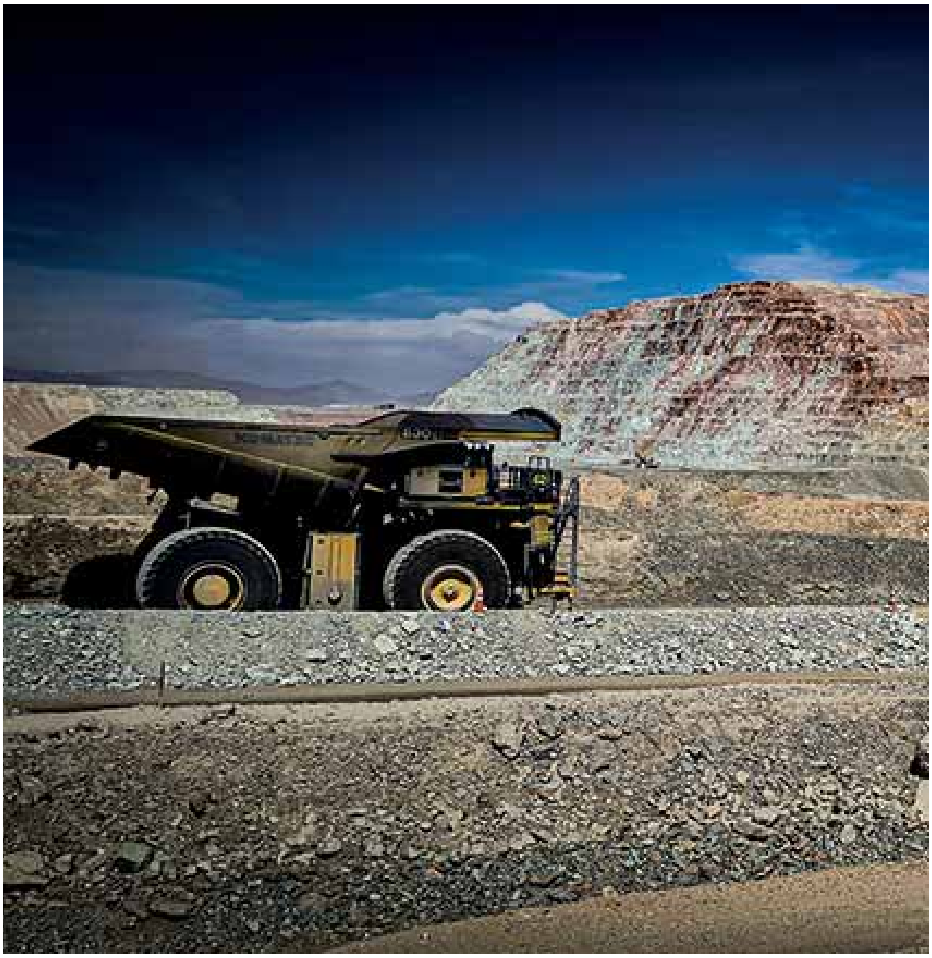
Water is a strategic input for all our mining operations. At Los Pelambres and Zaldívar water is supplied from continental sources while Centinela and Antucoya use sea water.

In 2020, sea water accounted for 43% of total Group water use and our efficiency metric (reuse and recycling, as defined by the ICMM) ranges from 79% to 97%, depending on the characteristics of each operation.

Los Pelambres recycles approximately 85% of its water and the Los Pelambres Expansion project includes a desalination plant and pipeline to supply 400 l/s of sea water to the operation.

In September 2020, the operation announced that the desalination plant's capacity would double to 800 l/s by 2025, when Los Pelambres would stop using continental water from the Choapa River. In this way, desalinated, recirculated and mine (from the open pit) water would represent around 96% of its total consumption.

Centinela is a pioneer in efficient water management, becoming the world's first large-scale mining operation to use raw



sea water and thickened tailings, which allow more water to be recycled than conventional thickening technology.

Antucoya also uses only raw sea water, as will the Centinela second concentrator project when it is built.

Zaldívar has submitted an Environmental Impact Assessment for an extension of its mine life to 2031 and this includes an application to extend the mine's water extraction permit from 2025, when it currently expires. The approval of the EIA has been delayed by the pandemic and we now expect approval by the end of 2021 or early 2022.

We report our water consumption according to the ICMM's Minimum Disclosure Standard and the Carbon Disclosure Project's (CDP) water programme methodologies.

Labour

Antofagasta's total workforce during 2020 was approximately 23,200 employees and contractors. Accessing a diverse and talented workforce is key to our success.

Labour agreements are in place with each of the 11 unions at our mining operations and generally last for a period of three years, when they are renegotiated. However, we maintain good working relationships with our employees and unions throughout the contract periods, so that issues are not left for discussion only during formal negotiations. During 2020, negotiations were successfully concluded with the workers' unions at Zaldívar, Centinela and the Transport division.

Contractors account for approximately 71% of our workforce and contractor companies are responsible for labour negotiations with their own employees. We maintain strong relations with all contractors to ensure operating continuity and require all contractors to adhere to the same key standards as we maintain for our own employees, particularly in the areas of safety and health.

Service contracts and key supplies

Negotiation of the main commercial contracts, such as mining equipment, fuels, lubricants, critical spares, tyres, reagents, grinding balls, explosives, and mine maintenance are managed centrally to generate synergies and economies of scale. This allows us to obtain significant savings and implement new controls that improve performance, resulting in greater competitiveness and productivity by our contractor companies.

We have implemented a challenging optimisation programme at corporate and operations level to improve the administration, control and risk management of our service contracts. We have also standardised our way of working, improved the procurement team's technical knowledge and developed a long-term strategy.

With the global disruption of the supply chain caused by COVID-19, we implemented contingency plans to maintain the quality and timely delivery of spare parts and materials, ensuring operational continuity and cost containment.

Depending on the strategic position of the supplier, we use a range of approaches, from pure price competition with e-auctions to long-term Group-wide agreements with mechanisms and incentives that provide benefits for both parties.

As part of the Group's Digital Transformation Programme to capture value creation opportunities by integrating new technologies into our business, the procurement area implemented a purchasing assistant robot to help some stages of the purchase process. Approximately 93% of the Group's material stock purchases were done through this automatic process.

In total we have some 3,250 suppliers of goods and services, of which 93% are based in Chile.

Fuel and lubricants

Fuel and lubricants represent approximately 5% of production costs and are used mainly by trucks for ore and waste haulage. Improving fuel efficiency is a priority, with the amount of fuel consumed per tonne of material mined being a key measure. Variations in the oil price affect not only the fuel price but also the spot price of energy, shipping rates for supplies and products, and the cost of items such as tyres and conveyor belts, which contain oil-based products. The oil price declined by approximately 14% during 2020.

Sulphuric acid

Sulphuric acid is one of the main inputs for the SX/EW leaching process to produce cathodes and accounts for approximately 4% of the Group's production costs. Centinela, Antucoya and Zaldívar use approximately 1.5 million tonnes of sulphuric acid per year, mainly contracted under one-year contracts to secure supply and prices.

During the first half of 2020, acid imports into Chile were down 30% from the previous year while local smelters ran at normal rates compared with 2019, when several were shut down for environmental upgrades. Also, acid demand from the fertiliser industry fell during the first half of the year because of the COVID-19 pandemic, while acid production was less severely impacted. These factors, combined with logistical constraints, pushed prices to a decade low. However, the market recovered in the second half of the year, closing at about $75 per tonne in Chile, slightly higher than agreed for the Group's 2020 and 2021 annual contracts.

Exchange rate

The Chilean peso/US dollar exchange rate correlates to the copper price, as copper exports generate some 50% of Chile's foreign exchange earnings. This provides a natural hedge for the Company as approximately 35–40% of our operating costs are in Chilean pesos. During 2020 the Chilean peso strengthened by 4%, from Ch$745/$1 at the beginning of the year to Ch$711/$1 at the end.

Operating excellence and innovation

Excellence, forward thinking and innovation are three of our core values and are central to how we achieve our production targets at competitive costs in a safe environment. We do this through three initiatives, which have different timescales and overlap. These are the promotion of operating excellence, the implementation of our Cost and Competitiveness Programme and the development of innovative solutions and ideas.

23%

through productivity improvements

77%

through more efficient contract and input negotiations, consumption rates and better use of maintenance resources

$197m

of savings achieved in 2020

Operating excellence

During 2020, we updated the Group Operational Excellence strategy, establishing a plan for the next two years to strengthen our culture of excellence by focusing on standard processes and value capture. We also implemented a process to strengthen the exchange of good practices and innovative solutions among our mining operations to capture synergies and lessons learned, and foster continuous improvement. As a key enabler towards achieving operating excellence we introduced LEAN continuous improvement during the year as an additional tool to improve our operating processes and productivity.

Cost and Competitiveness Programme

The Cost and Competitiveness Programme (CCP) was introduced in 2014 to reduce our cost base and improve our competitiveness within the industry. Six years later, the CCP's scope has evolved to reflect the greater maturity level that has been achieved over this period.

During 2020, we have achieved savings of $197 million, equivalent to $11c/lb for the year.

The target for 2021 is a further $100 million of savings, mainly as a result of productivity improvements achieved through applying our operating excellence methodology.

The programme focuses on five areas to deliver sustainable cost reductions and productivity increases:

Streamlining goods and services procurement:
- Improving the efficiency and quality of purchase contracts while reducing costs
- Centralising procurement to create synergies for the operating companies

Operating efficiency and asset reliability:
- Maximising plant and equipment availability and minimising variability through continuous improvement
- Ensuring the reliability and performance of assets through planned, proactive and predictive maintenance

Energy efficiency:
- Optimising energy efficiency and lowering energy contract prices

Corporate and organisational effectiveness:
- Restructuring the Group's organisational framework to increase efficiency and reduce costs

Working capital, capital expenditure and services efficiency:
- Optimising inventory levels, capital expenditure and services costs

Innovation

Innovation is critical to our strategy of creating long-term value and is a key enabler for safer and sustainable mining development, and our long-term competitiveness and growth. Our innovation strategy is characterised by a focused, collaborative and multi-dimensional approach driven by value creation. We seek to promote a culture that fosters innovation, develops skills and enables transformation.

Strategic objectives
Our innovation model considers developing or adopting new solutions to improve or transform our current operational practices to solve our main strategic challenges and build our future.

Our strategic objectives are to develop or implement effective solutions to the main operational challenges that limit our operations' ability to reach their full potential (operational innovation). We are also embedding our digital roadmap to significantly improve our operations' safety and productivity, and are investigating the use of new technologies to address our main strategic challenges (transformational innovation).

At the heart of our innovation strategy is, firstly, to fully understand our challenges and then to rethink how we sustainably resolve them.

Operational innovation
We are sharing our main operational challenges through an open platform, called Innovaminerals, to capture ideas from inside and outside the Group to resolve our challenges.

We also have a system called PITCH through which suppliers can submit proposals to solve the challenges we have presented. During 2020 we conducted 17 PITCH days which generated 13 active projects for co-development, four of which were implemented during 2020. These included integrating data to improve drill and blast management, improving plant ore feed characterisation, scanning the SAG mills while they are operating and applying robotics to clean the conveyor belts area.

Our portfolio of projects includes both technical and non-technical initiatives across the entire value chain and also reinforces critical safety controls and environmental protection measures.

Transformational innovation
Current transformational strategic initiatives include reducing the volume and improving the monitoring of tailings, transporting large volumes of material over long distances and developing a primary sulphide leach process. The primary leach process, in particular, is generating encouraging results and we will scale it up to an industrial-sized test during 2021.

Additionally, we continue with the implementation of our digital roadmap programmes. These include:

- The construction of an Integrated Remote Operations Centre (IROC) in the city of Antofagasta for Centinela, where a visualisation room was already commissioned
- The introduction of autonomous trucks at Centinela's new Esperanza Sur pit
- The use of autonomous production drill rigs at Los Pelambres, with significant improvements in productivity
- Developing advanced data analytics to better understand and predict the performance of our operations. This includes strengthening our team of specialists and validating a governance framework for data management
- Continuing with the digital transformation, which started at the end of 2019, to simplify and streamline our support functions
- Evaluating the use of robotic arms to fully automate the replacement of SAG mill liners at Los Pelambres
- COVID-19 has accelerated our transition to remote operations, building on the technology platform introduced during the previous two years

Key to the success of creating value from the implementation of our digital roadmap is the careful management of the changes that each of these projects requires to be effectively adopted. To build up the necessary skills and to support our people through our digital transformation, we have set up a Digital Academy which provides on-line training support for our employees on digital literacy and the basics of data analytics. Some 1,500 supervisors trained using this programme during the year.

Case study at Los Pelambres: Rock falls prediction to improve safety
Los Pelambres developed a predictive model using artificial intelligence to analyse data from the mine in-pit radar that improves the prediction of rock falls caused by ground failure at the bench level from 42% to 89%.

Case study at Los Pelambres: Autonomous drills
The two diesel production drill rigs retrofitted at Los Pelambres at the end of 2019 were successfully operated autonomously from a control room over a mile away and drilled nearly 160,000 metres during the year. This programme will now be extended to the electric drill rigs.

Case study at Centinela: Oversized ore management at Encuentro Oxides plant
During 2020 Centinela ran a project to better manage the oversized ore at the Encuentro Oxides crushing plant to reduce damage to the plant and unplanned shutdowns. This initiative improved the plant's run time by 12%.

Case study: Cuprochlor-T® leaching technology for primary sulphides
During 2020 we continued with our large-scale pilot programme to validate our in-house patent-protected chemical primary sulphides leaching technology (Cuprochlor-T®), with very encouraging results, achieving consistently competitive recoveries on high content chalcopyrite sulphide minerals from Centinela.

Digital Transformation Programme
During 2019, a special team was assembled to implement a digital transformation programme to capture opportunities for value creation through the integration of new technologies into our business.

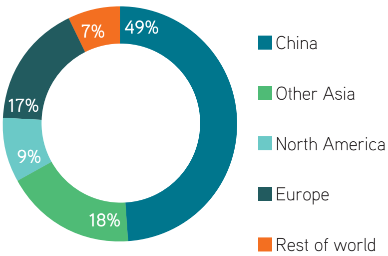
By the end of 2020, 20 projects had moved into production, including several on robotic process automation (RPA), projects to improve efficiency in the procurement, treasury and accounting processes, projects to digitally manage expense claims and create maintenance work orders, a chatbot to support the help desk on IT matters, and projects to improve data-driven decision-making through better reports and analytics.

The copper market: supplying metals for a better future

As the world becomes ever more environmentally aware, demand for copper increases. We are responding by continuing to supply the copper needed for a more sustainable world in a sustainable way.

In November, Centinela and Zaldívar signed letters of commitment to The Copper Mark, the copper industry's new responsible production framework assessed by independent assurance experts, and they will be followed by Los Pelambres and Antucoya.

Copper consumption by region in 2020



Source: Wood Mackenzie, Copper Outlook December 2020

Refined copper

2020 was an unusual year for the copper market. At the beginning of the year the copper price was $2.74/lb and fundamentals were supportive at this level. However, by March, as it became clear that the outbreak of COVID-19 in China in late 2019 was escalating into a pandemic impacting the world economy, the copper price fell to $2.09/lb. From this low point, China's progress in controlling the disease and returning to normality stimulated demand for refined copper, elevating prices by the end of July to $2.90/lb. In the second half of the year, continued progress in key markets to control the spread of the pandemic and support economic recovery, together with encouraging progress on vaccine development, further strengthened demand so that the copper price ended the year at just over $3.50/lb.

The pandemic not only impacted demand during the year, it also affected copper supply with some mining operations temporarily suspended or operating at lower levels of activity. This meant that for the full year there was a relatively small surplus. In addition, visible copper stocks reduced for a second year, this time by approximately 40,000 tonnes to historically low levels, while stocks in Chinese bonded warehouses were estimated to have increased by 120,000 tonnes, reflecting the increased demand for refined copper in China.

Over the year the LME copper price averaged $2.80/lb, 3% higher than in 2019.

Market outlook

In early 2021, sentiment in the copper market remained positive despite a second wave of the pandemic in many countries, as markets took encouragement from the successful development of several vaccines and their accelerating rollout. Demand is expected to recover the volumes lost in 2020, and to grow further. There is, however, some uncertainty about stimulus packages in China continuing as strongly as in 2020, but the economic recovery expected in the USA, Europe and elsewhere in the world, supported by fiscal stimulus packages will positively impact sectors that use copper. In particular, growth is expected from infrastructure investment and the growth of the electric vehicles and renewable energies sectors. Additionally, constraints on the scrap trade due to restrictions in the Chinese market and supply chain disruptions are also expected to contribute to increased demand for refined copper.

On the supply side, while production is expected to grow as several projects are completed, the risk of impact from COVID-19 remains, including the consequences of past and ongoing reductions in maintenance activity, sustaining capital expenditure and waste rock stripping.

Overall, the copper market in 2021 is expected to be in deficit before remaining tightly balanced for the following years as several large projects are completed.

Copper concentrate

Some 70% of our copper production is in the form of copper concentrates, so the dynamics of the concentrate market are important and affect the level of treatment and refining charges ("TC/RCs") we pay. These charges account for some 9% of our cash costs before by-product credits.

Most of the new copper production in the world is in the form of concentrates and these volumes are largely being absorbed by new smelter capacity in China. In 2020 the copper concentrate market was in deficit and spot TC/RCs were significantly lower than the annual contract TC/RCs negotiated towards the end of 2019. Spot TC/RCs fell sharply during the year, reaching about $35 per dry tonne of concentrate and 3.5c/lb of refined copper by the end of 2020.

Annual contract industry TC/RCs for 2021 were set in the fourth quarter of 2020 at $59.5 per dry tonne of concentrate and 5.95c/lb of refined copper, a reduction of 4% on 2020's annual terms.

The concentrates market is expected to remain tight during 2021 with TC/RCs remaining at low levels as custom smelter demand continues to be greater than mine supply.

Gold

During 2020 the gold price increased by about 27%, peaking at $2,065/oz during the third quarter. Demand for gold increased as people sought financial protection from the uncertainties created by COVID-19.

The market price of gold averaged $1,770/oz in 2020, compared with $1,393/oz in 2019, and closed the year at $1,891/oz. If global economic uncertainty continues in 2021, the gold price is expected to remain strong.

Molybdenum

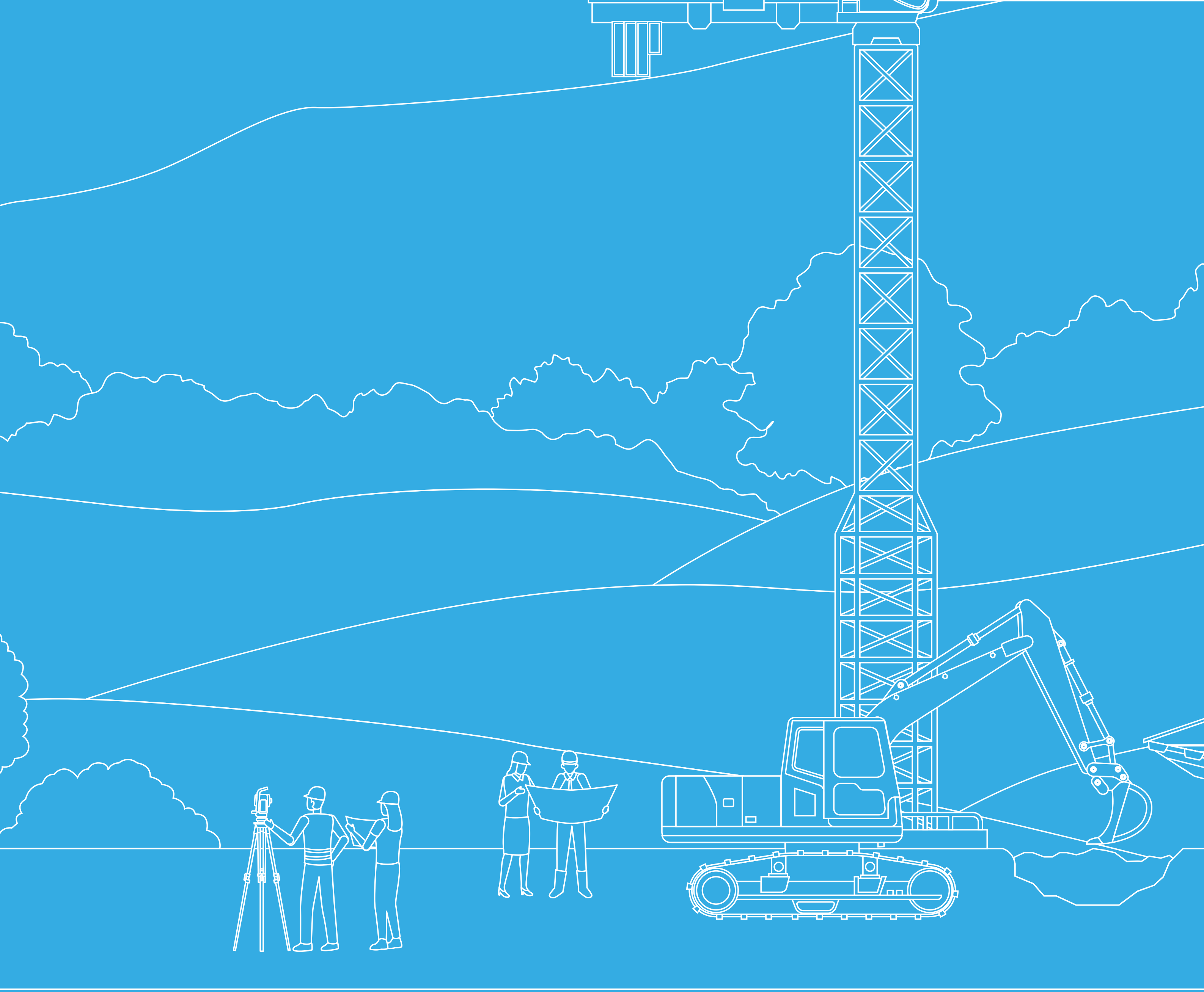
Until mid-2020 the molybdenum price performed weakly due to COVID-19, averaging $8.4/lb in the second quarter, having started the year at $9.2/lb. In the second half of the year the market strengthened, closing the year at $10/lb.

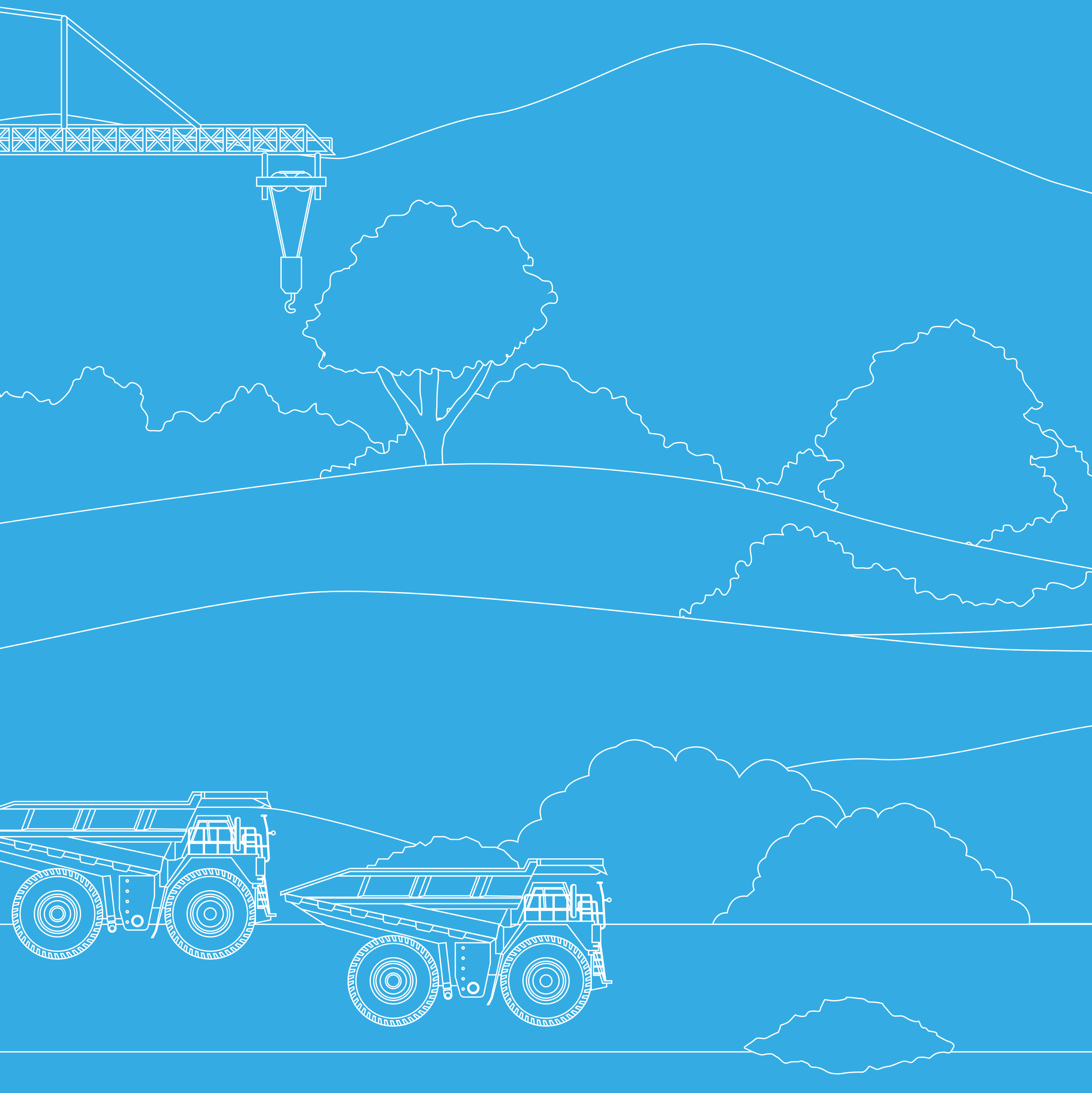
Molybdenum is used mainly for making specialist steel alloys and demand is linked to steel production, particularly its use in the oil and gas industry. Production is mainly as a by-product of copper mining operations.

The market price averaged $8.7/lb for the year compared with $11.4/lb in 2019 and the consensus price for 2021, at the beginning of the year, was between $9.0/lb and $11.0/lb.

Financial review

The Group maintains a strong financial position, to underpin its returns to shareholders and its investment in its future growth.





Financial review

Increased earnings in challenging conditions

"We were able to deliver a 12% growth in EBITDA, and the issue of our inaugural bond helped further strengthen our robust financial position, increasing our cash and liquid investments balance to $3.7bn."

Mauricio Ortiz
Chief Financial Officer

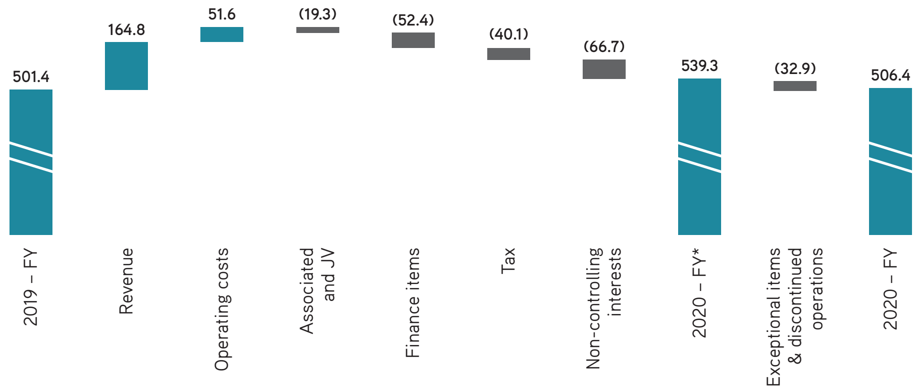
Financial review for the year ended 31 December 2020

	Before exceptional items $m	Exceptional items $m	**Year ended 31.12.2020 Total $m**	Year ended 31.12.2019 Total $m
Revenue	5,129.3	–	**5,129.3**	4,964.5
EBITDA (including share of EBITDA from associates and joint ventures)	2,739.2	–	**2,739.2**	2,438.9
Total operating costs	(3,537.1)	–	**(3,537.1)**	(3,588.7)
Operating profit from subsidiaries	1,592.2	–	**1,592.2**	1,375.8
Net share of results from associates and joint ventures	5.1	–	**5.1**	24.4
Impairment of investment in associate	–	(80.8)	**(80.8)**	–
Total profit from operations, associates and joint ventures	1,597.3	(80.8)	**1,516.5**	1,400.2
Net finance expense	(103.4)	–	**(103.4)**	(51.0)
Profit before tax	1,493.9	(80.8)	**1,413.1**	(1,349.2)
Income tax expense	(546.2)	19.7	**(526.5)**	(506.1)
Profit from continuing operations	947.7	(61.1)	**886.6**	843.1
Profit from discontinued operations	7.3	–	**7.3**	–
Profit for the year	955.0	(61.1)	**893.9**	843.1
Attributable to:				
Non-controlling interests	408.4	(20.9)	**387.5**	341.7
Profit attributable to the owners of the parent	546.6	(40.2)	**506.4**	501.4

Basic earnings per share	cents	cents	**cents**	cents
From continuing operations	54.7	(4.1)	**50.6**	50.9
From discontinued operations	0.7	–	**0.7**	–
Total continuing and discontinued operations	55.4	(4.1)	**51.3**	50.9

Net earnings

The profit for the financial year attributable to the owners of the parent (including exceptional items and discontinued operations) increased from $501.4 million in 2019 to $506.4 million in the current year. Excluding exceptional items and discontinued operations the profit attributable to the owners of the parent increased by $37.9 million to $539.3 million. The full reconciliation between 2019 and 2020 is as follows:



* Excluding exceptional items and discontinued operations.

COVID-19

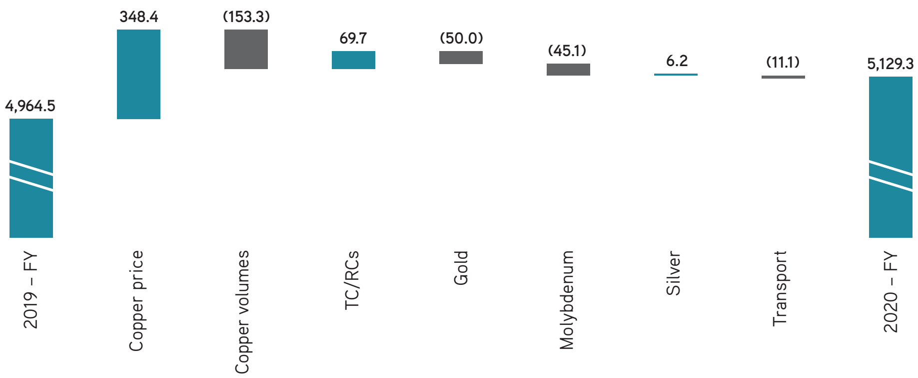
The Group's operations were all able to continue to operate without interruption throughout the year, in part reflecting the strict COVID-19 related measures which the Group began to implement from February 2020 onwards. As a result, the Group's production was within the guidance range for the year. The Group's planning assumes that COVID-19 related measures will continue to be required for the rest of 2021.

The Group incurred $40 million of operational expenses (including the 50% attributable share of Zaldívar's expenditure) during 2020 in respect of COVID-19 measures, including additional travel costs for its employees travelling to and from the mine sites, hygiene supplies and additional costs for third-party services. The Group also established a $6 million fund to provide COVID-19 related support to local communities, of which $4 million has been spent during 2020.

Work on the Group's growth projects at Los Pelambres, Centinela and Zaldívar was largely suspended in March 2020, but activity was able to begin increasing during the third quarter of the year. The Group has capitalised $31 million of additional project costs during 2020 which are linked to the impact of the COVID-19 situation, mainly relating to additional costs for the third-party contractors, increased travel costs for employees and project contractors travelling to the sites and the purchase of hygiene supplies.

Revenue

The $164.8 million increase in revenue from $4,964.5 million in 2019 to $5,129.3 million in the current year reflected the following factors:



Revenue from the Mining division

Revenue from the Mining division increased by $175.9 million, or 3.7%, to $4,979.9 million, compared with $4,804.0 million in 2019. The increase reflected a $264.8 million improvement in copper sales partly offset by a $88.9 million decrease in by-product revenue.

Revenue from copper sales

Revenue from copper concentrate and copper cathode sales increased by $264.8 million, or 6.5%, to $4,348.2 million, compared with $4,083.4 million in 2019. The increase reflected the impact of $348.4 million from higher realised prices and $69.7 million from lower treatment and refining charges, partly offset by $153.3 million from lower sales volumes.

(i) Realised copper price

The average realised price increased by 8.3% to $2.98/lb in 2020 (2019 – $2.75/lb), resulting in a $348.4 million increase in revenue. The increase in the realised price reflected the higher LME average market price, which increased by 2.8% to $2.80/lb in 2020 (2019 – $2.72/lb), and a positive provisional pricing adjustment of $258.5 million. The provisional pricing adjustment mainly reflected the increase in the year-end mark-to-market copper price to $3.52/lb at 31 December 2020, compared with $2.81/lb at 31 December 2019.

Realised copper prices are determined by comparing revenue (before treatment and refining charges for concentrate sales) with sales volumes in the period. Realised copper prices differ from market prices mainly because, in line with industry practice, concentrate and cathode sales agreements generally provide for provisional pricing at the time of shipment with final pricing based on the average market price in future periods (normally around one month after delivery to the customer in the case of cathode sales and normally four months after delivery to the customer in the case of concentrate sales).

Further details of provisional pricing adjustments are given in Note 7 to the financial statements.

(ii) Copper volumes

Copper sales volumes reflected within revenue decreased by 3.5% from 715,500 tonnes in 2019 to 690,200 tonnes in 2020, decreasing revenue by $153.3 million. This decrease was due to lower copper sales volumes at Centinela (40,100 tonnes decrease) mainly as a result of its decreased production volumes, partly offset by higher sales volumes at Los Pelambres (9,900 tonnes increase) and at Antucoya (4,900 tonnes increase).

(iii) Treatment and refining charges

Treatment and refining charges (TC/RCs) for copper concentrate decreased by $69.7 million to $182.4 million in 2020 from $252.1 million in 2019, reflecting the lower average TC/RC rates as well as the decrease in the concentrate sales volumes at Centinela. Treatment and refining charges are deducted from concentrate sales when reporting revenue and hence the decrease in these charges has had a positive impact on revenue.

Revenue from molybdenum, gold and other by-product sales

Revenue from by-product sales at Los Pelambres and Centinela relate mainly to molybdenum and gold and, to a lesser extent, silver. Revenue from by-products decreased by $88.9 million or 12.3% to $631.7 million in 2020, compared with $720.6 million in 2019.

Revenue from gold sales (net of treatment and refining charges) was $357.7 million (2019 – $407.7 million), a decrease of $50.0 million which mainly reflected a decrease in volumes partially offset by a higher realised price. Gold sales volumes decreased by 30.9% from 288,800 ounces in 2019 to 199,600 ounces in 2020, mainly due to lower grades at Centinela. The realised gold price was $1,796.8/oz in 2020 compared with $1,416.0/oz in 2019, reflecting the average market price for 2020 of $1,770.1/oz (2019 – $1,393,5/oz), plus a provisional pricing adjustment of $3.1 million.

Revenue from molybdenum sales (net of roasting charges) was $209.5 million (2019 – $254.6 million), a decrease of $45.1 million. The decrease was due to the lower realised price of $8.8/lb (2019 – $10.8/lb), partially offset by increased sales volumes of 12,500 tonnes (2019 – 12,100 tonnes).

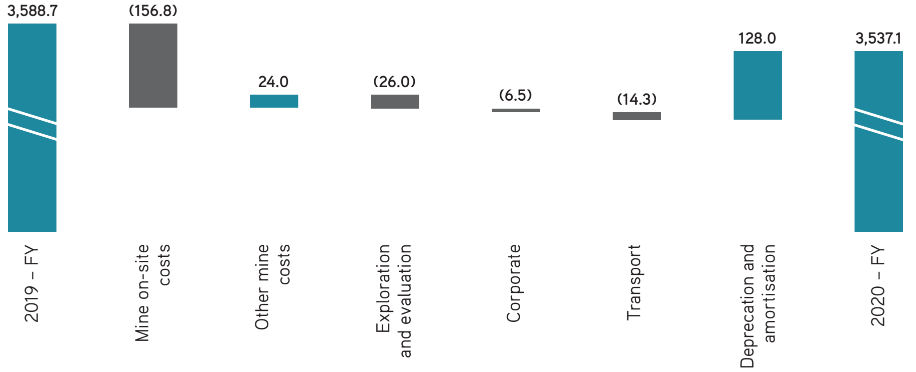
Revenue from silver sales increased by $6.2 million to $64.5 million (2019 – $58.3 million). The increase was due to a higher realised silver price of $21.3/oz (2019 – $16.4/oz), partly offset by lower sales volumes of 3.1 million ounces (2019 – 3.6 million ounces).

Revenue from the Transport division

Revenue from the Transport division (FCAB) decreased by $11.1 million or 6.9% to $149.4 million (2019 – $160.5 million), mainly due to the effect of the weaker Chilean peso, and lower sales volumes of freight transported and industrial water.

Total operating costs

The $51.6 million decrease in total operating costs from $3,588.7 million in 2019 to $3,537.1 million in the current year reflected the following factors:



Operating costs (excluding depreciation, amortisation and loss on disposals) at the Mining division

Operating costs (excluding depreciation, loss on disposals and impairments) at the Mining division decreased by $165.3 million to $2,390.7 million in 2020, a reduction of 6.5%. Of this decrease, $156.8 million is attributable to lower mine-site operating costs. This decrease in mine-site costs reflected lower key input prices, the weaker Chilean peso, lower sale volumes and cost savings from the Group's Cost and Competitiveness Programme, partly offset by the cost impact of the expected lower ore grades at Centinela and the $33.1 million of mine-site costs incurred related to the COVID-19 pandemic. On a unit cost basis, weighted average cash costs excluding by-product credits (which are reported as part of revenue) and treatment and refining charges for concentrates (which are deducted from revenue), decreased from $1.49/lb in 2019 to $1.43/lb in 2020.

The Cost and Competitiveness Programme was implemented to reduce the Group's cost base and improve its competitiveness within the industry. During 2020 the programme achieved benefits of $197 million, of which $155 million reflected cost savings and $42 million reflected the value of productivity improvements. Of the $155 million of cost savings, $125 million related to Los Pelambres, Centinela and Antucoya, and therefore impacted the Group's operating costs, and $30 million related to Zaldívar (on a 100% basis) and therefore impacted the share of results from associates and joint ventures.

Closure provisions and other mining expenses increased by $24.0 million. Exploration and evaluation costs decreased by $26.0 million to $85.1 million (2019 – $111.1 million), reflecting decreased exploration expenditure principally in respect of the Encierro and Cachorro projects and less drilling activity in relation to the reserve and resource estimates at Centinela and Antucoya. Corporate costs decreased by $6.5 million.

Operating costs (excluding depreciation, amortisation and loss on disposals) at the Transport division

Operating costs (excluding depreciation, amortisation and loss on disposals) at the Transport division decreased by $14.3 million to $91.4 million (2019 – $105.7 million), mainly due to the effect of the weaker Chilean peso and the lower diesel price, as well as the lower consumption of materials.

Depreciation, amortisation and disposals

The depreciation and amortisation charge increased by $128.7 million from $927.0 million in 2019 to $1,055.7 million. This increase is mainly due to higher amortisation of capitalised stripping costs under IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, particularly at Centinela. The loss on disposal of property, plant and equipment was $6.3 million, a decrease of $6.4 million (2019 – $12.7 million).

Operating profit from subsidiaries

As a result of the above factors, operating profit from subsidiaries increased by $216.4 million or 15.7% in 2020 to $1,592.2 million (2019 – $1,375.8 million).

Share of results from associates and joint ventures

The Group's share of results from associates and joint ventures was a profit of $5.1 million in 2020, compared to $24.4 million in 2019. This was principally due to the impact of the agreement on 31 March 2020 to dispose of the Group's investment in Hornitos (as detailed below). In the 2019 full-year Hornitos had generated a net profit of $10.3 million, but in the first three months of 2020 prior to the disposal agreement Hornitos did not generate a net profit. In addition, there was a $3.9 million higher loss from Tethyan Copper Company and profits from Zaldívar were $3.4 million lower.

EBITDA

EBITDA (earnings before interest, tax, depreciation and amortisation) increased by $300.3 million or 12.3% to $2,739.2 million (2019 – $2,438.9 million). EBITDA includes the Group's proportional share of EBITDA from associates and joint ventures.

EBITDA from the Mining division increased by 13.6% from $2,358.1 million in 2019 to $2,678.2 million this year. This reflected the higher revenue and lower mine-site costs, decreased exploration and evaluation expenditure and lower corporate costs, partly offset by higher other mining expenses and lower EBITDA from associates and joint ventures.

EBITDA at the Transport division decreased by $19.8 million to $61.0 million in 2020 ($80.8 million – 2019), reflecting the lower revenue and decreased EBITDA from associates and joint ventures, partly offset by the lower operating costs.

Commodity price and exchange rate sensitivities

The following sensitivities show the estimated approximate impact on EBITDA for 2020 of a 10% movement in the average copper, molybdenum and gold prices and a 10% movement in the average US dollar/Chilean peso exchange rate.

The impact of the movement in the average commodity prices reflects the estimated impact on the relevant revenues during 2020, and the impact of the movement in the average exchange rate reflects the estimated impact on Chilean peso denominated operating costs during the year. These estimates do not reflect any impact in respect of provisional pricing or hedging instruments, any potential inter-relationship between commodity price and exchange rate movements, or any impact from the retranslation or changes in valuations of assets or liabilities held on the balance sheet at the year-end.

	Average market commodity price/average exchange rate during the year ended 31.12.20	Impact of a 10% movement in the commodity price/ exchange rate on EBITDA for the year ended 31.12.20 $m
Copper price	$2.80/lb	456
Molybdenum price	$8.7/lb	24
Gold price	$1,770/oz	35
US dollar/Chilean peso exchange rate	792	123

Net finance expense

Net finance expense increased by $52.4 million to $103.4 million, compared with $51.0 million in 2019.

	Year ended 31.12.20 $m	Year ended 31.12.19 $m
Investment income	**18.9**	47.1
Interest expense	**(77.1)**	(111.1)
Other finance items	**(45.2)**	13.0
Net finance expense	**(103.4)**	(51.0)

Interest income decreased from $47.1 million in 2019 to $18.9 million in 2020, mainly due to the decrease in average interest rates partly offset by the higher average cash balance.

Interest expense decreased slightly from $111.1 million in 2019 to $77.1 million in 2020, reflecting both a decrease in the average LIBOR rate and also a reduction in the average relevant debt balances.

Other finance items were a net loss of $45.2 million, compared with a net gain of $13.0 million in 2019, a variance of $58.2 million. This was mainly due to the foreign exchange impact, which was a $28.9 million loss in 2020 compared with a $35.8 million gain in 2019, due to the retranslation of Chilean peso denominated assets and liabilities.

Profit before tax

As a result of the factors set out above, profit before tax increased by 4.7% to $1,413.1 million (2019 – $1,349.2 million).

Financial review continued

Income tax expense

The tax charge for 2020 excluding exceptional items was $546.2 million (2019 – $506.1 million) and the effective tax rate was 36.6% (2019 – 37.5%). Including exceptional items the tax charge for 2020 was $526.5 million and the effective rate was 37.3%.

	Year ended 31.12.2020 Excluding exceptional items $m	%	Year ended 31.12.2020 Including exceptional items $m	%	Year ended 31.12.2019 $m	%
Profit before tax	**1,493.9**		**1,413.1**		1,349.2	
Tax at the Chilean corporate rate tax of 27%	**(403.4)**	**27.0**	**(381.5)**	**27.0**	(364.3)	27.0
Exceptional items – impairment of investment in associate	**–**	**–**	**(2.2)**	**0.2**	–	–
Mining tax (royalty)	**(101.3)**	**6.8**	**(101.3)**	**7.2**	(66.6)	4.9
Deduction of mining royalty as an allowable expense in determination of first category tax	**28.1**	**(1.9)**	**28.1**	**(2.0)**	19.1	(1.4)
Items not deductible from first category tax	**(9.8)**	**0.7**	**(9.8)**	**0.6**	(11.9)	0.9
Withholding taxes	**(70.0)**	**4.7**	**(70.0)**	**5.0**	(59.3)	4.4
Tax effect of share of results of associates and joint ventures	**1.4**	**(0.1)**	**1.4**	**(0.1)**	4.7	(0.4)
Reversal of previously unrecognised tax losses/(unrecognised tax losses)	**10.5**	**(0.7)**	**10.5**	**(0.7)**	(33.0)	2.5
Adjustment in respect of prior years	**(1.6)**	**0.1**	**(1.6)**	**0.1**	4.3	(0.3)
Net other items	**(0.1)**	**0.0**	**(0.1)**	**0.0**	0.9	(0.1)
Tax expense and effective tax rate for the period	**(546.2)**	**36.6**	**(526.5)**	**37.3**	(506.1)	37.5

The effective tax rate excluding exceptional items of 36.6% varied from the statutory rate principally due to the mining tax (royalty) (net impact of $73.2 million/4.9% including the deduction of the mining tax (royalty) as an allowable expense in the determination of first category tax), the withholding tax relating to the remittance of profits from Chile (impact of $70.0 million/4.7%), items not deductible for Chilean corporate tax purposes, principally the funding of expenses outside of Chile (impact of $9.8 million/0.7%) and adjustments in respect of prior years (impact of $1.6 million/0.1%), partly offset by the reversal of previously unrecognised tax losses (impact of $10.5 million/0.7%) and the impact of the recognition of the Group's share of profit from associates and joint ventures, which are included in the Group's profit before tax net of their respective tax charges (impact of $1.4 million/0.1%).

The impact of the exceptional items on the effective tax rate including exceptional items was $2.2 million/0.2%.

Exceptional items

On 31 March 2020 the Group agreed to dispose of its 40% interest in the Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% holding. This was part of the value accretive renegotiation of Centinela's power purchase agreement which as a result will be wholly supplied from lower cost renewable sources from 2022. Under the terms of the agreement the Group will dispose of its investment to Engie in 2021 for a nominal consideration and will not be entitled to receive any further dividend income from Hornitos from the date of the agreement. Accordingly, the Group no longer has any effective economic interest in Hornitos from 31 March 2020 onwards and has therefore recognised an impairment of $80.8 million in respect of its investment in associates and will no longer recognise any share of Hornitos' results. The post-tax impact of the impairment is $61.1 million, of which $40.2 million is attributable to the equity owners of the Company.

Non-controlling interests

Profit for 2020 attributable to non-controlling interests (excluding exceptional items) was $408.4 million, compared with $341.7 million in 2019, an increase of $66.7 million. This reflected the increase in earnings analysed above.

Earnings per share

	Year ended 31.12.20 $ cents	Year ended 31.12.19 $ cents
Underlying earnings per share (excluding exceptional items and discontinued operations)	**54.7**	50.9
Earnings per share (exceptional items)	**(4.1)**	–
Earnings per share (discontinued operations)	**0.7**	–
Earnings per share (including exceptional items and discontinued operations)	**51.3**	50.9

Earnings per share calculations are based on 985,856,695 ordinary shares.

As a result of the factors set out above, the underlying profit attributable to equity shareholders of the Company (excluding exceptional items and discontinued operations) was $539.3 million compared with $501.4 million in 2019, giving underlying earnings per share of 54.7 cents per share (2019 – 50.9 cents per share). The profit attributable to equity shareholders (including exceptional items and discontinued operations) was $506.4 million, resulting in earnings per share of 51.3 cents per share (2019 – 50.9 cents per share).

Dividends

Dividends per share proposed in relation to the period are as follows:

	Year ended 31.12.20 $ cents	Year ended 31.12.19 $ cents
Ordinary dividends:		
Interim	**6.2**	10.7
Final	**48.5**	7.1
Total dividends to ordinary shareholders	**54.7**	17.8

The Board determines the appropriate dividend each year based on consideration of the Group's cash balance, the level of free cash flow and underlying earnings generated during the year and significant known or expected funding commitments. It is expected that the total annual dividend for each year would represent a payout ratio based on underlying net earnings for that year of at least 35%.

The Board has proposed a final dividend for 2020 of 48.5 cents per ordinary share, which amounts to $478.2 million and will be paid on 14 May 2021 to shareholders on the share register at the close of business on 23 April 2021.

The Board declared an interim dividend for the first half of 2020 of 6.2 cents per ordinary share, which amounted to $61.1 million.

This gives total dividends proposed in relation to 2020 (including the interim dividend) of 54.7 cents per share or 539.3 million in total (2019 – 17.8 cents per ordinary share or $175.7 million in total) equivalent to a payout ratio of 100%.

Capital expenditure

Capital expenditure increased by $228.6 million from $1,078.8 million in 2019 to $1,307.4 million in the current year, mainly due to expenditure on the Los Pelambres Expansion project.

NB: capital expenditure figures quoted in this report are on a cash flow basis, unless stated otherwise.

Derivative financial instruments

The Group periodically uses derivative financial instruments to reduce its exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes. At 31 December 2020 the derivative financial instruments in place had a negative fair value of $36.0 million (2019 – negative $7.3 million).

Financial review continued

Cash flows

The key features of the cash flow statement are summarised in the following table.

	Year ended 31.12.20 $m	Year ended 31.12.19 $m
Cash flows from continuing operations	**2,431.1**	2,570.7
Income tax paid	**(319.7)**	(403.6)
Net interest paid	**(40.1)**	(35.3)
Capital contributions and loans to associates	**(7.2)**	(1.8)
Purchases of property, plant and equipment	**(1,307.4)**	(1,078.8)
Dividends paid to equity holders of the Company	**(131.1)**	(470.3)
Dividends paid to non-controlling interests	**(280.0)**	(400.0)
Capital increase from non-controlling interest	**210.0**	–
Dividends from associates and joint ventures	**–**	58.0
Other items	**2.3**	1.8
Changes in net debt relating to cash flows	**557.9**	240.7
Other non-cash movements	**(68.0)**	(214.3)
Effects of changes in foreign exchange rates	**(8.5)**	6.5
Movement in net debt in the period	**481.4**	32.9
Net debt at the beginning of the year	**(563.4)**	(596.3)
Net debt at the end of the year	**(82.0)**	(563.4)

Cash flows from continuing operations were $2,431.1 million in 2020 compared with $2,570.7 million in 2019. This reflected EBITDA from subsidiaries for the year of $2,647.2 million (2019 – $2,302.8 million) adjusted for the negative impact of a net working capital increase of $242.5 million (2019 – working capital decrease of $291.9 million) and a non-cash increase in provisions of $26.4 million (2019 – decrease of $24.0 million).

The working capital increase in 2020 was mainly due to an increase in receivables, predominantly due to the higher year-end mark-to-market copper price of $3.52/lb at 31 December 2020, compared with $2.81/lb at 31 December 2019. The 2019 working capital decrease was mainly due to the $275 million refund of the one-off short-term VAT payment which had been made in December 2018 and was refunded to the Group as expected in January 2019.

The net cash outflow in respect of tax in 2020 was $319.7 million (2019 – $403.6 million). This amount differs from the current tax charge in the consolidated income statement (including exceptional items) of $515.3 million (2019 – $354.4 million) mainly because cash tax payments for corporate tax and the mining tax partly include the settlement of outstanding balances in respect of the previous year's tax charge of $8.0 million (2019 – $29.5 million), withholding tax payments of $54.5 million, payments on account for the current year based on the prior year's profit levels of $366.8 million, as well as the recovery of $109.7 million in 2020 relating to prior years.

Contributions and loans to associates and joint ventures of $7.2 million (2019 – $1.8 million) relate to Tethyan Copper Company.

Capital expenditure in 2020 was $1,307.4 million compared with $1,078.8 million in 2019. This included expenditure of $782.6 million at Los Pelambres (2019 – $493.8 million), $441.5 million at Centinela (2019 – $457.6 million), $41.9 million at Antucoya (2019 – $49.9 million), $8.3 million at the corporate centre (2019 – $15.9 million) and $33.1 million at the Transport divisions (2019 – $61.6 million). The increase at Los Pelambres reflects expenditure on the Expansion project.

Dividends paid to equity holders of the Company were $131.1 million (2019 – $470.3 million) of which $70.0 million related to the payment of the final element of the previous year's dividend and $61.1 million to the interim dividend declared in respect of the current year.

Dividends paid by subsidiaries to non-controlling shareholders were $280.0 million (2019 – $400.0 million).

Dividends received from associates and joint ventures was nil for 2020 (2019 – $58.0 million).

A capital contribution of $210.0 million was received from Marubeni, the minority partner at Antucoya, in order to replace part of the subordinated debt financing with equity.

Financial position

	At 31.12.20 $m	At 31.12.19 $m
Cash, cash equivalents and liquid investments	**3,672.8**	2,193.4
Total borrowings	**(3,754.8)**	(2,756.8)
Net debt at the end of the period	**(82.0)**	(563.4)

At 31 December 2020 the Group had combined cash, cash equivalents and liquid investments of $3,672.8 million (31 December 2019 – $2,193.4). Excluding the non-controlling interest share in each partly-owned operation, the Group's attributable share of cash, cash equivalents and liquid investments was $3,046.9 million (31 December 2019 – $1,849.7 million).

Total Group borrowings at 31 December 2020 were $3,754.8 million, an increase of $998.0 million on the prior year (31 December 2019 – $2,756.8 million). The increase was mainly due to a $814.8 million increase of the senior loan at Los Pelambres and $495.6 million from the bond issue, partly offset by the $210.0 million repayment of the subordinated debt from Antucoya to Marubeni which was replaced with equity, a $66.0 million repayment of Antucoya's senior loan and a net decrease of lease liabilities of $37.4 million.

Excluding the non-controlling interest share in each partly-owned operation, the Group's attributable share of the borrowings was $2,805.5 million (31 December 2019 – $2,041.3 million).

This resulted in net debt at 31 December 2020 of $82.0 million (31 December 2019 – $563.4 million). Excluding the non-controlling interest share in each partly-owned operation, the Group had an attributable net cash position of $241.4 million (31 December 2019 – net debt $191.6 million).

Cautionary statement about forward-looking statements

This preliminary results announcement contains certain forward-looking statements. All statements other than historical facts are forward-looking statements. Examples of forward-looking statements include those regarding the Group's strategy, plans, objectives or future operating or financial performance, reserve and resource estimates, commodity demand and trends in commodity prices, growth opportunities, and any assumptions underlying or relating to any of the foregoing. Words such as "intend", "aim", "project", "anticipate", "estimate", "plan", "believe", "expect", "may", "should", "will", "continue" and similar expressions identify forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that are beyond the Group's control. Given these risks, uncertainties and assumptions, actual results could differ materially from any future results expressed or implied by these forward-looking statements, which apply only as at the date of this report. Important factors that could cause actual results to differ from those in the forward-looking statements include: global economic conditions, demand, supply and prices for copper and other long-term commodity price assumptions (as they materially affect the timing and feasibility of future projects and developments), trends in the copper mining industry and conditions of the international copper markets, the effect of currency exchange rates on commodity prices and operating costs, the availability and costs associated with mining inputs and labour, operating or technical difficulties in connection with mining or development activities, employee relations, litigation, and actions and activities of governmental authorities, including changes in laws, regulations or taxation. Except as required by applicable law, rule or regulation, the Group does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Past performance cannot be relied on as a guide to future performance.

The Strategic Report has been approved by the Board and signed on its behalf by:

Jean-Paul Luksic
Chairman

Ollie Oliveira
Senior Independent Director

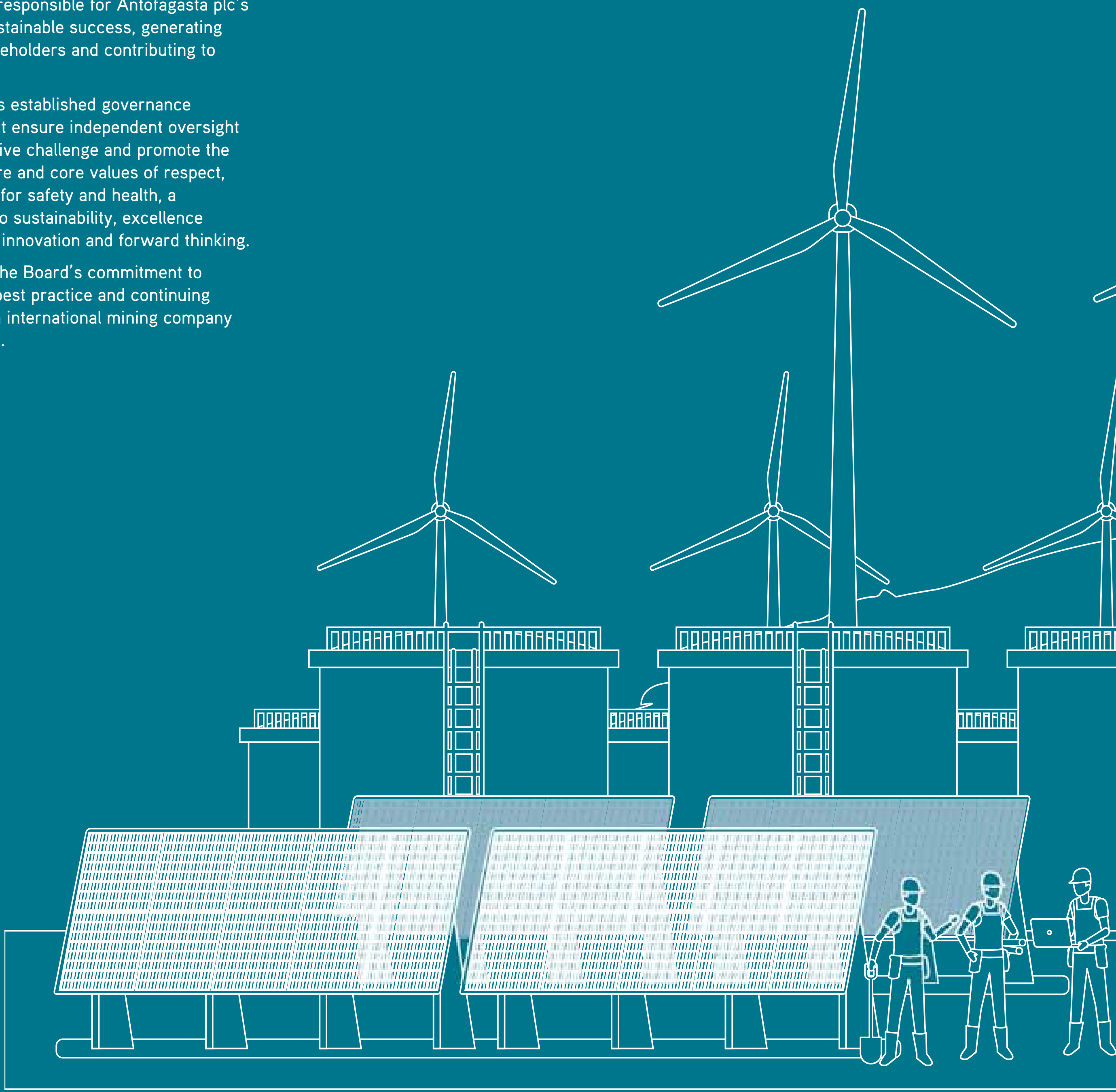
15 March 2021

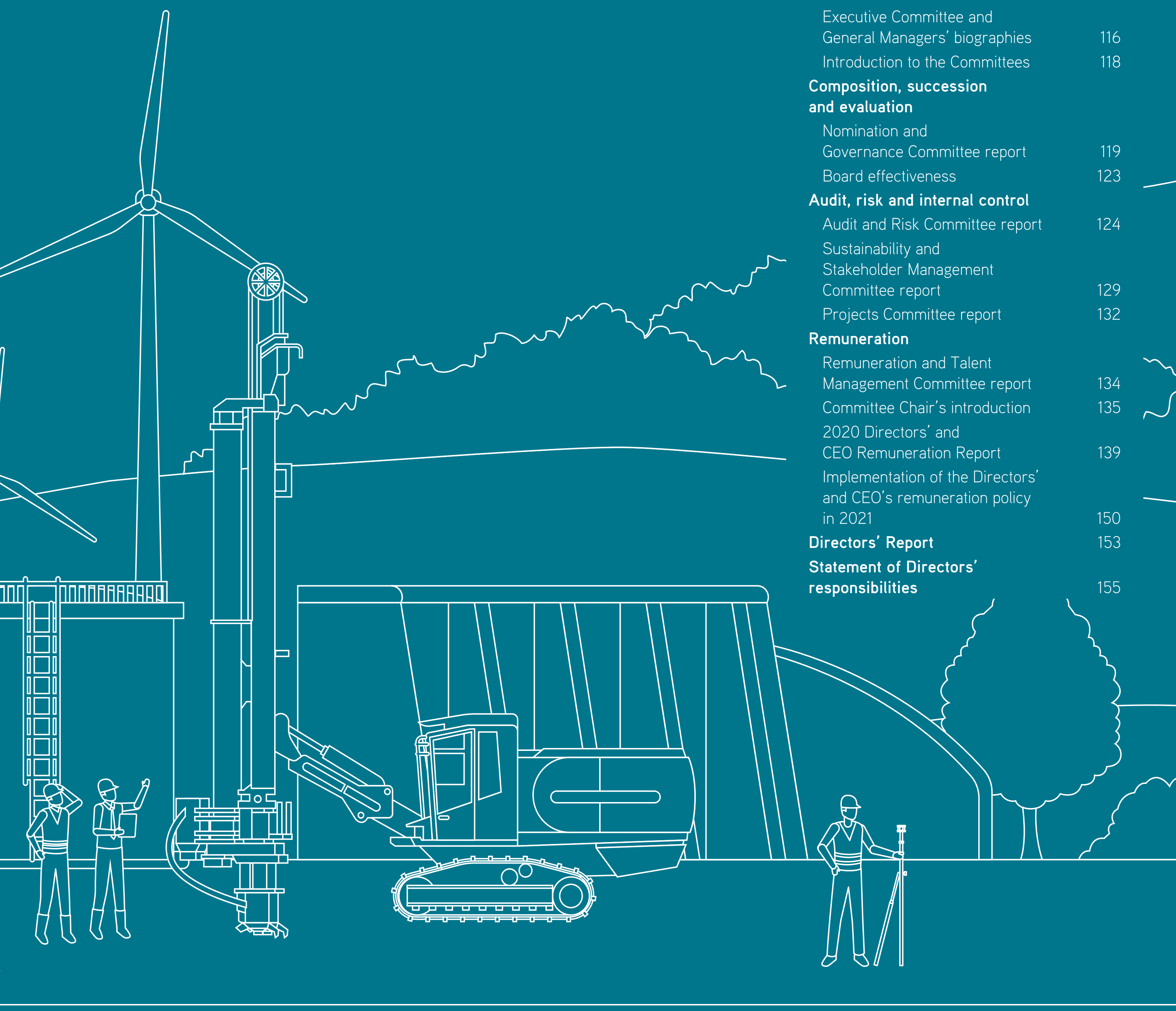
Corporate Governance

The Board is responsible for Antofagasta plc's long-term, sustainable success, generating value for shareholders and contributing to wider society.

The Board has established governance structures that ensure independent oversight and constructive challenge and promote the Group's culture and core values of respect, responsibility for safety and health, a commitment to sustainability, excellence in daily work, innovation and forward thinking.

This reflects the Board's commitment to international best practice and continuing success as an international mining company based in Chile.





Governance

Applying the Code in 2020

How we apply the Code

UK Corporate Governance Code compliance statement

The UK Corporate Governance Code issued by the Financial Reporting Council in July 2018 sets out the governance principles and provisions that applied to the Company during the 2020 financial year.

The Code is not a rigid set of rules; it consists of principles and provisions. The Listing Rules require companies to apply the principles and report to shareholders on how they have done so. The Corporate Governance Report that follows has been prepared for this purpose, demonstrating how these principles have been considered and applied to the Company's specific circumstances.

The Company complied with all the principles and detailed provisions of the Code in 2020 except for Code Provision 19. This Code Provision, which recommends that the Chairman should not remain in post beyond nine years from the date of his first appointment to the board, was introduced for the first time for accounting periods beginning on or after 1 January 2019. The Company's Chairman, Jean-Paul Luksic, was appointed to the Board in 1990. He served as Chief Executive Officer of the Group's Mining division from 1998 until 2004 and was appointed Executive Chairman in 2004. In 2014, he stepped back from executive responsibilities to become Non-Executive Chairman. Mr Luksic's Chilean, mining and business experience coupled with his knowledge of the Group's business have been, and continue to be, a cornerstone of the Company's continuing growth and success. The Board considers that Mr Luksic continues to demonstrate objective judgement and provides constructive challenge and believes that his continued appointment is appropriate without fixing a limit to his service. Mr. Luksic is a member of the family that is interested in the E. Abaroa Foundation, a controlling shareholder of the Company for the purposes of the UK Listing Rules. The Company's major shareholders were invited by the Senior Independent Director to discuss this subject ahead of the 2020 AGM and unanimously expressed their support for Mr Luksic's continued service as Chairman of the Board. Further details on the role of the Senior Independent Director are set out on pages 102 and 115.

As Chairman and Chair of the Board's Nomination and Governance Committee, Mr Luksic fully supports wider succession and diversity planning and has overseen the design and implementation of succession plans to facilitate increased diversity, including gender, and continual refreshment of the Board. Further details are set out in the Nomination and Governance Committee report on pages 119-123.

The UK Corporate Governance Code is available on the Financial Reporting Council website at www.frc.org.uk.

“We apply the Code’s principles to our circumstances as an international mining company based in Chile.”

Jean-Paul Luksic
Chairman

Applying the Code in 2020 continued

How the Code principles were applied in 2020

Board leadership and Company purpose

The role of the Board

- The Company is led by an effective and entrepreneurial Board, which is collectively responsible for promoting the Company's long-term sustainable success, generating value for shareholders and contributing to wider society as shown throughout this Corporate Governance Report.
- The Board has adopted and actively promotes the Group's purpose, vision, values and strategy and has satisfied itself that these and its culture are aligned. This is explained further in the Chairman's introduction – page 100.
- The Board has ensured that the necessary resources are in place for the Company to meet its objectives and measure performance against them. It has established a framework of prudent and effective controls, which enable risk to be appropriately assessed and managed – pages 22-30 and 127-128.
- The Board ensures effective engagement with, and encourages participation from, shareholders and other stakeholders to ensure that its responsibilities are met – pages 34-61, 102, 108-109, 110-111 and 138.
- The Board ensures that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success and that the workforce is able to raise any matters of concern anonymously through the Group's whistleblowing channels – pages 31, 42-44, 110-111 and 128.
- The Board considers the matters set out in section 172 of the Companies Act 2006 in Board discussions and decision-making. Examples can be found on pages 108-109.

Division of responsibilities

- The Board is structured to ensure that there is limited scope for an individual or small group of individuals to dominate its decision-making, as demonstrated throughout this Corporate Governance Report.
- The CEO is not a Director of the Company and therefore not a member of the Board – page 115.
- There is a clear division of responsibilities between the Board and the executive leadership of the Company's business – page 115.
- The division of responsibilities between the Chairman, the CEO, and the Senior Independent Director is recorded in writing and is available on the Company's website at www.antofagasta.co.uk – page 115.
- The roles of the Board and the Board Committees are recorded in the Schedule of Matters Reserved for the Board and the Terms of Reference for each of the Board's Committees, which are available on the Company's website at www.antofagasta.co.uk.
- The Board, supported by the Company Secretary, has the policies, processes, information, time and resources it needs in order to function effectively and efficiently – pages 105 and 120.

The Chairman

- The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. His responsibilities are set out on page 115.
- The Board considers that the Chairman demonstrates objective judgement and promotes a culture of openness and debate – pages 96 and 102.
- The Chairman facilitates constructive Board relations and the effective contribution of all Directors. He is responsible for setting the Board's agenda and ensures that Directors receive accurate, timely and clear information – pages 105, 115 and 120.

Non-Executive Directors

- The Non-Executive Directors provide constructive challenge and strategic guidance, offer specialist advice and hold management to account – pages 112-113 and 115.

Commitment

- All Directors have confirmed they are able to allocate sufficient time to meet the expectations of their role – page 112.
- Directors do not undertake additional external appointments without the prior approval of the Board – page 112.
- Time commitment is considered during Board effectiveness reviews and when electing and re-electing Directors – page 123.
- A review of the Directors' external directorships is carried out annually – pages 103 and 154.

Information and support

- The Board is provided with appropriate information, in form and quality, to discharge its duties – page 105.
- The Board has access to independent professional advice and to the advice and services of the Company Secretary – pages 115 and 120.
- The Board is regularly updated on the Group's performance between scheduled Board meetings – page 105.

Composition, succession, and evaluation

Composition of the Board and Committees

- The Board has 10 Directors, comprising a Non-Executive Chairman and nine other Non-Executive Directors, six of whom are independent – pages 112-115.
- All members of the Audit and Risk and Remuneration and Talent Management Committees are independent, and two of the three Nomination and Governance Committee members are independent.
- The Board and its Committees comprise Directors with the requisite combination of skills, experience and knowledge to fulfil their roles – pages 112-115.
- There is a diverse pipeline for succession. Consideration is given to the length of service of the Board as a whole and membership is regularly refreshed – pages 114 and 120-122.

Appointments to the Board and succession planning

- There is a formal, rigorous and transparent procedure to identify and appoint new Directors led by the Nomination and Governance Committee – pages 120-122.
- An independent external search consultancy was used for the appointment of Tony Jensen to the Board as a Non-Executive Director during the year – page 120.
- An effective succession plan is maintained for Board and senior management appointments – pages 120-122 and 138.
- Appointments and succession plans are based on merit and objective criteria, and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths – pages 120-122.

Development

- New Directors receive a thorough induction upon joining the Board – page 120.
- Directors are regularly updated with information and training and, as a minimum, receive an annual briefing on legal, regulatory, market, and other developments that are relevant to directors of UK-listed companies – page 120.

Evaluation

- Annual evaluation of the Board considers composition, diversity and how effectively members work together to achieve objectives – page 123.
- Individual evaluation forms part of the annual Board evaluation and assesses whether each Director continues to contribute effectively – page 123.
- The Board has agreed an action plan to close gaps identified by Board and Committee effectiveness reviews – page 123.
- An internally facilitated Board and Committee effectiveness review was conducted in 2020 – page 123.

Re-election

- All Directors stand for annual re-election – page 112.

Audit, risk, and internal control

Governance

- The Board has established formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and to satisfy itself on the integrity of financial and narrative statements – pages 124-128 and 155.

Financial and business reporting

- The Board considers that the Annual Report presents a fair, balanced, and understandable assessment of the Company's position and prospects – page 155.

Risk and internal control

- The Board has established procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks that the Company is willing to take in order to achieve its long-term strategic objectives – pages 22-30 and 127-128.

Audit

- All Audit and Risk Committee members are considered to have recent and relevant financial experience and have competence relevant to the mining industry – pages 112-114 and 124.

Remuneration

Policy

- The Company has no executive directors, however the CEO's remuneration is disclosed as if he were a director.
- The Directors' and CEO's Remuneration Policy, approved at the 2020 AGM, is aligned to the Company's purpose and values, and is clearly linked to the successful delivery of the Company's long-term strategy – pages 135-138.
- The Remuneration and Talent Management Committee Chair, Francisca Castro, served as a member of the Committee for more than 12 months before being appointed as Chair.
- The CEO's remuneration includes transparent, stretching and rigorously applied performance-related elements designed to promote the Company's long-term sustainable success – pages 139-152.

Procedure

- The Board has a formal and transparent procedure for developing policy on executive remuneration and determining Director and senior management remuneration – pages 134-152.
- No Director, nor the CEO, is involved in deciding his or her own remuneration.
- Directors exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances including internal and external factors – pages 135-138.

Chairman's introduction

Developing mining for a better future

Jean-Paul Luksic
Chairman

Dear Shareholders,

As highlighted in my introduction to this Annual Report, last year offered no shortage of adversity. Few years have generated such volatility alongside so many health, operational and financial challenges.

As a Board, we have responded to this adversity and volatility, ensuring that our deliberations and decisions address the immediate issues at hand while also taking into account the views of our stakeholders to ensure the Company's long-term success.

The COVID-19 pandemic challenged our governance arrangements during the year and I am delighted to report they succeeded in continuing to facilitate effective decision making as we balanced flexibility in responding to the most severe global health crisis of our lifetimes with progressing important strategic initiatives.

Our purpose, strategy, culture and vision

Following the adoption of our purpose statement in 2018, we have overseen the implementation of the Group's strategic framework which defines our strategy, culture and vision. We have continued to align our activities with this framework during the year as shown on pages 106-107. The Board fully embraces the important role that it has in setting the tone for the Group's culture and promoting our core values of respect, responsibility for safety and health, a commitment to sustainability, excellence in daily work, innovation and forward-thinking.

Our response to the COVID-19 pandemic demonstrated our focus on protecting the safety and health of our employees, contract workers and local communities during our day-to-day, project and exploration activities during the year while continuing to make important decisions for the medium and long term that will help us to continue to Develop Mining for a Better Future. These medium- and longer-term considerations included the decision to adjust the scope of the Los Pelambres Expansion project to enable Los Pelambres to increase its sea and recirculated water use to 95% of total consumption by 2025 (see page 109), and monitoring key innovations for our long-term success including Zaldívar's Chloride Leach project, the implementation of an autonomous haulage system at Centinela's Esperanza Sur pit and the opening of Centinela's remote operations centre in Antofagasta.

Stakeholder considerations and workforce engagement

The Board's ability to continue to deliver long-term sustainable success relies on a detailed understanding of the views of our workforce and stakeholders in Chile, where our corporate headquarters, senior management team and all of our operating companies are located.

Mining is a long-term business and our relationships with our employees and contractors, local communities, suppliers, governments, customers and shareholders are central to our long-term success. The Group's governance structures include a network of arrangements to ensure that the views and interests of stakeholders are represented in the boardroom and considered as part of deliberations. Some examples of Board decisions that were made during the year and how the interests of our stakeholders were taken into account can be seen on pages 108-109.

Boardroom deliberations are enhanced by an understanding of the practical challenges that exist on-site and I would normally, along with my fellow Directors, regularly visit the Group's operations and projects. This year we sought alternative ways of ensuring that these perspectives were understood by the Board. This included fortnightly meetings with the management team between the months of April and September. At these meetings we monitored developments and supported the management team in addressing challenges arising from the COVID-19 pandemic paying particular attention to safety and health, people, sustainability and stakeholder management, project development and operational continuity.

"The focus of our reporting is to outline how we have applied the principles of the Code in a way that can be meaningfully evaluated by our stakeholders. This highlights the particular circumstances of our Group and how this has influenced how we best apply the Code."

Jean-Paul Luksic
Chairman

Regardless of the circumstances, we engage constantly with our workforce, and not only in the years when there are scheduled union negotiations. This open dialogue is key to maintaining good relations and maintaining the trust that has been built up between the Company and its employees. It is a testament to these relationships that wage negotiations were satisfactorily completed with unions at Centinela, Zaldívar and the Group's Transport division during the year. Details of our workforce engagement mechanisms are on pages 110-111.

Climate change

Addressing climate change is a global issue and Chile is particularly vulnerable to its consequences. The drought that we have been experiencing in central Chile has affected our operations and the local communities, and we are committed to contributing to the reduction of the global problem of growing greenhouse gas emissions and water scarcity by reducing our own emissions.

During the year, a climate change strategy was approved by the Board. As part of this strategy, we will take a multidisciplinary approach to the challenges posed by climate change, better co-ordinating the many initiatives, large and small, undertaken by our operations and projects, and taking advantage of the synergies between them. Further information can be found in the Sustainability and Stakeholder Management Committee report on page 130.

During the year we also worked on the implementation of a programme to comply with the recommendations of the Task Force on Climate-related Disclosures (TCFD) which will allow us to report on the impact of climate change on our operations and results. We have reported on our progress to date on pages 54-56.

Risk management

The Board oversees a framework of prudent and effective internal controls and a system for the identification and management of risk to ensure the financial viability of the Group. As part of this process the Board decides the nature and extent of the significant risks the Group is willing to accept in achieving its strategic objectives. The framework provides structure to our policies and practices throughout the business, which also ensures that the Board can focus on the most appropriate issues.

An update of the Company's risk appetite statements was approved by the Board during the year and included one new risk category – external risks, and updates to the Company's Climate Change and Project Execution risk appetite statements.

Further details can be found on pages 22-23 and 125-128.

Board changes and succession planning

Succession and diversity planning is a key area of focus for the Board.

We were delighted to appoint Tony Jensen to the Board on 13 March 2020 and he was subsequently elected by shareholders at the 2020 AGM. Tony's extensive industry experience in the USA and Chile combined with his recent and relevant financial experience has already been, and will continue to be, of great benefit to the Company. He joined the Audit and Risk Committee from the date of his appointment to the Board and also joined the Remuneration and Talent Management, and Sustainability and Stakeholder Management Committees during the year.

In anticipation of the retirement of Tim Baker from the Board at the 2020 AGM, Vivianne Blanlot joined the Nomination and Governance Committee in February and stood down from the Audit and Risk Committee during the year in line with the Board's policy that Directors should not serve concurrently on more than three Committees except where this is a temporary arrangement as part of the Board's succession plan.

Ramón Jara also joined the Sustainability and Stakeholder Management Committee during the year.

In monitoring the Board's succession plans, the Board has also carefully considered the independence of all Directors and is satisfied that Ollie Oliveira continues to be independent notwithstanding that the ninth anniversary of his appointment was in October 2020. In reaching this conclusion, the Board has taken into account:

- the entirely Non-Executive composition of the Board which is designed to promote independent oversight and constructive challenge of management;
- that there are no circumstances that are likely to impair, or (other than his tenure) circumstances that could appear to impair, Mr Oliveira's independence;
- that Mr Oliveira's character and the manner in which he performs his role clearly demonstrate independent thought and judgement; and
- that in accordance with the Board and Committee succession plan, Mr. Oliveira will be handing over the roles of Senior Independent Director and Audit and Risk Committee Chairman to an Independent Non-Executive Director in the coming months – a transition of roles that was due to take place before the 2021 AGM but was delayed due to the COVID-19 pandemic.

In the meantime, Mr Oliveira will continue in these roles and will offer himself for re-election as an Independent Non-Executive Director at the 2021 Annual General Meeting. No other factors set out in Code Provision 10 apply to the Company's Independent Directors.

The Board has met the Parker Review target and the Board's Nomination and Governance Committee continues to work with an independent external search consultancy to identify potential female candidates that could provide an important contribution to the Board in the future and the Board intends to make a further appointment before the Company's 2022 AGM. Further details on the Board's diversity policy can be found on pages 120-122.

Shareholder engagement

Our 2020 AGM was held behind closed doors to ensure that the UK Government's compulsory measures at the time, which prohibited public gatherings of more than two people, were complied with. Nevertheless the Board and Committee Chairs engaged with shareholders through the Company Secretary in relation to the Company's AGM resolutions and governance arrangements in the lead up to the 2020 AGM and shareholders were provided the opportunity to ask questions ahead of the 2020 AGM which were responded to on our website. Nevertheless, the circumstances at the time prevented engagement between the Board and shareholders in the usual way.

This year we will be implementing arrangements to ensure that shareholders are provided with an opportunity to engage with the Board through electronic means and I encourage all shareholders to take advantage of this opportunity. Further details are included in the Company's 2021 Notice of Annual General Meeting.

Along with my fellow Directors, I look forward to engaging with you at the Annual General Meeting.

Jean-Paul Luksic
Chairman

Senior Independent Director's introduction

Ensuring balance

Ollie Oliveira
Senior Independent Director

"My role is to ensure that the Chairman, the Board, and the management team receive a balanced view of issues that are relevant and important for our shareholders. This role has been particularly important this year when the Company has had to carefully balance the needs of all of the Company's stakeholders in navigating the challenges arising from the COVID-19 pandemic."

Q. What are your responsibilities as Senior Independent Director?

I am appointed by the Board to act as a sounding board for the Chairman and to ensure that the views of the other Directors are conveyed to the Chairman and that the views (and especially any concerns) of shareholders are passed on to the Board. My role is to support the Chairman on several levels. I advise him on corporate governance matters. I seek to ensure that the issues that are especially important to the independent Non-Executive Directors are reflected in Board discussions. I lead the annual review of the Chairman's performance and follow up on the closure of gaps identified in internal and externally facilitated reviews of Board and Committees' performance. Most importantly, I provide feedback on issues that matter to the Company's shareholders.

I live and am based in the UK, close to many shareholders, directors at other UK-listed companies and advisers, and I am senior independent director at another large FTSE-listed mining company and director of a large global mining investment trust, which help me ensure that the Chairman, the Board and the management team receive a balanced view of issues that are relevant and important for our shareholders. This role has been particularly important this year when the Company has had to carefully balance the needs of all the Company's stakeholders in navigating the challenges arising from the COVID-19 pandemic.

Q. What impact does the controlling shareholding have on Company decisions?

The Luksic family first acquired an interest in the Company over 40 years ago. Since then, the Company has demonstrated an excellent track record in terms of safety, operational expertise and financial strength.

First as an Independent Director and now as the Senior Independent Director, I have discussed the role of the controlling shareholders with other shareholders, proxy advisers and policy makers. The widely held view is that the substantial controlling interest is regarded positively, with shareholders satisfied that the interests of the controlling shareholder are aligned with theirs, and are appreciative of the understanding of the copper price cycle and market fundamentals of the members of the Luksic family who serve on the Board, long-term vision of the industry, and the Company's well-known conservative operating, financial and growth strategy.

Their support is, of course, conditional on the continuation of the current corporate governance framework, which rigorously protects the interests of all shareholders equally.

I, and all the Independent Directors, place a strong emphasis on maintaining this governance and protection regime. We guard our independence and preside over a framework and processes that go beyond the regulatory norm. We are supported and encouraged by the other Directors who – like the Independent Directors – bring their own perspectives and opinions and are committed to the long-term sustainable success of the Company.

The controlling shareholders, and the members of the Luksic family who serve on the Board (including the Chairman), are not just supportive of this framework but also actively encourage the Independent Directors to provide the independent input and challenge that we are convinced proves indispensable in Board decision-making.

Ollie Oliveira
Senior Independent Director

Relationship agreement

The E. Abaroa Foundation is a controlling shareholder of the Company for the purposes of the Listing Rules and certain other shareholders of the Company (including Aureberg Establishment) are also treated as controlling shareholders. Details of the Company's substantial shareholders are set out on page 154.

In 2014, the Company entered into relationship agreements in respect of each controlling shareholder, which contain the mandatory independence provisions required by the Listing Rules. The Company has complied with, and, so far as the Directors are aware, during 2020, each controlling shareholder and its associates (including Metalinvest Establishment and Kupferberg Establishment) also complied with the mandatory independence provisions throughout the year.

Related party transactions

Certain related party transactions outside the ordinary course of business must be subject to independent assessment and approval. The Company has for many years presented all such related party transactions between the Company and the controlling shareholders or their associates to a committee of Directors independent from the controlling shareholders, to support the negotiation process and ultimately to make an assessment as to whether the Company should enter into such transactions. In most cases, transactions of this nature will also be subject to independent review by third-party shareholders in each of the Group's mining operations.

Any other proposed related party transaction over $25 million, whether or not in the ordinary course of business, is also tabled for Board approval. Any Director with a potential conflict or connection with the related party does not take part in the decision on that transaction.

Related party governance in practice

There are several checks and balances to ensure that there is full transparency in the way that related party transactions are handled by the Board. The following diagram summarises the approach taken to identify and manage related party transactions and actual or potential conflicts of interest.

Identifying Directors' interests

Process	How this is managed	Responsibility
Monitoring of Directors' interests	If a Director has an interest in any other company, the Board will normally consider that interest under its arrangements for authorising conflicts of interest under section 175 of the Companies Act. + See page 154 for more information	Directors

Managing related party transactions

Process	How this is managed	Responsibility
Proposed transaction	Ongoing monitoring of Directors' interests and the Company's related parties provides information to determine if a related party approval is required for a proposed transaction.	Company Secretary, senior management and the Executive Committee
Contract negotiation and verification	The Executive Committee seeks to ensure that the best possible terms are achieved for a proposed transaction and, where appropriate or necessary, that they are verified by industry benchmarking reports or independent third-party valuation or assessment. If the potential transaction is between the Group and a controlling shareholder or its associates and is a transaction to which the UK Listing Rules related party transaction rules apply, a committee of Directors independent from the controlling shareholder and its associates is formed to oversee and support management with this process and to ensure compliance with the corresponding Relationship Agreement.	Senior management and the Executive Committee and, if involving a controlling shareholder, Independent Directors
Approval by Independent Directors	Potential related party transactions outside the ordinary course of business that involve a controlling shareholder, or its associates, are reviewed, and if appropriate, approved by Directors independent from the controlling shareholders. All other potential related party transactions over $25 million, whether or not in the ordinary course of business, are approved by the Board. Any Director with a potential conflict or connection with the related party will not take part in that decision. Transactions within the ordinary course of business that are below $25 million require approval by the relevant operating company board. All of the operating company boards in the Mining Division have directors representing third party shareholders.	Independent Directors

Group corporate governance overview

Our structure for effective decision-making

Antofagasta plc Board

The Board's role is to promote the long-term, sustainable success of the Company, generating value for shareholders and contributing to wider society. The Board has established the Company's purpose, values, strategy, and risk appetite and monitors the culture of the Group as well as its performance against defined measures.

The schedule of matters reserved for the Board is available on the Company's website at www.antofagasta.co.uk.

Key responsibilities

- Culture
- Strategy and management
- Governance
- Shareholder engagement
- Internal controls, risk management, and compliance
- Financial and performance reporting
- Structure and capital
- Approving material transactions

Board Committees

Nomination and Governance	Audit and Risk	Sustainability and Stakeholder Management	Projects	Remuneration and Talent Management

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

The Chair of each Committee reports to the Board following each Committee meeting, allowing the Board to understand and, if necessary, discuss matters in detail and consider the Committee's recommendations.

The terms of reference for each Committee are available on the Company's website at www.antofagasta.co.uk.

Key responsibilities

The key responsibilities of each Committee and their focus areas for 2020 are set out on page 118.

CEO and Executive Committee

The Board has delegated day-to-day responsibility for implementing the Group's strategy and fostering the corresponding organisational culture to the Company's CEO, Iván Arriagada.

Mr Arriagada is not a Director of the Company but is invited to attend all Board and Committee meetings and is supported by the members of the Executive Committee, each of whom has executive responsibility for his or her respective function.

Mr Arriagada chairs the Executive Committee.

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

The Executive Committee leads the annual budgeting and planning processes, monitors the performance of the Group's operations and investments, evaluates risk, and establishes internal controls, promoting the sharing of best practices across the Group.

Subcommittees of the Executive Committee

Operating Performance Review	Business Development	Disclosure	Ethics	Project Steering

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

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

Following the introduction of the EU Market Abuse Regulation, the Board adopted its current Disclosure Procedures Manual and delegated to the Disclosure Committee primary internal responsibility for identifying information that may need to be disclosed to the market and for managing the disclosure of such information.

Board and Committee information flows

1. Chairman agrees agenda with Directors
The Chairman maintains an agenda of standing topics to be considered by the Board each year, which is then supplemented, during the year, with agreed key topics and events requiring consideration.

2. Papers circulated in advance of meetings
Materials are sent to Board and Committee members a week in advance of each meeting.

Each presentation has a summary sheet setting out the objective, background, proposal, justification, risk analysis and next steps. Materials include the CEO's report, which is an open and candid summary of his views on evolving strategic challenges, changes in risk assessments and emerging issues, as well as the management report with detailed information on the Group's performance against key safety, health, environmental, community, financial, project development and organisational culture indicators.

3. Board and Committee meetings
Each Board and Committee meeting has one or more short sessions without management present to allow Directors to set expectations for the meeting and to reflect on and evaluate the meeting's progress. The CEO provides timely updates to the Board on emerging issues, and executives present to the Board and its Committees on operating and development matters, allowing close interaction between Board members and a wide range of executive management.

4. Minutes prepared, circulated and approved
The Company Secretary minutes all Board and Committee meetings, which are circulated and reviewed by the Board and management, updated as necessary, and tabled for approval.

5. Action lists prepared and updated as key actions are implemented
The Board and each Committee maintain their own action list that is reviewed at the beginning of each meeting to ensure that Directors' enquiries and concerns are clearly identified and addressed in a timely manner.

6. Information between meetings
Between Board meetings, Directors receive flash reports with monthly and year-to-date production and financial results, including key metrics in respect of safety, health, environmental and community relations performance, ensuring that the Board is regularly updated on the Group's progress. Occasionally, Directors may receive general information on the commodity markets and additional reports highlighting key developments in the Group's exploration, projects, business development and innovation activities.

The Group's management team, led by Iván Arriagada, performs an essential role in ensuring that the Board has the information required to make effective decisions, reporting in real time on the implementation of the Group's strategy and the Company's performance.

Board activities

Strategic vision

The Board's activities in 2020 addressed the challenges posed by the COVID-19 pandemic, protecting the health and safety of the workforce and local communities while ensuring operational continuity. In addition, the Board provided oversight on the pursuit of the Group's strategy, timely confronting critical issues and advising management in the development of strategic priorities and plans, seeking to align with the values of the Group and the best interests of our stakeholders.

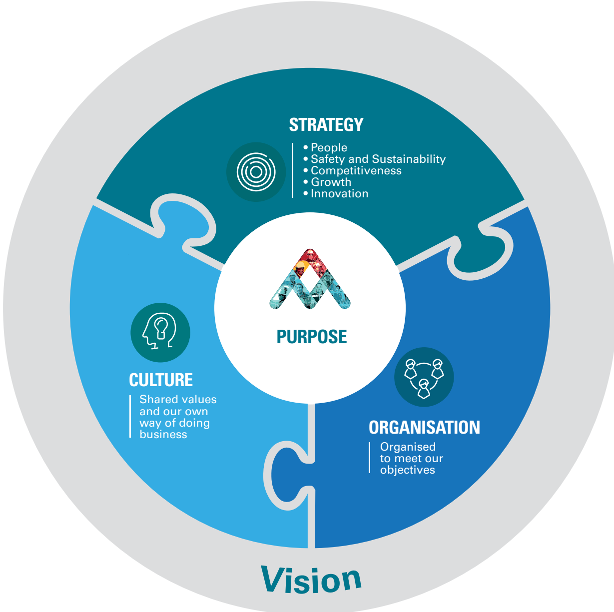
Our strategic framework

The COVID-19 pandemic has tested not only the flexibility of our organisation, but also the resilience of our strategy and governance framework. As we have faced the daily challenges of the pandemic, we have strengthened our commitment to Developing Mining for a Better Future as the purpose that mobilises us and gives meaning to everything we do.

We seek to continue as an international mining company based in Chile, focused on copper and its by-products, known for its operating efficiency, creation of sustainable value, high profitability and as a preferred and reliable partner in the global mining industry.

We want to generate an inclusive culture, with key values shared by all. We have a Code of Ethics and our own way of doing things, while managing our risks. To achieve this, we rely on the capacity and talent of our workforce and our flexible organisation allows us to overcome current and future challenges, as shown during the current COVID-19 pandemic.

Below are examples of how the Board's activities in 2020 have furthered the Group's strategy.



COVID-19 pandemic

- Met fortnightly between March and September to monitor developments and support management in addressing challenges arising from the COVID-19 pandemic with particular focus on safety and health, people, sustainability and stakeholder management, project development and operational continuity.
- Approved a $6 million fund to aid neighbouring communities including the provision of health infrastructure and medical equipment.
- Approved a special early retirement plan for employees at high risk during the pandemic.

Culture

- Monitored the performance of the operations and projects to understand the progress on developing the Group's culture, particularly concerning safety and health.
- Oversaw the continued implementation of the Group's strategic framework, including the Group's culture.
- Monitored progress on the implementation of the Group's Diversity and Inclusion Strategy. Reviewed the Group's gender pay gap analysis.
- Monitored the implementation of behavioural guidelines which connect specific expected behaviours to the Group's culture.
- Reviewed workforce engagement survey results and meetings with representatives of the Group's labour unions.

Governance and engagement

- Reviewed Board and Executive Committee succession plans. Each Director withdrew from any meeting when his or her own position was being considered.
- Appointed Tony Jensen to the Board.
- Approved changes to the membership of several of the Board Committees.
- Reviewed Director independence.
- Reviewed Directors' conflict of interest declarations.
- Reviewed and approved requests by Directors to undertake additional external appointments.
- Reviewed Committees' terms of reference.
- Oversaw the implementation of key recommendations arising from the 2019 external and 2020 internally facilitated Board effectiveness reviews.
- Monitored feedback from investors and proxy agencies regarding the Group's corporate governance arrangements.
- Reviewed the results of a perception study on the views of existing and potential shareholders, and bank equity research analysts.
- Reviewed and approved the Group's Human Rights Policy.

Internal controls, risk management and compliance

- Reviewed the risk management system's maturity level.
- Reviewed principal and emerging risks and updated the Group's risk appetite statements, which are aligned with the Group's strategic pillars, approving statements for three new risk areas: climate change, tailings, and "black swan" events such as the COVID-19 pandemic.
- Reviewed and updated the Group's risk matrix, materialised risks and risk mitigation.
- Reviewed budgets for initiatives designed to mitigate material identified risks.
- Reviewed half-yearly compliance reports.
- Reviewed results of the Group's whistle-blowing processes and approved adjustments to standardise investigations and add additional resources.
- Approved changes to the Group's compliance and crime prevention models.

Financial and performance reporting

- Approved the Group's 2019 full-year and 2020 half-year results and corresponding announcements.
- Proposed the dividends paid to shareholders during 2020.
- Reviewed and approved going concern and viability statements.

Our strategy is structured around five pillars each with defined short- and medium-term goals to enable us to achieve our purpose.

People

People are central to our business. We want our employees to feel recognised and to have the maximum opportunities for personal and professional growth. We seek to generate a culture of diversity and inclusion in which our employees can achieve their full potential. Our goal is to be the best employer in the mining industry in Chile. To achieve this, we understand the importance of creating an environment of trust and collaboration that looks to the long term.

- Approved a "New Ways of Working" project to facilitate flexible on-site, home-based and hybrid working arrangements following the pandemic, with the goal of creating a more flexible and adaptable organisation.
- Reviewed the annual talent management exercise, including succession plans for the Executive Committee.
- Monitored progress on the implementation of the Group's Diversity and Inclusion Strategy.
- Monitored labour relations at the Group's mining and transport operations and reviewed the results of collective bargaining negotiations.
- Monitored the implementation of behavioural guidelines which connect specific expected behaviours to the Group's culture.
- Monitored the impact of the civil unrest in Chile, including contingency measures to protect the Group's workforce.

Safety and Sustainability

The safety and health of our employees and contractors is non-negotiable. We are committed to achieving zero fatalities at our operations and continuing to reduce the number and seriousness of accidents and occupational health issues. We view sustainability as a source of value creation that is an integral part of our decision-making processes.

- Reviewed and approved the implementation of COVID-19 protocols aimed at protecting the Group's workforce and neighbouring communities.
- Reviewed and monitored the Group's safety and health performance.
- Reviewed the Group's compliance with environmental commitments.
- Continued to monitor the independent review of tailings dam safety and assessed them versus the ICMM's standard.
- Continued to monitor the progress of local community interactions at Los Pelambres.

Competitiveness

Our key focus as regards competitiveness is to achieve productivity gains through cost control and streamlining our processes.

- Monitored results of the Group's Cost and Competitiveness Programme, including estimated future savings.
- Approved key procurement and sales contracts.
- Reviewed and monitored the Group's financial and operating performance.
- Reviewed and approved the Group's copper concentrate and copper cathode sales strategy.
- Reviewed and approved the Company's inaugural $500 million corporate bond issuance and the refinancing of its $500 million corporate loan.

Growth

We have a portfolio of growth projects that allows us to remain competitive and develop sustainable operations in the long term.

- Reviewed execution progress on the Los Pelambres Expansion project.
- Reviewed execution progress on the Zaldívar Chloride Leaching and Esperanza Sur projects.
- Reviewed progress on the Centinela Second Concentrator project.
- Reviewed progress on the Twin Metals Minnesota project.
- Reviewed development and exploration activities, including business development opportunities.
- Reviewed progress on the Group's material Environmental Impact Assessments.
- Reviewed and approved the acquisition and divestment of mining properties in Chile.
- Reviewed and approved the Group's budget and long-term price assumptions.
- Reviewed and approved the base case and development case for the Group's assets.
- Reviewed and approved the Group's 2021 budget.
- Reviewed the Group's reserves and resources statements.
- Reviewed the progress of proposed legislation which could affect the Group.

Innovation

We innovate as a means of improving social, environmental and economic performance while, at the same time, delivering strong returns for our shareholders. Innovation is key to improving productivity and efficiency and promoting growth, especially in the medium and longer term.

- Stewarded progress on the Group's portfolio of innovation initiatives.
- Reviewed progress on the implementation of the Group's digital transformation programme.
- Reviewed and approved Centinela's remote operations centre project.
- Monitored construction progress for the Zaldívar Chloride Leaching project.
- Reviewed and approved the purchase of an autonomous haulage system for Centinela's Esperanza Sur pit.

Stakeholder engagement

Engaging with stakeholders to make decisions for a better future

The Group maintains ongoing dialogue with stakeholders to understand their expectations and concerns and these views are considered in the Board's deliberations. A description of the Group's key stakeholders, their importance to the long-term success of the Group and the key initiatives that are in place to recognise their interests and concerns is set out in detail within the Strategic Report on pages 34-61.

Further details on the Board's workforce engagement mechanisms are set out on pages 110-111. Two principal 2020 Board decisions are explained here with an explanation of how the views of key stakeholders were taken into account.

Principal Board Decision: 2019 Final Dividend

In May 2020, recognising the significant challenges and uncertainties relating to the spread of COVID-19 both globally and in Chile, the Board took the decision to revise its original March 2020 recommendation in respect of the 2019 final dividend by reducing the recommended dividend by 16.3 cents per share (or a total of $160.7 million). Although the Group entered the period of economic and operating uncertainty brought about by the COVID-19 pandemic in a strong financial position, the Board considered that revising the 2019 final dividend recommendation would preserve cash within the Company and balance its responsibilities towards all stakeholders, including the Company's employees, contractors, communities, suppliers, customers and broader Chilean civil society. Although the total dividend payout for 2019 was equal to a 35% payout of net earnings, in line with the Company's dividend policy, this decision was not taken lightly given the Group's long history of returning surplus cash to shareholders.

Stakeholder considerations, and the factors set out in section 172(1), were therefore at the heart of the decision-making process. As part of its decision-making the Board had regard to the different interests of stakeholders but with an overarching focus, as required by section 172(1), on acting in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole. Among other things, the likely consequences in the longer and near term of the decision to revise its recommendation in respect of the 2019 final dividend were key considerations for the Board.

How the Board considered, and had regard to, the interests of key stakeholders and the requirements of section 172(1)

The decision to revise its recommendation in respect of the 2019 final dividend was taken following extensive discussions between the Board and management.

- In advance of the decision, the Board was regularly updated on discussions with the Group's employees, contractors, communities, suppliers and customers to understand the difficulties they were facing as well as the impact and potential impact of the COVID-19 pandemic on broader Chilean civil society.
- The Board considered the rapid increase in the number of new COVID-19 cases in Chile in the period immediately preceding the Board's decision, the Chilean Government's decision to impose a total quarantine over the Greater Santiago area two days before the dividend was due to be approved and the additional uncertainty this created around the impact on the Company's operations and the potential restriction on the ability to move its workforce to and from its operations.
- The uncertainty of the medium- and longer-term impact of COVID-19 on the global economy, economic outlook and the Group were taken into consideration.
- The Board considered market developments including the actions of other FTSE 350 companies across different sectors.
- The expectations of shareholders and the impact of any decision on them were a key consideration for the Board, with a view to balancing investor priorities given the Group's strong track record of returning surplus cash to shareholders, with maximising cash preservation given the unprecedented uncertainty.
- The sentiment of, and matters of interest to, employees, contract workers and local communities were frequently communicated to the Board given the paramount importance of health, safety, well-being and morale and their perception of the Company's handling of the COVID-19 pandemic.
- Updates on supplier performance were also taken into consideration given their vital role in enabling the Company to continue to execute its business model.

Following discussion with the Board, the Group also took the decision to support local communities in the province of Choapa and the Antofagasta region by establishing a $6 million fund to buy medical supplies and equipment needed by healthcare workers to fight the COVID-19 virus, create facilities for people to stay in if they needed to be quarantined, and to sterilise public spaces and create safe places. Further details can be found on pages 36 and 48.

Following the Group's resilient performance in the second half of the year, the Board has subsequently recommended a 2020 final dividend of $48.5 cents per share in respect of the 2020 financial year. Further details can be found on pages 91-92 and 153.

Principal Board Decision: Los Pelambres Expansion project

During the year, consistent with the Company's purpose of Developing Mining for a Better Future, the Board oversaw a decision to adjust the scope of the Los Pelambres Expansion project to enable the future expansion of the desalination plant currently under construction to 800 l/s, double the original 400 l/s design. After more than 20 years of operating in the Choapa province, this change will pave the way for Los Pelambres to stop using water from the Choapa River and wells located nearby and increase its sea and recirculated water use to 95% of total consumption from 2025. Los Pelambres, which currently has environmental authorisation to extract water from the Choapa River until 2035, has worked for years with its neighbours and the authorities on the water management of the Choapa Valley. This work will continue with the aim of promoting the sustainable use of available water, with priority being given to strengthening rural drinking water systems for human consumption.

Stakeholder considerations, and the factors set out in section 172(1), were central to the decision-making process. As part of its decision-making the Board had regard to the different interests of stakeholders but with an overarching focus, as required by section 172(1), on acting in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole. Among other things, the likely consequences of the decision in the long term were key considerations for the Board.

How the Board considered, and had regard to, the interests of key stakeholders and the requirements of section 172(1)

The decision to adjust the scope of the Los Pelambres Expansion project to enable future expansion of the desalination plant was taken following extensive discussions between the Board and management.

- In advance of the decision, the Board was regularly updated on the views of the nearby communities and authorities to understand the difficulties that they were facing relating to water availability in the Choapa Valley.
- The Board also considered the changes that have occurred in the Choapa province and the region over the last 20 years, and particularly in the last 10 years when a persistent drought caused by climate change, together with the increase in the population and productive activities, brought significant water stress to the area.
- In making this decision, the Board had regard to the need to foster the Group's business relationships with suppliers, employees and contractors as the decision to adjust the scope of the project formed part of a detailed review of the project's execution schedule and costs. These costs included costs associated with the restrictions due to COVID-19 following the project's original suspension and restart some 120 days later.
- The investments proposed by Los Pelambres will be presented to the Chilean Environmental Impact Assessment System (SEIA) and will include consultations with local communities and the authorities. The progress on these consultations will be reported to the Board as they progress.
- The planned initiatives will require significant investment by the Group in the province of Choapa over the next 10 years, estimated at approximately $1 billion and creating up to 2,000 new jobs during construction. The Board took into consideration that working with the communities and authorities would help the region and the country overcome the social and economic crisis generated by COVID-19.
- The expectations of shareholders and the impact of any decision were key considerations for the Board, in ensuring that Los Pelambres will be able to secure the water it requires while also advancing studies to extend the life of the mine beyond 2035, when its current environmental permits expire.

Further details can be found on pages 67 and 75.

Employee engagement

Monitoring and understanding the changing views of our workforce

Mining is a long-term business and timescales often run into decades. Our relationships with our stakeholders are central to our long-term success and to our purpose of developing mining for a better future. The Group's governance structures include a network of arrangements to ensure that the views and interests of stakeholders, including our employees and contractors, are represented in the boardroom and considered as part of the Board's deliberations.

The Group maintains strong relations with its workforce based on trust, continuous dialogue and favourable working conditions. The Board has carefully considered and thoroughly reviewed the mechanisms that are in place to allow the Board to understand the views of the Group's workforce. Ultimately, the Board has decided not to adopt any of the three workforce engagement mechanisms that are recommended in the Code. The Board considers that adopting any of these mechanisms would interfere with the effective, structured and formal combination of mechanisms that the Board already has in place.

The Group's workforce comprises 23,000 people. More than 99% are in Chile and more than 50% come from communities in the Antofagasta and Coquimbo regions, where all of the Group's operating companies are located. Approximately 29% of the workforce are Group employees and 71% are contractors or subcontractors.

Approximately 75% of the Group's employees are unionised. This number is close to 100% at the operator level. The Group maintains ongoing dialogue with labour unions and all key issues are raised with, and discussed by, the Remuneration and Talent Management Committee and the Board.

The Group has established control mechanisms to ensure that contractors and subcontractors, who are often members of their own labour unions, meet the Group's standards and guidelines on labour, environmental, social and ethical matters and adopt good practices with regard to safe workplaces and quality employment. Contractors and subcontractors receive the same protections as the Group's employees under Chilean labour law and the Group requires contractors to pay their employees ethical wages at least two thirds higher than Chile's legal minimum and to provide other basic benefits including life and health insurance. These protections are reinforced through bank guarantees and contractors and subcontractors are subject to regular audits by independent third parties to ensure full compliance with these standards.

Below is a selection of the workforce engagement mechanisms that the Board currently has in place:

- In ordinary circumstances, Directors visit the Group's operations individually or in small groups throughout the year where they engage informally with the workforce. Impressions and views arising from these visits are reported to the Board and related questions are raised with the management team. Although site visits were not possible during 2020 due to the COVID-19 pandemic, the Board received fortnightly updates with

23,000

Total Group's workforce approximately

99%

Are based in Chile

50%

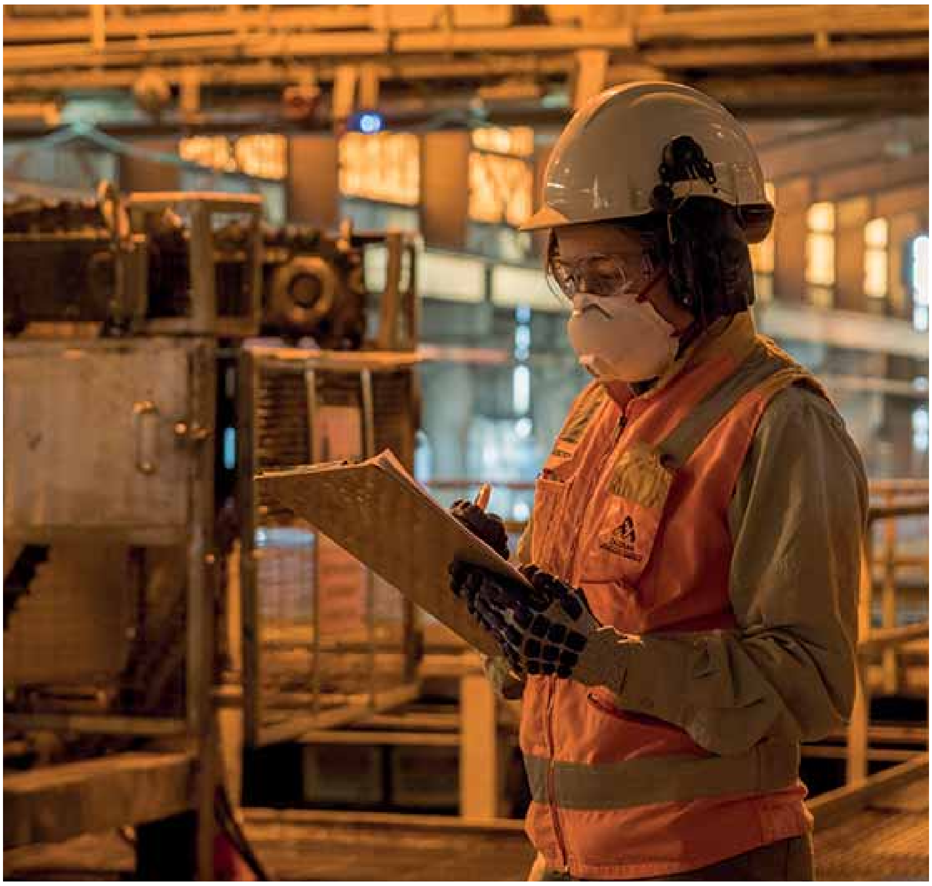
Come from communities in the Antofagasta and Coquimbo regions

"Thanks to our employees' and contract workers' resilience and innovation, the past 12 months were defined not by the unprecedented challenges we faced, but our responses to them."

Jean-Paul Luksic
Chairman

a focus on the safety of employees and contractors between March and September and site visits will recommence as soon as conditions allow.

- Labour relations matters and the feedback from labour negotiations are reported directly to the Board and the Remuneration and Talent Management Committee throughout the year and typically form a key part of the CEO's general update to the Board.
- The CEO, Vice President of Operations, Vice President of Human Resources and the General Managers and HR Managers of each relevant operation meet with unions at least annually to share relevant information and listen to concerns and suggestions, the results of which are shared with the Remuneration and Talent Committee and the Board.
- Group-wide employee engagement surveys are conducted every two or three years. These surveys are conducted by independent third parties on behalf of the Group and results are reported to the Remuneration and Talent Management Committee and the Board.
- More targeted and specific ad hoc workforce surveys are conducted and/or face-to-face focus groups are convened throughout the year in relation to specific areas of interest such as the Group's response to the COVID-19 pandemic and employee wellbeing, the Diversity and Inclusion Strategy and the employee value proposition. The results of these activities are overseen by the Executive Committee and reported to the Remuneration and Talent Management Committee and the Board.
- The workforce is engaged in the design and development of programmes that impact culture or have a high impact on working conditions. In 2020 this resulted in the Board approving the implementation of the New Ways of Working project (see extract).
- The Group's workforce is encouraged to report any concerns to the Ethics Committee through the confidential whistleblowing hotline. Reports may be made anonymously, and all reports are investigated and reported to the Audit and Risk Committee and the Board.



New Ways of Working project

During 2019 the Remuneration and Talent Management Committee and the Board oversaw the development of a new employee Total Rewards Programme which was designed with the input of employees through working groups and staff surveys to enable the Group to provide the flexibility required by a changing workforce. This includes a flexitime system to allow employees to fit working hours around their individual needs, giving them more flexibility, particularly as regards shifts, and allows them to take up to a year off work for family or other reasons.

As a consequence of the COVID-19 pandemic, fully flexible working arrangements were implemented simultaneously across the Group to meet health and safety requirements. The implementation of these arrangements demonstrated not only that remote and flexible working arrangements are feasible for the Group, but demonstrated increased productivity, while creating stronger engagement as well as supporting the Group's Diversity and Inclusion Strategy, attracting talent and allowing for better work-life balance. The Board received regular feedback on views and experiences of employees during the pandemic through regular staff surveys and town hall events hosted by the CEO where questions were asked and feedback provided directly by employees. This feedback was used to design the Group's New Ways of Working Project which will facilitate permanent flexible on-site, home-based and hybrid working arrangements following the pandemic, with the goal of creating a more flexible and adaptable organisation. The design and subsequent approval of this project was reviewed, overseen and approved by the Board. The experience of our employees will continue to be monitored through the use of surveys and town hall events during 2021.

Directors' biographies

A diverse Board with wide-ranging experience

Biographical details for each Director standing for re-election at the 2021 AGM are set out below. All Directors have confirmed that their other commitments do not prevent them from devoting sufficient time to fulfilling their roles, and the Board acknowledges that the skills and experience gained by the Directors from these external appointments are of benefit to the Group. Additional external appointments cannot be undertaken without the prior approval of the Board. The availability of Directors to attend the significant number of ad hoc informal meetings in response to the challenges arising from the COVID-19 pandemic throughout the year demonstrated that all Directors are able to devote sufficient time to fulfilling their roles. Ages are as at the date of the 2021 AGM.

Jean-Paul Luksic

NG

Chairman, 56

Independent: No

Appointed to the Board: 1990

Appointed Chairman: 2004 (Non-Executive since 2014)

Over 30 years' experience with Antofagasta, including responsibility for overseeing development of the Los Pelambres and El Tesoro (Centinela Cathodes) mines

Previous roles

- Chairman of Consejo Minero, the industry body representing the largest mining companies operating in Chile
- CEO of the Group's Mining division

Current positions

- Member of the board of Consejo Minero
- Non-Executive Director of Quiñenco SA and Quiñenco group listed companies Banco de Chile and Sociedad Matriz SAAM SA
- Member of the board of Centro de Estudios Públicos, a not-for-profit academic foundation in Chile

Ollie Oliveira

AR PC NG

Senior Independent Director, 69

Independent: Yes

Appointed to the Board: 2011

Appointed Senior Independent Director: 2016

Chartered accountant, management accountant and economist with over 35 years of strategic and operating experience in the mining industry and corporate finance

Previous roles

- Senior executive positions within the Anglo American group, including Executive Director Corporate Finance and Head of Strategy and Business Development of De Beers SA
- Director and audit committee chairman of Dominion Diamond Corporation

Current positions

- Director, senior independent director, nomination committee chairman and audit and risk committee and remuneration committee member of Polymetal International plc
- Director and audit and management engagement committee member of BlackRock World Mining Trust plc

Ramón Jara

PC ST

Non-Executive Director, 68

Independent: No

Appointed to the Board: 2003

Lawyer with considerable legal and commercial experience in Chile

Previous roles

- Partner, Jara del Favero Abogados
- Director of Empresa Nacional del Petróleo (ENAP)

Current positions

- Chairman of Fundación Minera Los Pelambres (charitable foundation)
- Director of Fundación Andrónico Luksic A (charitable foundation)
- Member of the Advisory Council of Centro de Estudios Públicos, not-for-profit academic foundation in Chile
- Member of the board of the Centre of Arbitration of the Chilean Chamber of Commerce

Juan Claro

ST

Non-Executive Director, 70

Independent: No

Appointed to the Board: 2005

Extensive industrial experience in Chile, including an active role representing Chilean industrial interests nationally and internationally

Previous roles

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

Current positions

- Chairman of Embotelladora Andina SA (Coca Cola) and Energía Coyanco SA
- Director of Melón SA and Agrosuper SA
- Member of the board of Centro de Estudios Públicos, not-for-profit academic foundation in Chile
- Country adviser, Goldman Sachs

Andrónico Luksic C

Non-Executive Director, 67

Independent: No

Appointed to the Board: 2013

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

Current positions

- Chairman of Quiñenco SA and of Compañía Cervecerías Unidas SA; Vice Chairman of Banco de Chile and Compañía Sudamericana de Vapores SA, all of which are listed companies in the Quiñenco group
- Director of Nexans SA, a company listed on NYSE Euronext Paris
- Director of Sociedad de Fomento Fabril (Chilean Industrial Council)
- Member of the International Business Leaders Advisory Council of the Mayor of Shanghai, the International Advisory Council of the Brookings Institution, the International Advisory Board of Barrick Gold Corporation, the Advisory Board of the Panama Canal and the Chairman's International Advisory Council of the Council of the Americas

Key to Committees

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

Antofagasta plc Directors' Board meeting attendance[1]

	Number attended		Number attended		Number attended
Jean-Paul Luksic	10/10	Tim Baker[2]	4/4	Francisca Castro	10/10
Ollie Oliveira	10/10	Andrónico Luksic C	8/10	Michael Anglin	10/10
Ramón Jara	10/10	Vivianne Blanlot	10/10	Tony Jensen[3]	9/9
Juan Claro	10/10	Jorge Bande	10/10		

1. In addition to scheduled Board meetings, the Board met fortnightly between March and September to monitor developments and support management in addressing the challenges arising from the COVID-19 pandemic. All Directors attended a significant majority of these meetings.
2. Tim Baker did not stand for re-election at the 2020 AGM.
3. Tony Jensen joined the Board on 13 March 2020.

Vivianne Blanlot
ST RT NG

Non-Executive Director, 66

Independent: Yes

Appointed to the Board: 2014

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

Previous roles
- Executive Director of the Comisión Nacional de Medio Ambiente (Chile's Environmental Agency)
- Undersecretary of the Comisión Nacional de Energía (Chile's National Energy Commission)
- Chile's Minister of Defence
- Director of Scotiabank Chile
- Member of Consejo para la Transparencia (Transparency Council), the Chilean body responsible for enforcing transparency in the public sector

Current positions
- Director of Empresas CMPC SA, a pulp, paper and packaging company listed in Chile
- Director of Colbún SA, an energy company listed in Chile
- Director of Instituto Chileno de Administración Racional de Empresas (ICARE), a business think tank in Chile

Jorge Bande
AR ST PC

Non-Executive Director, 68

Independent: Yes

Appointed to the Board: 2014

Economist with over 40 years' experience in the mining, energy and water industries in Chile

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

Current positions
- Director of CESCO
- Director of NextMinerals SA
- Director of Circular Mining Company
- Professor of the International Postgraduate Programme in Mineral Economics at the University of Chile
- Member of the Advisory Council of the School of Economics and Business at the University of Chile

Francisca Castro
AR RT

Non-Executive Director, 58

Independent: Yes

Appointed to the Board: 2016

Commercial engineer with over 25 years' experience in industry, including mining, energy, finance and public/private infrastructure projects in the United States and Chile

Previous roles
- Executive Vice-President of Strategic Business at Codelco
- General Co-ordinator of Concessions at Chile's Ministry of Public Works
- Held various roles within Chile's Finance Ministry and the World Bank, Washington DC
- Member of the independent Technical Panel of Chile's Public Works Concessions

Current positions
- Member of the Chilean Pension Funds Risk Classification Committee
- Director of SalfaCorp SA
- Director of the Fraunhofer Chile Research Foundation

Michael Anglin
RT PC

Non-Executive Director, 65

Independent: Yes

Appointed to the Board: 2019

Mining engineer with over 30 years' experience in base metals, including the development, construction and operation of large-scale mining operations in the Americas.

Previous roles
- Vice President Operations and Chief Operating Officer of BHP Base Metals
- Director of EmberClear Corp

Current positions
- Chairman of SSR Mining Inc
- Adviser to THEMAC Resources Group Limited
- Director of Tulla Resources, Australia

Tony Jensen
RT ST AR

Non-Executive Director, 59

Independent: Yes

Appointed to the Board: 2020

Mining engineer with over 35 years of mining experience in the United States and Chile in operational, financial, business development and management roles.

Previous roles
- Director of Golden Star Resources Limited
- President, CEO and director of Royal Gold Inc
- Mine General Manager of the Cortez joint venture in Nevada and in treasury, business development, and a wide range of other operating roles with Placer Dome in the USA and Chile

Current positions
- Director of Black Hills Corporation
- Member of the University Advisory Board for the South Dakota School of Mines and Technology

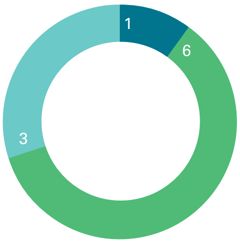
Board balance and skills

A well-balanced Board

The Board comprises 10 Directors with a broad and complementary set of technical skills, educational and professional experience, nationalities, personalities, cultures and perspectives.

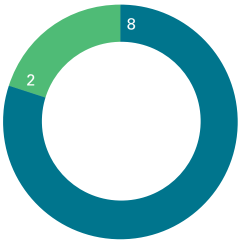
Board balance

Independence[1]



- Chairman
- Independent
- Non-Independent

Gender diversity[2]

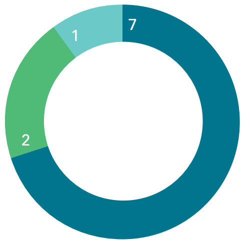


- Male
- Female

Tenure

- 1-5 years
- 6-10 years
- 10+ years

Nationality[3]



- Chile
- USA
- UK

1. The Board reviews the independence of Directors annually. The Board has carefully considered the independence of all Directors and is satisfied that Ollie Oliveira continues to be independent notwithstanding that the ninth anniversary of his appointment was in October 2020. In reaching this conclusion, the Board has taken into account:
   - the entirely Non-Executive composition of the Board which is designed to promote independent oversight, and constructive challenge, of management;
   - that there are no circumstances that are likely to impair, or (other than his tenure) circumstances that could appear to impair, Mr Oliveira's independence;
   - that Mr Oliveira's character and the manner in which he performs his role clearly demonstrate independent thought and judgement; and
   - that in accordance with the Board and Committee succession plan, Mr Oliveira will be handing over the roles of Senior Independent Director and Audit and Risk Committee Chairman to an Independent Non-Executive Director in the coming months – a transition of roles that was due to take place before the 2021 AGM but that was delayed due to the COVID-19 pandemic.

   In the meantime, Mr Oliveira will continue as Senior Independent Director and Audit and Risk Committee Chair and will offer himself for re-election as an Independent Non-Executive Director at the 2021 Annual General Meeting. No other factors set out in Code Provision 10 apply to the Company's Independent Directors.
2. The Board's Nomination and Governance Committee continues to work with an independent external search consultancy to identify potential female candidates that could provide an important contribution to the Board in the future and the Board intends to make a further appointment before the Company's 2022 AGM. Further details on the Board's diversity policy can be found on pages 120-122.
3. The Company has met the Parker Review target and in 2020, more than half the Board identified as being from an ethnic minority background according to the criteria in the Parker Review survey. As noted throughout this Annual Report, the Group's footprint is primarily in Chile where ethnicity profiles and representation in society differ significantly from those in the UK. Nevertheless, the Board recognises that the mining industry is international and the Board therefore includes several Directors from outside Chile in support of its vision and strategy.

Board skills matrix

Director	Independence	CEO experience	Mining industry experience	Mining operations experience	Board governance	Financial	Legal	Executive compensation	Latin American experience	UK market	Project management	Sustainability	Energy experience	Government relations	Communication
Jean-Paul Luksic		✓	✓		✓	✓		✓	✓	✓	✓			✓	
Ollie Oliveira	✓	✓	✓		✓	✓		✓	✓	✓	✓			✓	✓
Ramón Jara			✓		✓	✓	✓		✓			✓	✓	✓	✓
Juan Claro		✓			✓			✓	✓			✓	✓	✓	✓
Andrónico Luksic C		✓			✓	✓		✓	✓					✓	✓
Vivianne Blanlot	✓				✓			✓	✓			✓	✓	✓	✓
Jorge Bande	✓	✓	✓		✓	✓		✓	✓		✓	✓	✓	✓	✓
Francisca Castro	✓		✓		✓	✓		✓	✓		✓		✓	✓	
Michael Anglin	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓		
Tony Jensen	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓

Board roles and responsibilities

The Group's CEO, Iván Arriagada, is not a Director, which reflects law and practice in Chile[1]. Despite this, interaction between the Board and executive management is as expected between Non-Executive Directors and management in a typical UK-listed company. The Board considers that there are considerable benefits associated with having a Board comprising exclusively Non-Executive Directors. Not only does it provide a broad range of perspectives, but it also encourages robust debate with, and independent oversight of, the Group's executive management.

Non-Executive Chairman
Jean-Paul Luksic

Leads the Board and ensures its effectiveness in all aspects of its duties.

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

Senior Independent Director
Ollie Oliveira

Provides a sounding board for the Chairman and supports the Chairman in the delivery of his objectives as required.

- Where necessary, acts as an intermediary between the Chairman and the other members of the Board or the CEO.
- Acts as an additional point of contact for shareholders, focusing on the Group's governance and strategy, and gives shareholders an alternative means of raising concerns other than with the Chairman or senior management.

Independent Non-Executive Directors
Ollie Oliveira
Michael Anglin
Jorge Bande
Vivianne Blanlot
Francisca Castro
Tony Jensen

Ensure that no individual or small group of individuals can dominate the Board's decision-making.

- Meet the independence criteria set out in the UK Corporate Governance Code.[2]
- No connection with the Group or any other Director which could be perceived to compromise independence.
- Provide a range of outside perspectives to the Group and encourage robust debate with, and challenge of, the Group's executive management.

Non-Executive Directors
Juan Claro
Ramón Jara
Andrónico Luksic C

Provide a range of outside perspectives to the Group and encourage robust debate with, and challenge of, the Group's executive management.

- The Board does not consider these Directors to be independent because they do not meet one or more of the independence criteria set out in the UK Corporate Governance Code.[3]
- Ensure that no individual or small group of individuals can dominate the Board's decision-making.

CEO
Iván Arriagada

Leads the implementation of the Group's strategy set by the Board.

- Manages the overall operations and resources of the Group.
- Leads the Executive Committee and ensures its effectiveness in all aspects of its duties.
- Provides information and makes recommendations to the Board regarding the Group's day-to-day activities and long-term plans.

Executive Committee members

+ See pages 116-117 for more information

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

- Support the CEO in the implementation of the Group's strategy set by the Board.

Company Secretary
Julian Anderson

Ensures that Directors have access to the information they need to perform their roles.

- Provides a conduit between Board and Committee communications and a link between the Board and management.
- Advises the Board on corporate governance and supports the Board in applying the Code and complying with the UK listing regime and obligations.

The division of responsibilities between the Chairman, the CEO, and the Senior Independent Director is recorded in writing and is available on the Company's website at www.antofagasta.co.uk.

1. This is consistent with practice in Chile where local law prohibits CEOs of listed companies from being directors of those companies. The CEO and CFO are invited to attend all Board meetings, the CEO is also invited to attend all Board Committee meetings and there is regular formal and informal dialogue between management and the Board.
2. The Board has carefully considered the independence of all Directors and is satisfied that Ollie Oliveira continues to be independent notwithstanding that the ninth anniversary of his appointment was in October 2020. The factors taken into account by the Board in reaching this conclusion are set out on page 114.
3. Ramón Jara provides advisory services to the Group. Andrónico Luksic C is the brother of Jean-Paul Luksic, the Chairman of the Company, and is Chairman of Quiñenco SA and Chairman or Director of Quiñenco's other listed subsidiaries. Jean-Paul Luksic is also a Non-Executive Director of Quiñenco and some of its listed subsidiaries. Like Antofagasta plc, Quiñenco is controlled by a foundation in which members of the Luksic family are interested. Ramón Jara and Juan Claro have served on the Board for more than nine years from the date of their first election.

Executive Committee and General Managers' biographies

A strong and effective management team

Iván Arriagada
BD D P

CEO appointed in 2016

Joined the Group in 2015
- Commercial engineer and economist with over 20 years' international experience in the mining, and oil and gas industries

Previous roles
- Chief Financial Officer at Codelco
- Various positions at BHP Billiton, including President of Pampa Norte (Spence and Cerro Colorado), Vice President Operations and Chief Financial Officer of the Base Metals division
- Almost 20 years' experience with Shell in Chile, the United Kingdom, Argentina and the United States

Mauricio Ortiz
BD E D P

CFO appointed in 2020

Joined the Group in 2015
- Electrical engineer and two Master of Science degrees (Metals and Energy Finance and Electrical Engineering) with 15 years' experience in the energy, mining and railway industries

Previous roles
- General Manager at FCAB (Transport division)
- Business Development Manager at Antofagasta Minerals
- Finance Manager at Codelco – Chuquicamata
- Business Development Principal at Rio Tinto plc, London
- Various operating project roles at BHP Billiton

Hernán Menares
OP P

Vice President of Operations appointed in 2011

Joined the Group in 2008
- Mining engineer and mineral economist with over 35 years' experience in mining

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

Ana María Rabagliati
E

Vice President of Human Resources appointed in 2013

Joined the Group in 2013
- Human resources specialist with a degree in Business Administration, with more than 25 years' experience in international companies across a range of industries, including financial services, industrial, and oil and gas

Previous roles
- Corporate Human Resources Manager at Masisa SA
- Country Human Resources Vice President at Citigroup Chile
- Human Resources Manager at Lafarge Group in Chile
- Various positions across several divisions and areas at Shell, including Human Resources Manager at Shell Oil Latin America's lubricants business

Gonzalo Sánchez

Vice President of Sales appointed in 2004

Joined the Group in 1996
- Civil engineer with over 25 years' experience in marketing and metals hedging

Previous roles
- Deputy Commercial Director, Antofagasta Minerals SA
- Copper sales at Codelco

Francisco Walther
P

Vice President of Projects appointed in 2018

Joined the Group in 2007
- Mining engineer with over 25 years' experience in mining operations and engineering at open pit and underground mines

Previous roles
- Corporate Project Manager at Antofagasta Minerals SA
- Project Director of Reko Diq
- Director of Codelco's Chuquicamata underground mine project
- Head of engineering for Codelco's Mansa Mina (Ministro Hales) project

René Aguilar
E P

Vice President of External Affairs and Sustainability appointed in 2017

Joined the Group in 2017
- Industrial psychologist with 20 years' experience in mining, including in sustainability, safety, human resources and corporate affairs

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

Patricio Enei
E D P

Vice President of Legal appointed in 2014

Joined the Group in 2014
- Lawyer and MBA, with over 20 years' experience in mining, including roles at some of the largest international copper companies operating in Chile

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

Andrónico Luksic L BD

Vice President of Development appointed in 2015

Joined the Group in 2006

- Business administrator with broad mining experience in sales, exploration, business development and general management

Previous roles

- Corporate Manager in the Mining division
- Director, Antofagasta Minerals Toronto Office
- Various positions at Banco de Chile

Andrés Hevia

Vice President of Strategy and Innovation appointed in 2020

Joined the Group in 2006

- Civil mining engineer and MBA with over 35 years' experience in mining

Previous roles

- Consultant and director of various mining companies
- Positions at Minera Escondida including Head of Planning and Development and Vice President of Mining
- General Manager of São Bento Mineração in Brazil and Vilacollo in Chile

Katherina Jenny

General Manager – FCAB (Transport division) appointed in 2019

Joined the Group in 2016

- Mining engineer and MBA, with over 15 years' experience in mining

Previous roles

- Safety and Health Manager at Antofagasta Minerals
- Productivity and Costs Manager and Safety Manager at Codelco
- Various roles at BHP Billiton, including mine planning, safety and health and environment

Key to Committees

- OP Operating Performance Review Committee
- BD Business Development Committee
- E Ethics Committee
- D Disclosure Committee
- P Project Steering Committees

Mauricio Larrain

General Manager – Los Pelambres appointed in 2017

Joined the Group in 2017

- Civil mining engineer and Master of Science (Mineral Economics) with over 25 years' experience in mining

Previous roles

- General Manager at Codelco's El Teniente Division
- Operations Manager at El Teniente
- Mine Planning Corporate Manager at Codelco
- Various positions at Codelco and Los Pelambres

Carlos Espinoza

General Manager – Centinela appointed in 2020

Joined the Group in 2010

- Civil mining engineer and MBA, with over 25 years' experience in mining

Previous roles

- Planning and Development Manager at Centinela
- Head of Mining Operations at Centinela
- Operations Manager at Michilla
- Planning positions at Minera Escondida and Minera Spence

Leonardo Gonzalez

General Manager – Antucoya appointed in 2015

Joined the Group in 2015

- Civil mining engineer and MBA, with 25 years' experience in mining

Previous roles

- General Manager at Zaldívar
- Operations Manager at Zaldívar
- Mining Superintendent at Minera Doña Inés de Collahuasi

Julio César Castillo

General Manager – Zaldívar appointed in 2020

Joined the Group in 2016

- Civil metallurgic engineer, with 25 years' experience in mining.

Previous roles

- Operations Manager at Los Pelambres
- Planning and Development Manager at Los Pelambres
- Planning positions at Codelco

Introduction to the Committees

Board committees that ensure focus

The Board's Committees ensure that Board deliberations are focused on key issues and that proposals are submitted after specialist review, thorough debate, and rigorous challenge.

Each Committee provides a forum to allow the views and perspectives of stakeholders to be discussed, so that they are represented in the Board's deliberations.

Nomination and Governance Committee

Key responsibilities

- Corporate governance framework
- Succession planning for the CEO and the Board
- Board and Committee composition
- Nomination to the Board
- Board effectiveness reviews

Focus areas for 2020

- Succession planning for Board and Committee roles
- Board Committee composition
- Monitoring shareholder feedback on Governance

+ See page 119 for more information

Audit and Risk Committee

Key responsibilities

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

Focus areas for 2020

- Monitoring the impact of the COVID-19 pandemic on the Group's internal controls, audit and risk management capabilities.
- Managing the transition to a new PwC lead audit partner from 2020 onwards.
- Assisting the Board with updates to the Group's risk appetite assessment.

+ See page 124 for more information

Sustainability and Stakeholder Management Committee

Key responsibilities

- Policies and commitments
- Safety and health
- Community relations
- Environmental and social matters
- Stakeholder engagement

Focus areas for 2020

- Overseeing measures to protect the health and safety of employees, contract workers and local communities in response to the COVID-19 pandemic.
- Endorsing key policies for the Group's long-term sustainable success relating to tailings management, climate change, human rights, environmental and social matters.

+ See page 129 for more information

Projects Committee

Key responsibilities

- Oversight of project standards, guidelines, and best practices
- Project development lifecycle matters
- Project reviews
- Lessons learned from completed projects

Focus areas for 2020

- Monitored progress in the execution of the Los Pelambres Expansion and Zaldívar Chloride Leach projects, including revisions due to the COVID-19 pandemic.
- Reviewed an updated water strategy for Los Pelambres including a proposal to double desalinated water capacity to 800 l/s.

+ See page 132 for more information

Remuneration and Talent Management Committee

Key responsibilities

- Remuneration governance
- Directors' remuneration
- Executive remuneration
- Group pay structures
- Talent management and succession planning for the Executive Committee
- Employee engagement
- Talent retention
- Diversity and inclusion

Focus areas for 2020

- Determining the application of the Group's executive remuneration framework in response to the COVID-19 pandemic.
- Considering feedback from shareholders in relation to the 2020 Directors' and CEO Remuneration Policy that was approved at the 2020 AGM.
- Monitoring the development and endorsing for Board approval, the New Ways of Working project.

+ See page 134 for more information

Preparing for the future

"The Committee supports the Board in ensuring that effective governance structures are in place and that the Board and its Committees have the appropriate balance of skills, experience and knowledge to effectively respond to the challenges of the future."

Jean-Paul Luksic
Chair of the Nomination and Governance Committee

2020 Membership and meeting attendance

	Number attended
Jean-Paul Luksic (Chair)	3/3
Tim Baker[1]	2/2
Vivianne Blanlot[2]	2/2
Ollie Oliveira	3/3

1. Tim Baker did not stand for re-election at the 2020 AGM.
2. Vivianne Blanlot joined the Committee on 1 February 2020.

- Other regular attendees included the CEO and the Company Secretary.
- The Committee meets as necessary and at least twice per year.
- Except for the Chairman, all Committee members are independent.

Key responsibilities

The Nomination and Governance Committee supports the Board in ensuring that the Group has effective governance structures in place and that the Board and its Committees are appropriately staffed and operate effectively. The Committee identifies qualified individuals to join the Board, recommends any changes to the Board and Committee composition and monitors an annual process to assess Board effectiveness.

This involves:

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

Key activities in 2020

Corporate governance

- Monitored the fulfilment of the new requirements, principles and expectations of the Code.
- Reviewed Directors' declarations on potential conflicts of interest.
- Reviewed requests by Directors to undertake additional appointments.
- Reviewed the Governance section of the 2019 Annual Report and recommended it to the Board for approval.
- Reviewed the 2020 Notice of AGM.
- Reviewed arrangements for the 2020 AGM in response to the COVID-19 pandemic.
- Reviewed feedback from investors and proxy advisers on the shareholder resolutions tabled at the 2020 AGM.
- Reviewed the effectiveness of the Group's workforce engagement mechanisms.

Succession planning

- Reviewed and endorsed detailed succession plans for the Board and its Committees.
- Reviewed and endorsed the succession plan for the Senior Independent Director.
- Reviewed updated succession plans for the CEO.
- Continued to provide input to the Remuneration and Talent Management Committee in relation to succession plans for the Executive Committee (excluding the CEO) and the Group's diversity and inclusion programme.

Board and Committee composition

- Reviewed the independence of all Directors, making recommendations to the Board.
- Monitored the global search carried out by Spencer Stuart for an Independent Non-Executive Director.
- Interviewed and considered potential Board candidates.
- Recommended that Tony Jensen be appointed to the Board and to the Audit and Risk Committee, and subsequently to the Remuneration and Talent Management and Sustainability and Stakeholder Management Committees.
- Recommended that Vivianne Blanlot join the Nomination and Governance Committee and step down from the Audit and Risk Committee.
- Recommended that Ramón Jara join the Sustainability and Stakeholder Management Committee.
- Reviewed and endorsed updates to the Board's skills matrix.

Board effectiveness reviews

- Oversaw the implementation of recommendations arising from the 2019 external evaluation of Board and Committees' performance.
- Carried out the 2020 internal evaluation of the Board and Committees' performance.

Diversity, inclusion and succession planning

Q. What is the scope of the Board's succession planning?

The Board's succession plan is reviewed formally at least once per year and addresses Board size, Committee structure and composition, skills on the Board, Board and Committee members' tenure, independence of Directors, diversity (including gender), Board roles, Board policies and individual succession plans for all Board and Committee positions. Succession plans include contingency plans in the event of an unexpected departure, medium-term plans for orderly replacement of current Board members and long-term plans linking strategy with the skills needed on the Board in the future.

Q. How does the Board identify desirable skills for new Board candidates?

The Board maintains a Board skills matrix and the Committee reviews the balance of skills, experience and expertise at least annually. This process enables the Board and the Committee to identify the desirable skills required of new Board candidates and to instruct search firms to identify the candidates who fit these criteria when making new appointments to the Board.

Q. What steps does the Committee take to identify and appoint new Directors?

The Committee discusses relevant profiles for future appointments and potential candidates, taking into account the results of Board effectiveness reviews, as shown on page 123, the Group's vision and strategy, as shown on pages 18-19 and 106-107, the Board's diversity policy (below) and the core competencies and areas of expertise on the Board, as shown on page 114. When making new appointments of Directors to the Board, the Committee has appointed independent external search consultancies, who do not have any connection to the Group, to assist with searches for Board candidates. During 2019 and 2020 the Committee appointed Spencer Stuart to assist with the search for new independent Non-Executive Directors. Spencer Stuart were briefed on the skills and experience of the existing Directors and were asked to identify potential candidates who would best meet a number of criteria, including relevant experience, skills, leadership capabilities, contribution to Board diversity and whether they had sufficient time to devote to the role. Members of the Committee interviewed short-listed candidates and collectively selected Tony Jensen to be recommended to the Board for appointment in 2020.

Q. What support does the Company provide to facilitate induction and assist with professional development?

Induction

New Directors receive a thorough induction on joining the Board. This includes meetings with the Chairman, other Directors, the CEO and Executive Committee members; briefings on the Group's strategy, UK corporate governance, operations, projects, and exploration activities; and visits to the Group's operating companies.

Continuing personal development

Directors receive an annual briefing on governance, legal, regulatory, and market developments that are relevant to directors of UK-listed companies, complemented by discussions on Board-related matters.

Directors have access to, and are encouraged to regularly attend, round-table discussions, seminars and other events that cover topics relevant to the Group and their role.

Resources

The Company provides Directors with the necessary resources to maintain and enhance their knowledge and capabilities.

All Directors have access to management and to such information as they need to discharge their duties and responsibilities fully and effectively.

Directors are also entitled to seek independent professional advice concerning the affairs of the Group at the Company's expense.

Q. What is the Board's position in relation to diversity?

The Board's Diversity and Inclusion Policy reflects the Board's belief in the benefits of diversity and that more diverse companies attract and maintain the best talent and achieve stronger overall performance. The Board considers a broad definition of diversity when setting policies and appointing Directors, including gender, disability, nationality, educational and professional experience, personality type, culture and perspective.

The Committee has worked hard to ensure that the Board is suitably diverse according to these criteria. The Board reviews its effectiveness in meeting diversity goals each year as part of the annual Board evaluation process.

As noted throughout this Annual Report, the Group's current activities are focused in Chile. The Company has met the Parker Review target and in 2020, more than half the Board identified as being from an ethnic minority background according to the criteria in the Parker Review survey. As noted throughout this Annual Report, the Group's footprint is primarily in Chile where ethnicity profiles and representation in society differ significantly from those in the UK. Nevertheless the Board recognises that the mining industry is international and the Board therefore includes several Directors from outside Chile in support of its vision and strategy. It is important for overall Board effectiveness that potential candidates are proficient in Spanish and it is preferable for candidates to have relevant mining or extractive industry experience.

Gender diversity is a fundamental pillar of the Group's diversity and inclusion strategy and the Board recognises and supports the important work performed by the Hampton-Alexander Review in pursuing a 33% target for women, on FTSE 350 boards and on executive committees and their direct reports by the end of 2020.

“The Board believes in the benefits of diversity and that more diverse companies attract and maintain the best talent and achieve stronger overall performance.”

Two of the five Board appointees since 2014 have been women and the Board actively seeks to increase female representation beyond the current level, while ensuring that appointments continue to be made on merit.

As at the date of this report, there are two women on our Board of ten Directors. Vivianne Blanlot joined the Board in 2014 and has chaired the Board's Sustainability and Stakeholder Management Committee since January 2017. Francisca Castro joined the Board in 2016 and has chaired the Board's Remuneration and Talent Management Committee since May 2019.

The two most recent searches performed in 2019 and 2020 were targeted towards identifying candidates with mining operations experience (to cover the valuable skill set of a departing Director) and recent and relevant financial experience (to succession plan for the role of chair of the Audit and Risk Committee in the future). Searches were instructed to access the widest possible talent pool and as has been the case for many years, instructions were given to specifically identify potential female candidate. By way of example, for the most recent appointment in March 2020, several hundred potential candidates were considered as part of a global search, from which a short list of seven were interviewed, four of whom were female. Although it was not possible to appoint a female candidate for this or the previous appointment, the Group is committed to developing a pipeline of diverse talent for the future.

The Board's Nomination and Governance Committee continues to work with an independent external search consultancy to identify potential female candidates that could provide an important contribution to the Board in the future and the Board intends to make a further appointment before the Company's 2022 AGM.

Although we were unable to meet the 33% target by the end of the year, we are committed to increasing the percentage of women on our Board, in senior management positions and importantly, in the Group's workforce. We believe that this will support the Group, the industry and Chile in achieving a better position to be able to increase the percentage of women in leadership roles.

Q. What policies are in place to promote a diverse pipeline of talent for the future?

The Group is committed to developing a pipeline of female talent that will serve to widen the pool of female candidates for Board and leadership positions in the future. This is a responsibility that the Group is leading in Chile, where female participation in the workforce remains well behind more developed economies such as the United Kingdom.

In 2019, we sponsored the creation of a Chilean chapter of the 30% Club, the campaign launched in the UK in 2010 to foster gender balance on companies' boards and in senior management positions. To further promote diversity at the Executive Committee level and below, the current diversity and inclusion strategy was approved following an in-depth exercise to assess whether the Group's then existing diversity and inclusion model was appropriate, which included interviews with stakeholders, a benchmarking exercise and a comprehensive review of the Group's policies and processes. This review identified structural impediments that needed to be addressed to achieve a sustained improvement in the Group's diversity and inclusion model and these issues were addressed in the first years following approval of the new strategy.

Metrics associated with the development of the diversity and inclusion strategy form part of the Group's annual bonus plan and formal talent management and succession planning exercise and performance is assessed by the Remuneration and Talent Management Committee at the end of each year. The Remuneration and Talent Management Committee is responsible for succession planning for the Executive Committee which allows for ongoing monitoring of the impact of the diversity and inclusion strategy on appointments that are made and their progress within the Company, including at the level of those who report to the Executive Committee.

As part of the Diversity and Inclusion strategy, female senior executives have been appointed to the boards of all our operating companies and we have two women in the wider 15-member Senior Management team; the General Manager of our Transport division and our Vice President of Human Resources.

Historically it has been difficult for the mining industry to attract female talent and this has also been the case in Chile. However, we are pleased to report that this is beginning to change and the Group has committed to doubling the percentage of women in the Group's workforce by 2022, compared with the 2018 baseline and for these improvements to be embedded, sustained and improved upon from that point. The gender balance of the Group's Executive Committee and direct reports is set out on page 43. In 2018, 8.6% of the Mining division's workforce were women and by the end of 2020 this figure had increased to 14.7%, compared with 8.5% on average for the Chilean mining industry, with women in supervisory roles (the level immediately below management) now at 23.4%. To track this metric, progress is reported monthly to the Executive Committee and in order to achieve this goal, we have

Nomination and Governance Committee report continued

50%

of new recruits into the Mining Division in 2020 were female

19/20

places were filled by women on the Group's 'Young Graduates' programme to develop future executives

taken steps to create more opportunities for women to work at our operating companies which are our largest employers but where the challenge of attracting female talent has been particularly acute.

In our Mining division, female recruitment has included apprentice programmes specifically for women and the launch of a relief workers programme under which residents of local communities are employed to cover breaks during mining shift work, such as lunch periods. This programme provides opportunities mainly for women, but also for other residents who, for family reasons, are unable to work a full shift.

In our Transport division, we launched a programme in 2018 to incorporate women into maintenance roles, and this has now been expanded to other parts of the division.

We are also promoting the professional development of women currently working in both our Mining and Transport divisions. This has led to, for example, a 61% increase in the number of women in the talent pool since 2018, inviting more than 120 women to participate in coaching, leadership and mentoring programmes and enrolling 23 women in the "Promociona" programme, a local initiative that supports women in reaching senior leadership positions. Similarly, we have also sponsored the participation of four of our women in the Inter-American Development Bank Programme that empowers, makes visible and strengthens the leadership skills of women with high potential in the mining industry.

Importantly, we acknowledge that culture is equally important in this matter and we have therefore implemented a set of actions and programmes to strengthen an inclusive culture that encompasses unconscious bias training, work-life balance measures, and sexual harassment and domestic violence prevention and information campaigns. To assure their inclusiveness and "no bias", human resources processes, such as recruitment and the individual performance management system have been reviewed and adjusted.

These initiatives are producing the desired results. In 2020, a record 50% of new recruits into the Group's Mining division were female, adding 356 women to our workforce. Apprentices account for a large share of this success. Of the 91 apprentices hired by Centinela during 2020, 87 were women and at Los Pelambres, all 35 apprentices in the mine and concentrate areas are women. As part of their induction, gender-specific coaching is being provided to the apprentices as well as operators and line managers at the sites.

A total of 19 female candidates out of 20 places were also selected to take part in the Group's Young Graduates programme, which is aimed at people with the potential to take on executive roles.

The Board will continue to monitor developments in 2021.

Jean-Paul Luksic
Chair of the Nomination and Governance Committee

Board effectiveness review

During 2020, the Committee oversaw an internal evaluation of the Board and its Committees, focusing on the areas identified in the 2019 externally facilitated evaluation. Led by the Senior Independent Director, the other Directors also met without the Chairman present to evaluate the Chairman's performance. The Chairman evaluated the performance of Directors and, facilitated by the Company Secretary, the Chairman and the Senior Independent Director also monitored the gap closure plan addressing the improvement areas identified in the 2019 external review.

In accordance with the Code, the Board undertakes an externally-facilitated effectiveness review at least once every three years. In 2019, the effectiveness review was facilitated by an external consultant, Clare Chalmers, who is independent and has no other connection with the Group. Ms Chalmers interviewed Directors and Executive Committee members who regularly attend Board and Committee meetings. She also observed a Board meeting, visited Chile twice and participated in a safety leadership site visit to Los Pelambres. The review was designed to recognise and raise key themes identified collectively by the Directors and for the Directors to reflect on how these themes should be addressed going forward. Ms Chalmers discussed her report initially with the Chairman and the Senior Independent Director and then presented it to the full Board in October 2019. Based on Ms Chalmers' report, the Directors were satisfied that the Board and its Committees operated effectively in 2019.

Ms Chalmers highlighted the Board's strengths as its diversity, the experience and balance of skills of the Directors, its collegiate working environment, and the contribution of each Director at meetings. The Group's strong safety culture and relations with local communities were also highlighted as key strengths. Recommended opportunities for further improvement were also highlighted which formed the basis for a gap closure plan facilitated by the Company Secretary and monitored by the Chairman and the Senior Independent Director. At the end of 2020 an internal evaluation of the Board and its Committees was carried out to monitor progress and identify further opportunities for improvement using a targeted anonymous survey of Directors.

The COVID-19 pandemic had a significant impact on the Board's activities and processes in 2020 as meetings were held virtually from April. The Board and Committee meeting schedule was also adjusted to accommodate fortnightly Board update calls with management to monitor developments and support management in addressing the challenges arising from the COVID-19 pandemic.

In the 2020 internal Board and Committee effectiveness review, Directors highlighted how recommendations made in the 2019 external review had been addressed in spite of the challenges associated with the pandemic. They recommended adjustments to the standing Board and Committee meetings schedule to allow for some Board and Committee meetings to be held virtually following the pandemic and highlighted strategic topics that should be tabled for discussion in 2021. They also suggested prioritising activities such as site visits that should be undertaken as soon as circumstances allow.

A further internal Board and Committee effectiveness review will be undertaken in 2021 to monitor progress, identify further opportunities for improvement and prepare for an externally facilitated review in 2022.

Jean-Paul Luksic
Chair of the Nomination and Governance Committee

2019

The external review focused on evaluating the following key areas:

- Board focus and prioritisation
- alignment of the Company's purpose, strategy, values, and culture with its vision
- the nature and quality of the information and support provided by management to the Board
- the visibility of the Board within the organisation
- the interests of shareholders and stakeholders
- the composition of the Board and its Committees, including balance of skills, size, succession, and dynamics
- the Chairman's leadership

2020

The Board focused on a number of areas to improve its, and its Committees', effectiveness:

- greater strategic scene-setting in executive summaries provided to the Board before Board meetings to ensure that appropriate time is spent on strategic discussions
- the requirement for more information to be presented to the Board in relation to talent management and succession planning
- continuing to keep diversity targets in mind regarding the appointment of women to Board and Executive Committee positions
- paying special attention to emerging risks

2021

The Board will focus on a number of areas to improve its, and its Committees', effectiveness:

- increase knowledge of market developments and peers' initiatives
- continue to keep diversity targets in mind regarding the appointment of women to Board and Executive Committee positions
- the need for Directors to visit each of the Group's operations at least once a year after the lifting of COVID-19 travel restrictions
- complete the formal induction process for Tony Jensen after the lifting of COVID-19 travel restrictions
- maintain some dedicated virtual meetings during the year
- maintain the practice of co-ordinating ad hoc sessions to cover specific key issues that are under discussion during the year

Audit and Risk Committee report

Focusing on controls

"The Audit and Risk Committee is focused on ensuring the Group has strong financial controls and risk management. This was particularly important in 2020 as we monitored the impact of the COVID-19 pandemic."

Ollie Oliveira
Chair of the Audit and Risk Committee

2020 Membership and meeting attendance

	Number attended
Ollie Oliveira (Chair)	6/6
Jorge Bande	6/6
Vivianne Blanlot[1]	5/5
Francisca Castro	6/6
Tony Jensen[2]	5/5

1. Vivianne Blanlot stepped down from the Committee on 18 August 2020.
2. Tony Jensen joined the Committee on 13 March 2020.

- Other regular attendees included representatives from PricewaterhouseCoopers (PwC), the Group's external auditor, the CEO, the CFO, the Group Financial Controller, the Head of Internal Audit, the Head of Risk, Compliance and Internal Control, and the Company Secretary.
- Committee members participate in the other Board Committees, allowing the Committee to consider the full spectrum of risks faced by the Group.
- The Committee meets as necessary and at least twice a year.
- All Committee members are independent.
- All Committee members are considered to have recent and relevant financial experience.
- The Committee as a whole has significant experience relevant to the mining sector.

Key responsibilities

The Audit and Risk Committee assists the Board in meeting its responsibilities relating to financial reporting and control and risk management. The Committee's main responsibilities cover:

- monitoring the overall financial reporting process, which includes responsibility for reviewing the year-end and half-year financial reports
- overseeing the external audit process and managing the relationship with PwC, the Group's external auditor
- reviewing and monitoring PwC's independence and objectivity
- overseeing internal audit, including monitoring and reviewing the effectiveness of the Group's internal audit function, plans, processes and findings
- assisting the Board with its responsibilities in respect of risk management, including reviews of the Group's risk appetite and key risks
- monitoring the performance of the Group's compliance and crime prevention models

Key activities in 2020

Financial reporting

- Reviewed the 2019 year-end and 2020 half-year financial reports, focusing on significant accounting issues relating to the Group's results.
- Reviewed the Group's 2019 reserves and resources statement and corresponding audits. Reviewed highlights of the 2020 statement.
- Assisted the Board in ensuring that the 2019 Annual Report was fair, balanced and understandable.
- Reviewed the 2020 going concern and long-term viability statements.
- Reviewed the Group's tax position, including the effective tax rate, recovery of tax refunds and tax-disallowed expenses.

External audit

- Reviewed and approved the 2020 audit plan, including fees.
- Assessed the effectiveness of the external audit process.
- Approved an update to the policy on the independence of the Group's external auditors and reviewed PwC's independence.
- Monitored PwC's audit partner transition plan.
- Reviewed the key audit findings in respect of the 2019 audit and reviewed PwC's progress reports.

Internal audit

- Reviewed key findings from the internal audit reviews conducted during 2020.
- Reviewed the quality, experience and expertise of the internal audit function, confirming its suitability to the business.
- Agreed the scope and focus areas for the 2021 internal audit plan.

Risk and internal control

- Assisted the Board with its assessment of the Group's key risks and its review of the effectiveness of the risk management and internal control processes.
- Assisted the Board in updating the Group's risk appetite assessment, including the incorporation of a new risk area.
- Conducted detailed reviews with General Managers of each of the Group's operations, covering the operations' key risks.
- Reviewed the activities undertaken during the year to further develop the maturity of the Group's risk management processes.
- Reviewed the Group's insurance strategy.
- Reviewed an action plan to address the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

Compliance

- Reviewed the Group's whistleblowing arrangements, including details of the most significant reports and actions taken, along with plans to strengthen the function.
- Reviewed the process to identify and manage Group employees' potential conflicts of interest.
- Reviewed the due diligence process conducted in respect of the Group's suppliers.
- Reviewed the Group's Compliance model, crime prevention manual and reporting structure.
- Monitored the functioning of the Group's crime prevention model, in accordance with Chilean and UK anti-corruption legislation.
- Reviewed the Committee's terms of reference.

Ensuring effective risk management

Q. What were the key areas of focus for the Committee in 2020?

As noted throughout this Annual Report, the COVID-19 pandemic generated a range of health, operational and financial challenges for the Group during the year. As a Committee, we sought to ensure that the travel and social distancing restrictions due to the COVID-19 pandemic and ensuing remote working arrangements did not reduce the robustness of the external and internal audit functions, internal control and risk management capabilities and results.

In terms of financial reporting, given the copper price volatility during 2020, we have monitored the potential impact on the carrying value of the Group's assets. We have also worked closely with PwC during the transition to our new lead audit partner.

With risk management, we assisted the Board with updating the Group's risk appetite assessment, including the incorporation of a new risk area covering external threats with low probability and high consequence (the so called "black swan" events), as well as reviewing the ongoing process to further develop the maturity of our risk management processes.

Financial reporting

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

The Committee reviews the year-end financial statements and half-year financial reports, and ensures that the key accounting policies, estimates and judgements applied in those financial statements are reasonable.

We also monitor the overall financial reporting process to ensure it is robust and well-controlled. This includes ensuring that the Group's accounting and finance function is adequately resourced, with the appropriate segregation of duties and internal review processes, that the Group's accounting policies and procedures are appropriate and clearly communicated, and that the Group's accounting and consolidation systems operate effectively.

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

The Committee reviews the ore reserves and mineral resources statement included in the Annual Report and reviews the corresponding reserve and resource independent audits.

We also review the going concern basis adopted in the financial statements, as well as the detailed long-term viability statement in the Annual Report.

The Committee reviews the Group's tax position, including the effective tax rate, the status of the recovery of tax refunds, tax-disallowed expenses and the impact of any regulatory changes.

Q. What were the significant accounting issues in relation to the financial statements considered by the Committee during 2020?

The main accounting issues we considered were:

- Asset valuations: we have considered and concluded that there are no indicators of impairment (or reversal of previous impairments) at the Group's operations. Accordingly, we have not performed any impairment reviews in respect of the Group's assets at the 2020 year end. However, in order to assess the sensitivities of the indicative valuations of the Group's mining operations, and to make appropriate disclosures within the financial statements in respect of this, an indicative valuation and sensitivity analysis has been performed. As part of this analysis, we considered the appropriate copper price forecasts to use in these indicative valuation models, with reference to the forward curve as at 31 December 2020 and consensus analyst forecasts of the long-term copper price. We have also reviewed the key operating assumptions in the indicative valuation models. We also reviewed the additional sensitivity disclosures specifically considering the potential impact of climate change on the Group's assets.
- Hornitos disposal: we reviewed the impact of the Group's agreement to dispose of its 40% interest in the Hornitos coal-fired power station, which resulted in an impairment of the investment in associates' balance.
- COVID-19 costs: we have reviewed the impact of COVID-19 on the Group's operating and capital expenditure.
- Provision for decommissioning and restoration costs at the Group's mining operations: we have reviewed updated mine closure provisions. These are important balances in terms of their value, and there is also a significant inherent level of estimation involved in the calculation of the provision balances, both in terms of the exact nature of the decommissioning and the restoration activities which will be required, and the future cost of those activities. We have also reviewed changes to the financial parameters used in calculating the provision balance.
- Inventories: we have reviewed relevant aspects of the valuation and control over the Group's inventory balances in close co-ordination with PwC considering the restrictions on travel due to COVID-19.

External audit

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

The Committee is responsible for overseeing the Company's relationship with PwC, the Group's external auditor. The Committee approved Simon Morley as the new lead audit partner and monitored the transition from Jason Burkitt, the previous lead audit partner, which has been seamless. I have been able to establish an effective direct relationship with Simon Morley.

The Committee reviews and approves the scope of the external audit, the terms of engagement and fees. The Committee monitors the effectiveness of the audit process and we are responsible for ensuring the independence of the external auditor. The Committee informs the Board of the outcome of the external audit and explains how the external audit contributes to the integrity of the Group's financial reporting. We also make recommendations to the Board in respect of the appointment, reappointment, or removal of the external auditor. The Committee formally meets with PwC without management present at least once a year.

"The Group's integrated risk management framework is a key tool in ensuring and measuring optimal performance and driving appropriate behaviour across the Group."

During 2020 we discussed in detail with PwC how to manage the external audit process considering the COVID-19 related restrictions. We are satisfied that PwC implemented an appropriate mix of remote checks and on-site reviews, preserving the robustness of the audit process.

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

PwC has been our external auditor for six years. We carried out a tender process during 2014, which resulted in PwC being appointed with effect from 2015 onwards. In line with relevant regulatory guidance, we expect to undertake a tender process in respect of the external audit at least every ten years which would see us complete a competitive tender process in 2024. This will allow the Committee to understand the capabilities and coverage that external audit firms can offer the Company and further promote the independence and objectivity of the external auditor by establishing a fixed date for tender which the Committee considers to be in the best interests of shareholders. As noted above, Jason Burkitt was the lead audit partner for five years from 2015 to 2019, and, in line with normal regulatory requirements has now rotated off the engagement, with Simon Morley assuming the role as lead audit partner from 2020 onwards.

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

The Committee considered the following factors as part of its review of the effectiveness of the external audit process during the year:

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

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

Independence and objectivity of the external auditor

The Committee monitors the external auditor's independence and objectivity in line with Group policy, which was updated in 2020.

New regulatory requirements apply from 2020 onwards in respect of prohibited non-audit services. The FRC issued an updated Ethical Standard which introduces a "white list" of specifically-permitted services, with all other services prohibited. Permitted services relate to specific activities which are required by law or regulation and a limited number of types of review or verification work, such as half-year reviews, verification of additional information contained within the Annual Report or cross-referenced from the Annual Report and work as a reporting accountant on transactions or debt issues. The provision of non-audit services is also subject to a cap such that the total annual fees from non-audit services may not exceed 70% of the average audit fee over the prior three years.

The issue of the $500 million bond in October 2020 required the Group to engage PwC to act as the reporting accountant for this transaction, work which is effectively required to be performed by the Group's auditor. The fees for this work were expected to exceed 70% of PwC UK's average audit fees over the past three years (although it was not expected to exceed 70% of the average total audit fees paid to PwC in total over this period). Accordingly PwC requested a waiver from the Financial Reporting Council in respect of this work prior to performing this work, which was granted.

A breakdown of the audit and non-audit fees is disclosed in Note 8 to the financial statements. PwC has provided non-audit services (excluding audit-related services) which amounted to $352,000, or 25% of the fees for audit and audit-related services. This related to the reporting accounting work for the bond issuance.

In general, where the external auditor is selected to provide non-audit services, it is because it has specific expertise or experience in the relevant area and is considered to be the most suitable provider. The Committee has reviewed the level of these services in the course of the year and is confident that the objectivity and independence of the auditor are not impaired by such non-audit work.

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

The Committee considers that PwC remained independent and objective throughout 2020.

The UK regulatory requirements in respect of competitive audit tendering and other related audit committee responsibilities in respect of the external auditor are set out in the Competition & Markets Authority's "The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014" ("the Order"). The Company has complied with the provisions of the Order during 2020.

Internal audit

Q. What are the Committee's main activities in relation to internal audit?

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

The Committee reviews and approves Internal Audit's work plan for the coming year, including its focus areas as well as budget, headcount and other resources. We ensure the plan has sufficient resources to allow for special reviews that may be required during the year.

We also monitor the resources available to the Internal Audit team so that it has an appropriate mix of skills and experience for the Group's businesses. Internal Audit utilises a mix of permanent team members, temporary secondees from elsewhere in the Group and third parties, particularly for areas such as IT-related reviews. The permanent team includes members with specific expertise in some of the most relevant areas for the Group, including mining technical experience, IT, risk, compliance, internal control and sustainability.

Internal Audit presents to the Committee summaries of the key findings from the reviews conducted during the year and any actions that have been taken or proposed. All Internal Audit reports, when finalised, are distributed to Committee members.

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

During 2020, Internal Audit performed most of its work remotely due to the COVID-19 pandemic. The Committee monitored the quality of the audit work and is comfortable that an appropriate controls environment has been maintained.

Risk management and internal control

Q. What are the Committee's main activities in relation to risk management and internal control?

The Committee plays an important role in assisting the Board with its responsibilities with regard to risk management and related controls. The Board has ultimate responsibility for overseeing the Group's emerging and principal risks and its risk appetite, as well as maintaining adequate control systems which were in place throughout the year and up to the date of this report. The Committee's terms of reference incorporate the FRC's Guidance on Risk Management and Internal control and the Board is satisfied that the Company's risk management and internal control systems accord with this guidance. In order to achieve our business objectives, internal control systems are designed to identify and manage, rather than eliminate, the risk of failure, but can only provide reasonable, not absolute, assurance against material misstatement or loss.

Q. What were the Committee's main activities in 2020 relating to risk?

We assisted the Board with its annual update of the Group's risk appetite assessment and assessment of emerging and principal risks. Emerging risks are identified through the reporting of events that have had an impact on the Group's operations and budgets during the year and whether and by how much the risk has impeded the budget for each risk mitigation objective and through a benchmarking review of emerging and principal risks that have been identified by our peers. During 2020 the Board added an additional risk category, covering external threats with low probability and high consequence (so-called "black swan" events) and approved updates to the risk appetite statements for Climate Change and Tailings.

The Committee reviewed the ongoing activities undertaken by the Group during the year to further develop the maturity of its risk management processes and to identify emerging risks. Key risks were updated and a consistency exercise was carried out at each of the operations. A new Enterprise Risk Management (ERM) system was implemented. Training on risk methodology and risk management was also carried out.

The Risk Management function presented to the Committee several times during the year on developments in the Group's risk management processes and Group-level strategic risks. The General Managers of the Group's operations presented to the Committee their assessments of their respective operations' key potential risks, trends, residual risks and any significant materialised risks as well as operational opportunities.

The analysis of emerging and principal risks includes an assessment of the significance of the risks based on the probability of the risk materialising and the potential impact of the risk, as well as an evaluation of the quality of the controls in place in respect of those specific risks. The evaluation of the potential impact is not limited to economic factors but includes issues such as safety, health, environmental, regulatory, community and reputational issues. We also examine whether those risks have been increasing or decreasing in significance and the budget for each risk mitigation objective to assist with the identification of emerging risks. The General Managers present their forecasts of any expected change in key risks over the coming 12 months. If there is a specific issue at one of the operations that requires more detailed understanding, we will ask the General Manager to attend the next meeting to discuss that issue. This direct interaction between the Committee and the General Managers is extremely valuable – not just in terms of the direct insight into each operation it affords the Committee, but also in allowing us to emphasise the importance we attach to strong risk management processes.

The Committee closely monitored the assessments relating to the COVID-19 pandemic during the year.

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

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

The Risk Management function presents directly to the Board, providing updates of the analysis of the Group's key risks and relevant developments in the risk management and compliance processes.

We try to ensure that the review of risk by the Board is not compartmentalised into isolated sessions but is integrated into everything that the Board considers. To this end, the operating update provided by the CEO to the Board at each meeting covers any significant materialised risks and each proposal presented to the Board incorporates an analysis of its impact on the principal risks.

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

Each year the Board, with the support of the Committee, reviews the effectiveness of the Group's risk management and internal control systems. The review covers all material controls, including financial, operating and compliance controls. The 2020 review confirmed the effectiveness of the Group's risk management and internal control systems with no significant failures or weaknesses being identified.

Members of the Audit and Risk Committee participate on the Nomination and Governance Committee, the Projects Committee, the Remuneration and Talent Management Committee and the Sustainability and Stakeholder Management Committee, allowing close co-ordination between these Committees in considering the full spectrum of risks faced by the Group.

Audit and Risk Committee, Board, and risk management function interaction

Board
The Chair of the Audit and Risk Committee reports to the Board following each Committee meeting, allowing a wider discussion of the risk and compliance issues reviewed in detail by the Committee. The Board also provides feedback on the analysis of emerging and principal risks for Board agenda items which is incorporated into the Board's review of the effectiveness of the Group's risk management and internal control systems.

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

General Managers of the operations
General Managers are responsible for the risks relating to their operation and give detailed presentations to the Committee at least once a year, including on each operation's emerging, principal and materialised risks.

The risk management function provides regular presentations covering changes in the Group's emerging and principal risks, major materialised risks, and updates on risk management and compliance processes.

Risk management function
There are detailed presentations at each Committee meeting covering the risk management process, significant whistleblowing reports, and updates on compliance processes and activities.

Compliance

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

The Committee ensures that appropriate compliance policies and procedures are observed throughout the Group. The risk management function makes regular presentations to the Committee covering developments in the Group's compliance processes and significant compliance issues. Chilean law requires the Mining division's holding company, Antofagasta Minerals S.A. and each of the operations to appoint a Crime Prevention Officer and the Committee makes recommendations regarding these appointments as well as monitoring and overseeing the performance of these roles. The Crime Prevention Officer for Antofagasta Minerals S.A. is currently Patricio Enei, the Legal Vice President.

The Committee receives reports from the risk management function in respect of the Group's crime prevention model, in accordance with Chilean and UK anti-corruption legislation.

Q. What were the Committee's main activities in 2020 relating to compliance?

The Committee reviewed the Group's whistleblowing arrangements, which encourage employees and contractors to raise concerns in confidence about possible improprieties or non-compliance with the Group's Code of Ethics. We received regular reports on reported whistleblowing incidents, detailing the number and type of incidents, along with details of the most significant issues and the actions resulting from their investigation.

The Committee reviewed proposed adjustments to standardise investigations, consolidate the centralised investigation model by adding specialists and external resources, and strengthening each operation's ethics committee.

We reviewed the process to identify and manage Group employees' potential conflicts of interest and the due diligence process conducted in respect of the Group's suppliers. We also reviewed the Group's compliance model and details of the compliance training undertaken by employees during the year. Additionally, updates to the Crime Prevention Manual were recommended to the Board for approval.

Ollie Oliveira
Chair of the Audit and Risk Committee

Helping ensure the Group's policies support long-term sustainable success

"We have maintained continuous dialogue with our stakeholders during this difficult year, closely monitoring the safety and health of our workforce and local communities and responding to the specific challenges of the pandemic as well as long-term issues such as climate change and ensuring that we continue to create social value."

Vivianne Blanlot
Chair of the Sustainability and Stakeholder Management Committee

2020 membership and meeting attendance

	Number attended
Vivianne Blanlot (Chair)	7/7
Jorge Bande	7/7
Juan Claro	6/7
Ramón Jara[1]	6/6
Tony Jensen[2]	4/4

1. Ramón Jara joined the Committee on 1 February 2020.
2. Tony Jensen joined the Committee on 18 August 2020.

- Other regular attendees included the CEO, the Vice President of External Affairs and Sustainability and the Company Secretary.
- Sessions were also regularly attended by Directors who were not Committee members.
- The Committee meets as necessary and at least twice per year.

Key responsibilities

- The Sustainability and Stakeholder Management Committee supports the Board in the stewardship of the Group's safety, health, environmental and social responsibility programmes and makes recommendations to the Board to ensure the views and interests of the Group's stakeholders are considered in the Board's deliberations
- The Committee reviews the Group's framework of safety, health, environmental, human rights and social policies, monitors the Group's performance in setting and meeting environmental, social, safety, and occupational health commitments and provides guidance on how the Company should reflect the views and interests of stakeholders in relation to potential projects and other business matters

Key activities in 2020

Policies and commitments

- Reviewed the Group's 2019 Sustainability Reports.
- Reviewed the environmental and social aspects of the Group's expansion projects at Los Pelambres and Centinela, including plans for Environmental Impact Assessments and citizen participation processes.
- Reviewed environmental matters relating to the Twin Metals project.
- Endorsed a Human Rights Policy, which was approved by the Board, and reviewed the results of the Human Rights due diligence exercise.
- Reviewed the Group's Tailings Management Policy which is aligned with ICMM's global tailings standard.
- Reviewed a proposal for the Group's mining operations to register with The Copper Mark, an assurance process for environmental, social and governance matters.
- Reviewed the Committee's terms of reference.

Safety and health

- Reviewed the Group's 2020 safety and occupational health performance and strategy and plans for 2021.
- Reviewed the Group's strategy and monitored the effectiveness of protocols in response to the COVID-19 pandemic.
- Monitored Group safety performance, including high-potential incidents.
- Reviewed the 2020 report issued by the independent technical review board appointed to advise the Group on the operation of its tailings storage facilities.

Community relations

- Reviewed the Group's Social Management Model.
- Monitored the implementation of a $6 million community support fund designed to provide healthcare equipment, community initiatives and economic support to local entrepreneurs and businesses during the COVID-19 pandemic.
- Reviewed the Group's Communications strategy and monitored results from the Group's communications activities.

Environment

- Reviewed environmental management reports.
- Reviewed environmental events and monitored mitigation steps.
- Reviewed environmental commitments related to the historical ownership of the Michilla mine.
- Reviewed and endorsed for Board approval the Board's climate change strategy.
- Reviewed jointly with the Projects Committee the environmental reviews required to address changes in the scope of the Los Pelambres Expansion project.
- Reviewed and endorsed a proposal to participate in the XPRIZE initiative to develop technology to minimise tailings generation.

Safeguarding the interests of our stakeholders

Q. What was the Committee's role in relation to the COVID-19 pandemic?

Along with the Board, the Committee played an important role in overseeing the development and implementation of the Group's strategy and protocols in response to the pandemic and monitored results regularly. The protocols that were implemented were designed to protect the safety and health of our employees, contract workers and local communities while facilitating operational continuity to support the livelihoods of some of our key stakeholders. Procedures that were implemented included office staff working from home, designated air and land transport services to and from the operations, the implementation of social distancing measures, strict personal and facilities hygiene measures, mandatory self-evaluations before entering the Group's facilities, thorough cleaning, physical separation in lodging facilities, a flu vaccination campaign and the provision of safe places to stay for members of the workforce requiring isolation or who needed to be cared for. Agreements were signed to support PCR testing and the evolution of COVID-19 cases in the communities close to the Group's operations continues to be closely monitored.

The Committee also monitored the implementation of a $6 million community support fund set up by the Group to address needs related to the COVID-19 pandemic. This fund has been used to deliver medical supplies, X-ray equipment, COVID-19 detection machines, ventilators, personal protective equipment and a healthcare programme with 1,500 beneficiaries. It has also been used to fund programmes to support educational initiatives and on-line digital training for over 360 teachers and to provide humanitarian aid to support local communities. The fund has also supported local entrepreneurs and local businesses. Further details are set out on pages 36 and 48.

Q. Did the pandemic compromise safety?

No, it did not. The robust processes in place to ensure safe operations, including the systematic and thorough application of safety standards and high levels of near-miss reporting for the full spectrum of risks continued throughout the year, resulting in the Group's strongest ever safety performance. The Group has operated for over two years without a fatality. In 2020, the Group had 86 high-potential near miss incidents, 60% fewer than in 2019. The Lost Time Injury Frequency Rate was 0.86, 15% lower than in 2019. The Total Recordable Injury Frequency Rate was 0.63, unchanged compared to 2019.

Q. How does the Committee ensure that the Board considers the views and interests of stakeholders?

Committee meetings provide a forum for the detailed discussion of many of the key issues that matter to our workforce (such as safety and health), local communities, national and local governments, regulators and other stakeholders. These issues are identified as part of the risk management and community engagement processes and are submitted by management to the Committee for review. Communicating with our stakeholders during difficult times has been key to strengthening mutual trust and understanding. We work hard to understand their interests and ensure that they understand our ambitious safety, occupational health, environmental, and social commitments. As Chair of the Committee, I report to the Board following each Committee meeting, summarising the main matters reviewed by the Committee.

Q. What were the key achievements overseen by the Committee during the year?

The Board places safety and health at the centre of its decision-making. The Committee has devoted a significant part of the year overseeing the development and implementation of a strategy and protocols in response to the pandemic and the further development of the Group's safety and occupational health programme and monitoring results as described above. In addition, the Committee also:

- oversaw the development of the Group's Human Rights Policy which was approved by the Board in 2020, and included a review of the results of the associated due diligence process. Having implemented this policy, the Group has fulfilled a commitment made when the Group joined the ICMM
- reviewed a Tailings Management Policy, aligned with ICMM's global tailings standard
- reviewed and endorsed a proposal to participate in the XPRIZE initiative with peers to develop technology to allow for zero waste mining in the future
- monitored the performance of the Social Management Model implemented in 2019 at both the Mining and Transport divisions, which introduced standards for engagement, management of initiatives, management of social risks and impact measurement of projects and programmes
- oversaw the management of environmental matters related to the Group's projects, including the Los Pelambres Expansion project, Zaldívar's Chloride Leach project, the Twin Metals project in Minnesota, and other expansion projects at Los Pelambres and Centinela
- reviewed the Group's communications strategy, which included the results of a perception study on the views of existing and potential shareholders, and bank equity research analysts

All of these subjects will further strengthen our ability to achieve long-term sustainable success and our purpose of developing mining for a better future.

Q. How did the Committee consider climate change during the year?

As noted by the Chairman on page 101, climate change is a global issue and Chile is particularly vulnerable to its consequences.

The Committee assisted the Board in considering various climate change related initiatives during the year, including reviewing and endorsing the Group's climate change strategy which takes a multidisciplinary approach to the challenges posed by climate change, better coordinating the many initiatives, large and small, undertaken by our operations and projects, and taking advantage of the synergies between them. The strategy is based on five pillars: climate resilience development, greenhouse gas (GHG) emissions management, strategic resources, environmental and biodiversity management and integration of stakeholders, and addresses the sustainable development goals as set out on pages 38-39.

"The Committee plays a key role in monitoring the Group's safety, occupational health, environmental and social responsibility programmes, while ensuring that stakeholders' views and interests are considered as part of the Board's deliberations."

A number of the initiatives reviewed and endorsed by the Committee during the year included commitments and activities in support of the Group's climate change strategy including the decision of the Group's mining operations to register with The Copper Mark, an assurance process for environmental, social, and governance matters.

This year Zaldivar became the Group's first operation to be supplied by 100% renewable sources of energy and from 2022 the remaining operations will follow. This is a key step in our roadmap to reduce our CO_2 emissions.

Q. How does the Committee ensure that the Group's tailings facilities are safe?

The stability and safety of tailings storage facilities is a primary concern for many of our stakeholders and the Committee and the Board are focused on ensuring that the appropriate monitoring and management are in place to ensure that they continue to be stable and safe.

Chile's location means that it experiences a significant amount of seismic activity and as a consequence there are strict regulations governing construction in the country. These regulations apply to all mining and other construction, including the storage facilities where tailings are deposited. Chilean standards have prohibited the construction of tailings storage facilities using the upstream method, which is commonly used in other countries but can pose significant safety risks. Current Chilean legislation also requires stability analysis of dam walls, a review of safety measures and the development of detailed emergency plans in the event of a major incident.

The Group's governance structures are designed to encourage the independent management and monitoring of our tailings facilities. This includes internal teams with reporting lines that are not linked to the mine operation teams and an independent tailings review board that visits our tailings facilities regularly, assessing risks and making recommendations to continue to ensure safety. The Committee and the Board review these reports and challenge management on any recommendations that are made.

During the year, the Committee and the Board reviewed the 2020 report issued by the independent tailings review board, which was presented to the Committee by one of the members of the independent tailings review board, and confirmed that the Group is operating state of the art modern tailings storage facilities in accordance with international best practices.

The Committee and the Board receive regular reports on the operation of the Group's tailings storage facilities and following the Group's adoption of a tailings management policy aligned with the ICMM's global tailings standard during the year, the Committee will monitor the implementation and compliance with this policy along with reports from management and the independent tailings review board from now on.

Further information on our tailings facilities, including the risks and the governance measures in place, can be found on page 51.

Q. How are community relations managed throughout the Group?

Dialogue with local communities is crucial for aligning views, preventing disputes and addressing concerns. To strengthen such dialogue, Antofagasta uses various engagement mechanisms, including conversations with members of the community, round tables, community meetings, participatory environmental monitoring with the community and site visits to the Group's operations, as well as communicating through the media, and on websites and social networks.

The subjects and results of this engagement are reported to the Committee periodically through standalone reports and as integrated inputs into broader Committee discussions.

Q. What are the Committee's priorities in 2021?

Our number one priority continues to be the safety and health of our employees, contractors and local communities as we continue to respond to the COVID-19 pandemic. As noted above, 2020 saw our strongest ever safety performance, including no fatal accidents. We will strive to achieve a similar record in 2021.

The Group responded to the challenges posed by the COVID-19 pandemic during 2020 and the Committee will continue to ensure that lessons learned will continue to be applied in 2021.

The Committee will continue to monitor the implementation of the Group's environmental management system at the Group's operations.

Work is under way to achieve our greenhouse gases target for reduced carbon dioxide emissions. As I have already noted, Zaldivar became the Group's first operation to be supplied by 100% renewable sources of energy during 2020 and the Group has contracted power supply agreements that in 2022 will provide all of the Mining division's power requirements from renewable sources and the Committee will continue to oversee the implementation of the Group's climate change strategy during the year.

The Committee will continue to monitor the implementation of the Group's social programmes and the work done with communities close to our operations in accordance with the Group's Social Management Model.

Vivianne Blanlot
Chair of the Sustainability and Stakeholder Management Committee

Projects Committee report

Robust project oversight

"The Committee oversees the full project lifecycle, monitoring development and construction progress and ensuring lessons learned are applied to future proposals."

Ollie Oliveira
Chair of the Projects Committee

2020 Membership and meeting attendance

	Number attended
Ollie Oliveira (Chair)	6/6
Michael Anglin	6/6
Tim Baker[1]	2/2
Jorge Bande	6/6
Ramón Jara	6/6

1. Tim Baker did not stand for re-election at the 2020 AGM.

- Other regular attendees included the CEO, the CFO, the Vice President of Projects, the Vice President of Operations, the Projects Finance Manager and the Company Secretary.
- Sessions were also regularly attended by Directors who were not Committee members.
- The Committee meets as necessary and at least twice per year.

Key responsibilities

- The Projects Committee reviews all aspects of projects to be submitted for Board approval, highlighting key matters throughout the project development lifecycle for the Board's consideration and making recommendations to management to ensure that all projects submitted to the Board are aligned with the Group's strategy and risk appetite
- The Committee adds an important level of governance and control to the evaluation of the Group's projects and plays a key role in providing the Board with additional oversight of the projects portfolio. This includes overview of the establishment of project development guidelines, which draw from best practice, industry experience and lessons learned from other Group projects

Key activities in 2020

Policies and commitments

- Reviewed the Group's projects portfolio, including budgets and schedules.
- Reviewed the Committee's terms of reference.

Project reviews – studies phase

- Reviewed an updated water strategy for Los Pelambres including a proposal to double desalinated water capacity to 800 l/s and incorporating works to allow for this future expansion in the Los Pelambres Expansion project.
- Reviewed the draft feasibility study for Centinela's Second Concentrator project and reviewed progress with the commitment phase and activities in the 2020 work plan.
- Reviewed studies to evaluate the benefits of outsourcing Centinela's existing seawater pumping and supply system and to facilitate its expansion through a Build Own Operate and Transfer (BOOT) contract and water supply agreement.
- Reviewed the Polo Sur project's pre-feasibility study.

Project reviews – execution phase

- Monitored progress in the execution of the Los Pelambres Expansion and Zaldívar Chloride Leach projects, including the temporary suspension due to the COVID-19 pandemic and subsequent restart in accordance with strict health protocols, and revised capital expenditure and project timeline estimates.
- Reviewed jointly with the Sustainability and Stakeholder Management Committee the environmental reviews required to address changes in the scope of the Los Pelambres Expansion project.
- Reviewed lessons learned from the execution of Centinela's tailings deposit expansion project.
- Reviewed the performance of Centinela's molybdenum plant.

“The Committee supports the Board by ensuring that the Group’s projects portfolio follows approved and consistent guidelines and that project execution decisions have been thoroughly vetted before being proposed for Board approval.”

Q. What is the Projects Committee’s approval authority?

The Committee is not responsible for approving projects – that is for the Board to decide. Our role is to assist the Board by ensuring that projects follow a standard, structured process with consistent analysis, execution and evaluation practices. The Committee oversees the full project lifecycle, from concept to start of operations, carefully assessing and robustly challenging investment proposals prior to submission to the Board, monitoring development and construction progress, and ensuring lessons learned are applied to future proposals. The Committee invites management to consider different perspectives, ideas and improvements to enhance the value of the Group’s projects, enabling a focused deliberation when the project is presented to the Board.

Q. What tools does the Committee use?

The Committee provides guidance to each project manager, from the early stages of project planning through to completion, to ensure that policies, strategies and the Group’s standard Asset Delivery System (ADS) implementation framework are applied.

ADS is a project management system whose processes and practices are widely used in the mining industry. ADS has standards and common criteria, including governance by a steering committee, functional quality assurance reviews and risk management.

In some cases, the Committee may recommend additional measures including independent peer reviews, trade-off studies or further analysis in relation to the incorporation of potential new technologies or processes.

Q. What were the Committee’s key activities in 2020?

COVID-19 pandemic

Responsibility for safety and health is one of the Group’s core values and our number one priority. As the COVID-19 pandemic reached Chile, the Group decided to suspend execution of the Los Pelambres Expansion project and delay the start of Zaldívar’s Chloride Leach project. Work restarted in August following the introduction of strict safety and health protocols including reducing the size of the workforce on-site. The Committee oversaw the redesign of the projects and proposed protocols in detail, considering the impact of the process on the Group’s stakeholders including employees, contract workers and local communities, The Committee also considered the impact on the Group’s long-term production profile and projects pipeline.

Los Pelambres

The Committee reviewed progress made on the execution of the Los Pelambres Expansion project including the suspension due to the COVID-19 pandemic and the subsequent restart. The Committee reviewed a revised capital expenditure estimate and project timeline including revised key risks and mitigations, performance against budget and the interaction between the project team and the operating team at Los Pelambres.

The Committee reviewed an update on Los Pelambres’ water strategy to double capacity in the desalinating plant to 800 l/s, incorporating enabling works in the Los Pelambres Expansion project. The Committee also reviewed, jointly with the Sustainability and Stakeholder Management Committee, the environmental reviews required to address changes in the scope of the Los Pelambres Expansion project.

+ See pages 74-75 for more information on the Los Pelambres Expansion project

Centinela

The Committee reviewed the draft results of the feasibility study for Centinela’s Second Concentrator project. The Board approved proceeding with the next phase of the evaluation during the year and the Committee monitored its progress, including proposals to optimise capital expenditure. One of the potential opportunities would be to outsource Centinela’s existing sea water pumping and supply system with a third party to perform its expansion through a Build Own Operate and Transfer (BOOT) contract and water supply agreement. The Committee endorsed proceeding with the corresponding studies.

+ See page 76 for more information on Centinela’s Second Concentrator project

The Committee reviewed progress on the pre-feasibility study for the Polo Sur Project, an ore body in the Centinela Mining District.

The Committee reviewed the performance of Centinela’s molybdenum plant, which started up in 2018. Payback and economics will be analysed in 2021.

The Committee reviewed lessons learned from the execution of Centinela’s tailings deposit expansion.

Zaldívar

The Committee monitored the execution progress of Zaldívar’s Chloride Leach project including the delayed start due to the COVID-19 pandemic. The Committee reviewed a revised capital expenditure estimate and project timeline including revised key risks and mitigations, performance against budget and the interaction between the project team and the operating team at Zaldívar.

+ See page 76 for more information on Zaldívar’s Chloride Leach project

Q. What are the Committee’s priorities in 2021?

- To ensure that project activity continues in accordance with strict safety and health protocols.
- To oversee progress in the construction of the Los Pelambres Expansion project and Zaldívar’s Chloride Leach project.
- To monitor progress in Centinela’s Second Concentrator project.
- To oversee the permitting process for the Twin Metals project.
- To monitor the progress of studies on the future expansion and supply of 800l/s of desalinated water to Los Pelambres.
- To continue to review and further enhance the Group’s ADS framework and project development guidelines.

Ollie Oliveira
Chair of the Projects Committee

Remuneration and Talent Management Committee report

Ensuring our employee value proposition supports long-term sustainable success

"The Committee ensures that the Group's remuneration arrangements support our purpose and the effective implementation of strategy."

Francisca Castro
Chair of the Remuneration and Talent Management Committee

2020 Membership and meeting attendance[1]

	Number attended
Francisca Castro (Chair)	5/5
Michael Anglin	5/5
Vivianne Blanlot	5/5
Tim Baker[2]	3/3
Tony Jensen[3]	1/1

1. The Committee also met with independent remuneration consultants Willis Towers Watson during the year to receive an update on global remuneration and talent management strategies and implementation in response to the COVID-19 pandemic and investor and proxy adviser feedback from the 2020 AGM.
2. Tim Baker did not stand for re-election at the 2020 AGM.
3. Tony Jensen joined the Committee from 18 August 2020.

- Other regular attendees include the CEO, the Vice President of Human Resources and the Company Secretary.
- At least one Committee member serves on each of the other Board Committees which allows the Committee to consider strategic priorities and the views of all stakeholders in its deliberations.
- The Committee meets as necessary and at least twice per year.
- All Committee members are independent.

Key responsibilities

- The Committee ensures that the Group's remuneration arrangements support the Group's purpose, the effective implementation of strategy and enable the recruitment, motivation, reward and retention of talent.
- The Committee is responsible for setting the remuneration for the Chairman, Directors and the CEO and for monitoring the compensation strategy, level, structure and outcomes for Executive Committee members.
- The Committee actively participates in the Group's talent management strategy, including the review, consideration and implementation of succession plans for the Executive Committee (excluding the CEO).
- The Committee also reviews workforce remuneration and related policies, including the diversity and inclusion policy, the alignment of incentives and rewards with the Group's culture and the implementation of policy changes that affect the workforce as a whole.

Key activities in 2020

Governance

- Reviewed the Directors' and CEO Remuneration Policy and feedback from shareholders prior to submitting the Policy for approval at the Company's 2020 AGM.
- Reviewed the 2019 Directors' and CEO Remuneration Report.
- Reviewed Gender Pay Gap and CEO Pay Ratio figures for the Group (although not mandatory for the Group to disclose due to the Group's few UK-based employees).
- Reviewed the Committee's terms of reference.

Directors' remuneration

- Evaluated Chairman, Director and Committee fees, recommending no changes in 2020.
- Reviewed Ramón Jara's service contract with Antofagasta Minerals SA, recommending no changes in 2020.

Executive remuneration

- Reviewed Annual Bonus Plan and LTIP KPIs, including the impact of the COVID-19 pandemic.
- Evaluated the CEO's performance and determined the variable compensation payable under the 2019 Annual Bonus Plan.
- Reviewed LTIP eligibility, participants and criteria and approved the grant of the 2020 awards.
- Reviewed performance for LTIP awards granted in 2017 and approved the vesting level.
- Reviewed Group performance against the 2019 Annual Bonus Plan performance metrics and reviewed the metrics to apply to the 2020 Annual Bonus Plan.
- Reviewed and approved the individual performance of Executive Committee members under the 2019 Annual Bonus Plan.

Human resources and policy

- Reviewed and monitored the implementation of the 2020 Human Resources plan.
- Reviewed results from the Group's workforce surveys including pulse surveys focused on measures implemented to address the workforce challenges arising from the COVID-19 pandemic.
- Reviewed progress with the implementation of the Diversity and Inclusion Strategy.
- Monitored collective bargaining negotiations.
- Reviewed a "New Ways of Working" project to identify on-site, home-based, and hybrid working arrangements applicable to corporate office and operating companies' employees following the COVID-19 pandemic, in order to generate a more flexible and adaptable organisation.
- Reviewed the Group's Health and Life insurance policy and approved its renewal.

Talent management and succession planning

- Reviewed the Group's talent management strategy and succession plans for members of the Executive Committee.
- Approved the implementation of succession plans and revisions to the composition of the Executive Committee and the appointment of new directors at the Group's operations.

Aligning pay with performance

Dear Shareholders,
I am delighted to present the 2020 Directors' and CEO Remuneration Report.

2020 Directors' and CEO Remuneration Policy

The 2020 Directors' and CEO Remuneration Policy was approved by shareholders at the 2020 Annual General Meeting on 20 May 2020 and is available on the Company's website at www.antofagasta.co.uk/media/3910/2020-directors-and-ceo-remuneration-policy.pdf.

The CEO receives a base salary and benefits in line with market conditions in Chile, taking into consideration international comparators, as appropriate. He participates in the Annual Bonus Plan and LTIP which are designed to align remuneration with overall Group performance and promote outcomes that are for the long-term benefit of the Group.

Local regulations, market practice and remuneration structures available in Chile are a central consideration when structuring the CEO's remuneration. While the Committee has carefully considered some of the features of variable remuneration that have evolved for UK-listed companies in recent years, we continue to maintain the structure we have applied for many years which includes the grant of a combination of restricted and performance "phantom share" awards under our Long Term Incentive Plan (LTIP) and the delivery of both the LTIP and annual bonus in cash. Real share awards have not been part of the executive remuneration structure for employees since the LTIP was first implemented a decade ago as, until recently, they were taxable in full at grant in Chile. Despite recent changes to Chilean tax laws that have removed this disincentive for using real shares, these awards continue to be uncommon in Chile. Our variable remuneration arrangements are simple, understandable and work effectively for our circumstances, thereby supporting our strategy, values and culture.

During the approval process last year, I met with the Company's major shareholders and proxy advisers to engage and discuss the proposed Policy during the planning phase. It is clear that, above all else, the remuneration of our CEO is reasonable relative to his peers and I was pleased to engage in constructive discussions with investors, particularly in relation to our LTIP.

It was also valuable to understand investors' perspectives on the appropriateness and balance of performance KPIs that should be included in the Annual Bonus Plan and the LTIP. For the 2020 Annual Bonus Plan KPIs, we included CO_2 emission targets within the environmental performance KPIs, and for safety performance we moved away from the lost time injury frequency rate to a safety performance KPI that focuses on reducing high potential incidents which is a leading indicator for fatality risk.

From 2021 we will be adjusting the LTIP total shareholder return KPI so that shareholder returns are measured against the Global X Copper Miners ETF instead of the EMIX Global Mining Index. This KPI constitutes 50% of the LTIP and this adjustment allows for performance to be measured against global copper mining peers rather than the more general mining index which is biased towards bulk and precious metals mining companies.

The Committee will continue to take shareholders' perspectives into account as we apply the Policy in the coming years.

As a Committee we continue to set remuneration policy and practices that are designed to support strategy and promote the long-term sustainable success of the Group while following the below principles:

- **Clarity** – remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce.
- **Simplicity** – remuneration structures are uncomplicated, and their rationale and operation are easy to understand and consistent with those applicable to all employees ensuring they are well understood.
- **Risk** – reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated. The Committee retains discretion to adjust formulaic outcomes under the plans for variable remuneration.
- **Predictability** – the range of possible values of rewards for the CEO are identified and explained at the time of approving the policy.
- **Proportionality** – the link between individual awards, the delivery of strategy and the long-term performance of the Company is clear. Outcomes do not reward poor performance.
- **Alignment to culture** – incentive schemes drive behaviours consistent with the Company's purpose, values and strategy through individual performance measures under the Annual Bonus Plan and the KPIs set by the Committee for all variable incentive plan participants.

2020 Directors' and CEO Remuneration Report

Although our CEO is not a Director of the Company, for a number of years we have voluntarily disclosed his remuneration as if he were and provided details throughout the Remuneration Report on the Group's executive pay structures to allow shareholders to understand how these structures support strategy and promote long-term sustainable success. This year, following implementation of the European Shareholders' Rights Directive II in 2019, these disclosures became mandatory and our 2020 Directors' and CEO Remuneration Report describes how we have applied the 2020 Directors' and CEO Remuneration Policy in 2020.

As set out earlier in the Annual Report, the Group has had a very strong year despite the significant and unforeseen challenges of operating during a global pandemic, with the Group's strongest safety performance to date, and achieving full year production guidance and lower cash costs than in 2019. Echoing the comments of our Chairman and CEO, the Group's performance this year has been particularly impressive given the challenges associated with the COVID-19 pandemic. I believe our employees and senior management team have worked extremely hard and delivered outstanding results in the face of this challenge.

Although the Board made a prudent decision to preserve cash and balance its responsibilities towards all stakeholders by reducing the recommended level of the 2019 final dividend (see page 108 for further information), the total dividend payout for 2019 remained in line with the Company's dividend policy. No employees were furloughed during the year, there were no lay-offs and when the Los Pelambres Expansion and Zaldívar Chloride Leach projects were suspended during the year, the Group ensured that contractors' workers received at least the minimum wage that the Company sets for on-site contractors in Chile during this period, which is approximately two-thirds higher than the national living wage in Chile. The Group did not receive governmental COVID-19 support offered to businesses facing financial challenges arising from the COVID-19 pandemic during the year.

The challenges raised during this year have provided the Committee with an opportunity to consider whether our approach to executive pay remains appropriate for our business and in line with regulatory and key stakeholder expectations, and we explain why we believe this to be the case throughout this report.

Committee Chair's introduction continued

Key:
Link to strategy: People | Safety & sustainability | Competitiveness | Growth | Innovation

Performance and incentive outcomes for the year

As well as recording its strongest safety performance to date, the Group also achieved outstanding social performance results during the year which led to these elements of the annual bonus paying out at maximum. Furthermore, the CEO has demonstrated commitment and perseverance in delivering against challenging personal objectives which are described on page 146. An illustration of the outcomes is shown opposite.

EBITDA – Mining division (15%)	80%
Copper production (25%)	50%
Costs (20%)	80%
Growth projects – construction execution (12%)	45%
Exploration programme (4%)	75%
Innovation (4%)	75%
Safety – High potential accidents (5%)	100%
People – Diversity and Inclusion strategy (5%)	90%
Environmental performance (5%)	65%
Social Performance (5%)	100%

+ See page 145 for more information

Group annual bonus outcomes

The annual bonus payable to the CEO and members of the Executive Committee was 70% attributable to Group annual bonus outcomes and 30% attributable to personal performance according to measures and targets set at the beginning of the year. The overall Group annual bonus score was 90% of maximum, taking into account the Group annual bonus outcomes as shown opposite and the adjustment applied by the Committee explained on page 137.

The CEO's 2020 annual bonus outcome was 93% of maximum.

Objective	Threshold (0% vesting) – Target (50% vesting) – Maximum (100% vesting)
Overall Group annual bonus score (70%)	90%
Personal annual bonus score (30%)	100%
CEO's overall annual bonus score	93%

+ See pages 145-146 for more information

Forecast LTIP performance award outcomes

The Performance Awards granted under the LTIP in 2018 will vest following the publication of the Group's full-year results. It is currently anticipated that these will pay out at 98.8% of the maximum based on total shareholder return, mineral resources increase, projects performance and social and environmental performance over the three-year performance period. An illustration of the anticipated outcomes is shown opposite.

Objective	Threshold (0% vesting) – Target (50% vesting) – Maximum (100% vesting)
Relative total shareholder return (50%)	100%
Mineral resources increase (25%)	100%
Projects performance (12.5%)	90.5%
Social and environmental performance (12.5%)	100%

+ See page 149 for more information

Committee decisions on outcomes

Annual Bonus

Safety and health is one of the Group's core values and for a number of years the Committee has maintained an automatic 15% adjustment to the Group's formulaic performance score outcome under the Annual Bonus Plan (downwards if there is a fatality during the year, and upwards if there are no fatalities during the year) to further align the Group's incentives with this core value and our goal of zero fatalities. As there were no fatalities during the year, the Committee was delighted to endorse this automatic upward adjustment for the year.

As mentioned by the Chairman, the Group also faced significant unforeseen circumstances during the year arising from the COVID-19 pandemic. The Board believes that the Group's employees, led by the CEO, handled these circumstances in an exceptional manner, and therefore exercised its discretion to increase the formulaic outcome of the Group's annual bonus performance score under the Annual Bonus Plan from 79.5% of the maximum to 90%. This upward discretion was also applied to the formulaic performance score outcomes for each of the operations, reflecting the Board's appreciation of the contribution and teamwork of all employees in achieving this exceptional outcome for the year.

This is the third time in the last six years that the Committee has applied discretion in relation to the formulaic Group annual bonus outcome. In 2015, the Committee applied discretion to reduce the outcome for the CEO and the Executive Committee due to its production substantially missing budget resulting in a decrease from 35.5% of the maximum to 25%. In 2019, the Committee applied discretion to increase the Group annual bonus outcome for all employees including the CEO and the Executive Committee in recognition of their exceptional handling of the unforeseen civil unrest in Chile during 2019, resulting in an increase from 73.5% of the maximum to 75%.

Long-Term Incentive Plan

The anticipated level of vesting of the LTIP is considered appropriate in light of the Group's performance over the three-year performance period. However, the total shareholder return KPI, which accounts for 50% of the LTIP performance award KPIs, will not vest until after the date of this report. Full details of the KPIs and anticipated vesting levels are set out on page 149.

Incentive Plan KPIs and COVID-19

As noted in the Chairman's introduction on page 7, projects in execution during the year were suspended to protect the health and safety of our employees and contractors, and the communities near our operations and to redesign project execution plans to allow for the resumption of works in accordance with appropriate health protocols. The Committee adjusted the Growth Projects – construction execution KPIs in the 2020 Annual Bonus Plan and the Los Pelambres and Zaldívar priority projects KPIs in the 2018 LTIP Plan, which are all project milestone KPIs, to take into account the specific impact on the KPI milestones caused by the COVID-19 pandemic.

Apart from these adjustments, which the Committee considered to be aligned with the best interests of employees, contract workers and local communities, and as outlined above, no discretion has been applied to the formulaic vesting outcomes under these plans.

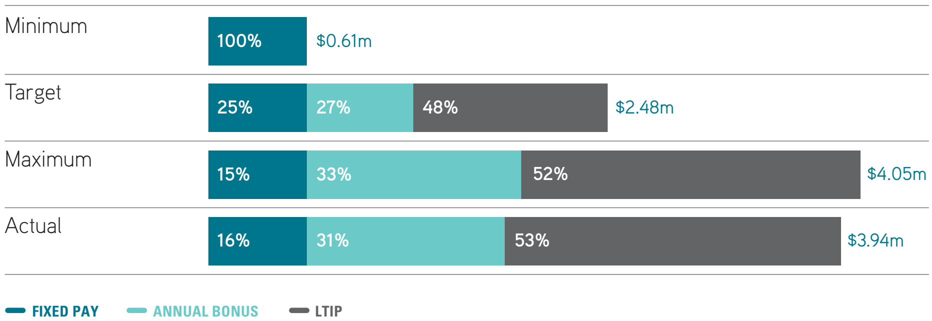
The Committee considered that the remuneration policy approved by shareholders in 2020 operated as intended in terms of Group performance and quantum, taking into account the flexibility afforded to the Committee to apply its discretion.

+ See page 145 for more information

Single total figure outcome

The chart opposite shows the 2020 single figure of remuneration for the CEO compared with the potential level of remuneration for the CEO for the year applying the share price, exchange rate and single figure remuneration figures from the single figure total remuneration table on page 143. As noted in the single figure total remuneration table, Mr Arriagada received an exceptional LTIP grant of 325% of base salary in 2018. The Performance Awards granted pursuant to the plan are included in the amounts in the single figure table which has resulted in higher total figure scenarios compared with 2019. Mr Arriagada received ordinary LTIP grants of 200% of base salary in 2019 and 2020.

As can be seen, the majority of the CEO's total remuneration package is variable pay, the outcome of which depends on the achievement of both financial and non-financial performance targets.



+ See page 143 for more information

Committee Chair's introduction continued

Pay for performance

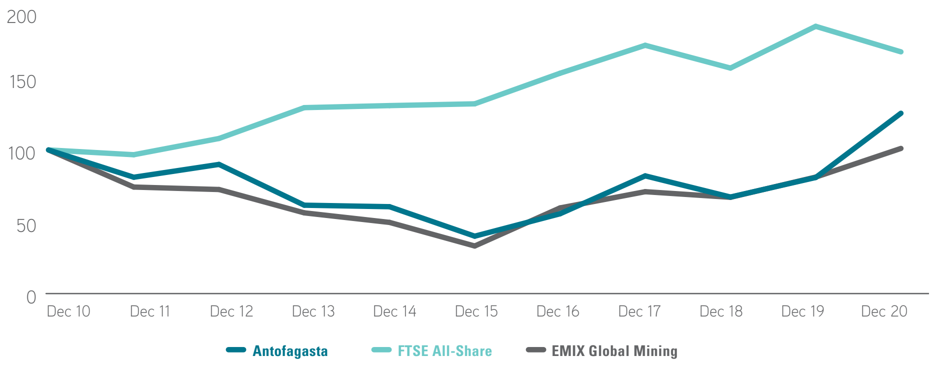
We are committed to ensuring that the remuneration received by our CEO aligns with the performance of the Company and reflects the achievement against the Group's strategic goals.

The graph opposite compares the total shareholder return performance of the Company against the FTSE All-Share Index and the EMIX Global Mining Index, over the last 10 years.

+ See page 143 for more information

The Company's total shareholder return performance has outperformed the EMIX Global Mining Index over the last 10 years, including for the period since the appointment of our CEO, and we are comfortable that he is competitively and appropriately incentivised to work towards the Group's long-term sustainable success.

31 December 2010 to 31 December 2020



Shareholders

It is critical that the remuneration of our CEO is aligned with the return delivered to shareholders. We align the pay of our CEO in two ways. Our LTIP is delivered in phantom shares and is subject to a three-year vesting period. In addition, relative total shareholder return is a core performance measure for our LTIP, accounting for 50% of the total performance score, which means that our CEO is rewarded based on shareholders' relative outperformance.

Strategic Rationale for CEO Remuneration Policy and Engagement with the Workforce

When the Committee reviews remuneration of the Directors and the CEO, it takes into consideration pay conditions across the Group. This is set in the context of different working environments and geographies and therefore is not a mechanical process. The Company does not have any executive directors and the executive pay policy that applies to the CEO (who is not a Director) is the same as the Group's wider pay policy. This pay policy includes access to the same benefits and pension arrangements (no pension contributions are payable to or for employees in Chile), participation in the same annual bonus plan and the same merit based reviews of base salary on an annual basis. Only certain employees participate in the LTI plan, however this plan is the same for the CEO as for employee participants. As explained on page 110, approximately 75% of the Group's employees are unionised and the number is close to 100% at the operator level. As a consequence, employees' views are well represented. The Committee reviews gender pay gap and CEO pay ratio figures and a range of other internal and external remuneration comparison metrics and benchmarks when determining the quantum and structure of the CEO's remuneration. This includes feedback received from shareholders and more general feedback received from employees on the Group's pay policies. Further detail on the Group's workforce engagement mechanisms is set out on pages 110-111.

During 2020 the Committee oversaw an exercise performed by the HR team and management to review the reward and remuneration structure of the business to review market pressures and business interactions and whether the current processes and structures should change in order to better meet the needs of the business. As part of the review the HR team sought engagement with employee stakeholders, through leadership and senior management interviews, and focus groups with employees from across the business ensuring a full range of views from our diverse employees were represented. As a consequence of this engagement, the Committee endorsed, for Board approval, the Group's New Ways of Working project which will facilitate permanent flexible on-site, home-based and hybrid working arrangements following the pandemic with the goal of creating a more flexible and adaptable organisation. This initiative is in response to the demands of our office-based workforce and allows the Group to take advantage of the positive elements of the working arrangements that were implemented on a temporary basis during the year to provide a more flexible working pattern which will allow us to attract, recruit, motivate, reward and retain diverse talent for the future. This applies to the CEO, executives and employees. Further details on the project are set out on page 111.

Review of CEO base salary in 2021

At the beginning of 2021, the Committee and the Board reviewed the operation of the CEO's remuneration policy taking into account the internal and external factors described above, the Group's performance under the CEO's leadership over the last five years, the Board's current strategy and vision and external benchmarks, deciding to increase the CEO's base salary (which is paid in Chilean pesos) from April 2021. Further information is set out on page 150.

Corporate governance

Building on the work in 2019 to align the Committee's terms of reference (available on the Company's website) with the 2018 Corporate Governance Code, the Committee received feedback from shareholders ahead of the 2020 AGM and sought specialist external advice on the impact of COVID-19 on executive pay decisions during the year. The Committee has a broad remit, covering the Executive Committee and the key HR policies for the Group and the decisions made by the Committee during the year are aligned with the Company's share price performance during the year.

Talent management and succession planning

Oversight of talent management and succession planning are an important part of the Committee's responsibilities and directly relate to the Group's ability to achieve long-term sustainable success. As well as reviewing succession plans for the Executive Committee during the year, with its advisers, the Committee reviewed market practice and considered the developing environment for talent and the needs of the business before making proposals to the Committee across a number of areas impacting the reward and talent proposition for employees. The proposals sought to continue to maximise value and increase the overall employee experience and ensure that the Group remains a world class employer attracting and retaining the best mining talent to succeed.

I hope that this report demonstrates the importance that we place on transparency of the decisions we make and how they are arrived at and I look forward to meeting shareholders at our AGM, even if only virtually, when I will be available to answer questions.

Francisca Castro
Chair of the Remuneration and Talent Management Committee

2020 Directors' and CEO Remuneration Report

Statement of shareholder voting

The tables below show the voting results on the 2019 Directors' and CEO Remuneration Report and 2020 Directors' and CEO Remuneration Policy at the 2020 AGM:

Resolution to approve the 2019 Directors' and CEO Remuneration Report

Votes for	1,066,559,474
	98.64%
Votes against	14,695,976
	1.36%
Votes cast as a percentage of issued share capital	91.18%
Votes withheld	1,344,538

Resolution to approve the 2020 Directors' and CEO Remuneration Policy

Votes for	1,062,750,494
	98.17%
Votes against	19,832,684
	1.83%
Votes cast as a percentage of issued share capital	91.29%
Votes withheld	16,811

The considerable vote in favour of both the 2019 Directors' Remuneration Report and 2020 Directors' and CEO Remuneration Policy confirms the strong support received from shareholders for the Group's remuneration arrangements.

Review of remuneration ahead of the 2021 AGM

As noted in the Chair of the Remuneration and Talent Management Committee's statement, the implementation of the European Shareholders' Rights Directive II required disclosure of the remuneration policy for the CEO for the first time in 2019. This policy was approved by shareholders at the 2020 Annual General Meeting on 20 May 2020 and is available on the Company's website at www.antofagasta.co.uk/media/3910/2020-directors-and-ceo-remuneration-policy.pdf.

In the spirit of transparency with our shareholders and for the purposes of providing shareholders with an opportunity to review and comment on the Company's pay arrangements, we have disclosed the CEO's remuneration on a voluntary basis for a number of years prior to it becoming mandatory from this year.

This section of the Report therefore provides information on:

- how we propose to implement our Remuneration Policy for 2021 for Directors and the CEO; and
- how Directors and the CEO were remunerated for the year ending 31 December 2020.

As noted in the Chair's introduction, ahead of the Policy being tabled for shareholder approval at the 2020 AGM, a review of the Group's remuneration structures was conducted considering a number of reference points including strategy, Group performance, external market practice, peer practices and the evolving UK regulatory and governance landscape. The review covered Directors, all of whom are Non-Executive, the CEO and the executive team.

As a Remuneration and Talent Management Committee, the Committee also has oversight of the approach to remuneration for the wider workforce and receives regular updates on workforce policies and practices. Further details on the specific activities undertaken by the Committee in 2020 are on page 134.

Furthermore, the Committee plays an important role in ensuring that the views of the Group's workforce are represented in the boardroom. A description of the Board's workforce engagement mechanisms is on pages 110-111.

As outlined in our Policy, our Directors are paid an annual fee and may receive a fee for additional Board responsibilities such as chairing a Board Committee. This structure continues to be appropriate. Fee levels were reviewed in 2021 and although there was no change to Non-Executive Director base fees, fees for additional Board responsibilities such as Committee roles have been increased with effect from 1 April 2021 to reflect the considerable additional time commitments and responsibilities attached to those roles, which have continued to grow in recent years. Further information is provided on page 152.

Iván Arriagada is the CEO and 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, including the CEO, sits on the Board of the Company.

The CEO's pay comprises the following main elements:

- **Fixed pay** – base salary of $663,908 (as at 31 December 2020) and benefits including amounts paid to maintain life and health insurance policies. According to Chilean law, all employees are required to pay their own pension contribution and therefore no Company pension contributions are made. As noted in the Chair's introduction, the Committee and the Board decided to increase the CEO's base salary from April 2021. Further information is set out on page 150.
- **Annual bonus** – maximum of 200% of salary with payout dependent on annual performance against Group (70%) and personal (30%) performance targets set at the beginning of each year. This is paid in cash following the end of the performance period.
- **Long-term incentive plan** – maximum of 200% of salary (325% of salary in exceptional circumstances) comprising two main elements:
  - i. Performance Awards (70% of overall award) – based on three-year Group performance measures.
  - ii. Restricted Awards (30% of overall award) – one-third vest each year over a three-year period following grant.

Until recently, share awards were taxed in full at grant in Chile with the consequence that awards have been made in the form of cash-settled phantom share awards to ensure a link to share price. No holding period applies.

When reviewing our approach to remuneration, the Committee considers practices at global mining peers, UK listed companies and in Chile.

While we acknowledge that there are some differences between our approach and typical UK practice, we have sought to operate a structure that is appropriate for the Chilean market where almost all of our employees are based and enables us to attract and retain talent there rather than one that may work for our mining peers who operate across a number of geographies including the US, Australia and Canada.

2020 Directors' and CEO Remuneration Report continued

We appreciate that share-based awards are common in the UK and considered this during our Policy review in 2019. Due to the taxation laws that have applied in Chile until recently, they are not common practice in the Chilean market. While a number of potential approaches for utilising shares were discussed, the Committee agreed to continue to use cash-based awards, linked to the Company's share price movement prior to vesting. As such, we do not operate a shareholding guideline for our CEO, who is based in Chile.

As part of the Policy review in 2019, the Committee consulted with major shareholders and proxy agencies and actively took into account the feedback received during this process. Following the review of our Policy, the Committee has concluded that the overall structure has worked well and ensures that the CEO continues to focus on the delivery of sustained value for our shareholders. No changes are therefore proposed.

The Company's approach results in remuneration which continues to be positioned in the lower quartile of the FTSE 100 and global mining peers while ensuring we can maintain competitiveness in both local Chilean and international markets and attract the talent needed to successfully implement our strategy.

The remuneration arrangements in place for the CEO are consistent with those in place for employees. The positioning and policy for the payment of base salary is consistent with conditions in Chile and aligned with the workforce. 70% of the CEO's annual bonus is attributable to Group performance. All Group employees bonuses are linked to this measure. The LTI KPIs that apply to the CEO apply to all LTIP participants. As noted on page 138, the Committee reviews gender pay gap and CEO pay ratio figures for the Group in determining that the CEO's pay is appropriate.

Implementation of the Directors' Remuneration Policy in 2020

Remuneration arrangements for the Chairman and Non-Executive Directors were considered ahead of the 2020 AGM and it was agreed that they continued to be appropriate and therefore no changes were proposed.

Chairman

Jean-Paul Luksic's total fee in 2020 was $1,005,000, (2019 – $1,005,000) comprising:

- $730,000 per annum for his services as Chairman of the Board;
- $15,000 per annum for his services as Chairman of the Nomination and Governance Committee; and
- $260,000 per annum for his services as Chairman of the Antofagasta Minerals board.

This fee level reflects his responsibility, experience and time commitment to the role.

Non-Executive Directors

There has been no change to Non-Executive Director base fees since 2012. The base Non-Executive Director's fee in respect of the Board remains $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 $130,000. Therefore, the combined base fees payable to Non-Executive Directors amount to $260,000 per annum.

The Board periodically reviews both the structure and levels of fees paid to Non-Executive Directors and will continue to review these fees from time to time, in accordance with the Directors' Remuneration Policy.

Additional fees paid for additional Board responsibilities in 2020 are as set out in the table below:

Additional Director fees payable in 2020

Role	Additional fees ($000)
Senior Independent Director	20
Audit and Risk Committee Chair	25
Audit and Risk Committee member	12
Nomination and Governance Committee Chair	15
Nomination and Governance Committee member	6
Projects Committee Chair	21
Projects Committee member	12
Remuneration and Talent Management Committee Chair	21
Remuneration and Talent Management Committee member	12
Sustainability and Stakeholder Management Committee Chair	21
Sustainability and Stakeholder Management Committee member	12

Audited single figure Directors' total remuneration table

The remuneration of the Directors for 2020 (and 2019) 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 serving on subsidiary and joint venture company boards are also included in the amounts below.

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

	Fees		Benefits[2,3]		Total[4]	
	2020 $000	2019 $000	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Chairman						
Jean-Paul Luksic	**1,005**	1,005	**12**	9	**1,017**	1,014
Non-Executive Directors						
Ollie Oliveira	**332**	332	**7**	73	**339**	405
Ramón Jara[1]	**904**	945	**5**	5	**910**	950
Juan Claro	**272**	272	**4**	10	**276**	282
Tim Baker (retired 20 May 2020)	**116**	293	**4**	69	**120**	362
Andrónico Luksic	**260**	260	**4**	3	**264**	263
Vivianne Blanlot	**306**	305	**4**	7	**309**	312
Jorge Bande	**296**	296	**4**	10	**300**	306
Francisca Castro	**293**	290	**9**	13	**302**	303
Michael Anglin (appointed 1 May 2019)	**284**	181	**10**	41	**294**	222
Tony Jensen (appointed 13 March 2020)	**198**	–	**–**	–	**198**	–
Total Board	**4,266**	4,180	**61**	239	**4,327**	4,418

1. During 2020, remuneration of $597,335 (2019 – $649,000) for the provision of services by Ramón Jara was paid to Asesorías Ramón F Jara Ltda. The reported decrease in 2020 is due to a decrease in the Ch$/USD exchange rate, partially offset by an annual adjustment for inflation in Chile. This amount is included in the amount attributable to Ramón Jara of $904,000 (2019 – $945,000).
2. Amounts for Jean-Paul Luksic include the provision of life and health insurance. Amounts for Ramón Jara include the provision of life insurance. These insurances are not in place for other Directors.
3. Except as described in footnote 3, all "benefits" amounts included in this table arose in connection with the fulfilment of Directors' duties and, in particular, the cost of attending Board meetings. These calculations have been based on what the Company believes would be deemed by HMRC to be taxable benefits in the UK for the Non-Executive Directors as well as the costs of attending board meetings in Santiago, Chile with associated travel, hotel and subsistence expenses, along with any additional expenses occurred in the Non-Executive director's home location. Given these expenses are incurred by Directors in connection with the fulfilment of their director duties, the Company also pays the professional fees incurred to complete individual tax returns and the actual tax incurred by Directors on these expenses, the latter of which has led to the higher reported figures for certain Directors. Figures are reported in the year that they are paid, or would be payable, by the Company.
4. Totals reflect the total fixed remuneration for each Director. Directors did not receive any variable remuneration in 2019 or 2020.

Audited statement of Directors' and CEO's shareholding and share interests

The Directors who held office at 31 December 2020 had the following interests in the ordinary shares of the Company:

	Ordinary shares of 5p each	
	31 December 2020	1 January 2020
Jean-Paul Luksic[1]	**41,963,110**	41,963,110
Ollie Oliveira	**–**	–
Ramón Jara[2]	**5,260**	5,260
Juan Claro	**–**	–
Andrónico Luksic C	**–**	–
Vivianne Blanlot	**–**	–
Jorge Bande	**–**	–
Francisca Castro	**–**	–
Michael Anglin	**–**	–
Tony Jensen	**–**	–

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 2020 and the date of this report.

The Directors and CEO had no interests in the shares of the Company during the year other than those set out above or on page 154. No Director had any material interest in any contract (other than a service contract in the case of Ramón Jara) with the Company or its subsidiary undertakings during the year other than in the ordinary course of business.

Directors' shareholding guidelines

The Group does not have shareholding guidelines or requirements for Directors, all of whom are Non-Executive.

The Chairman Mr 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 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 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.

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 as a result of the achievement of performance conditions.

CEO shareholding guidelines

Until recently, share awards have been taxed in full at grant in Chile, making it unattractive for the Company to operate a share-based LTIP. Instead, awards are granted as phantom shares which are linked to the share price and are satisfied in cash. The Company does not therefore currently have any shareholding guidelines for the CEO or Executive Committee members, all of whom are based in Chile.

The Committee has carefully considered whether in the absence of shareholding guidelines the CEO's incentives are sufficiently aligned with the long-term interests of shareholders. However, as the Company has a majority shareholder who is represented on the Board, the Committee and the Board believe that the long-term interests of shareholders are monitored and protected without the need for CEO shareholding guidelines.

External appointments for Executives

The Board would 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 it is a supplier, customer or competitor, and whether it would be appropriate for the executive to retain remuneration for the position.

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 a majority of shareholders do not confirm a Director's appointment, the appointment will terminate with immediate effect. In other circumstances, the appointment may be terminated by either party on one month's written notice.

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.

Payments to past Directors (audited)

No payments were made to past Directors, however the Company paid professional fees for Gonzalo Menendez and William Hayes in 2020 to complete tax returns in relation to fees paid to them in their roles as Directors of the Company in 2019 as well as the actual tax incurred in relation to these professional fees resulting in 2020 benefits (as calculated in accordance with footnote 3 of the audited single figure total remuneration table on page 141) in an amount of $3,500 for Mr Menendez and $3,500 for Mr Hayes.

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 2020. No payments were made to past Directors.

2020 CEO Remuneration Report

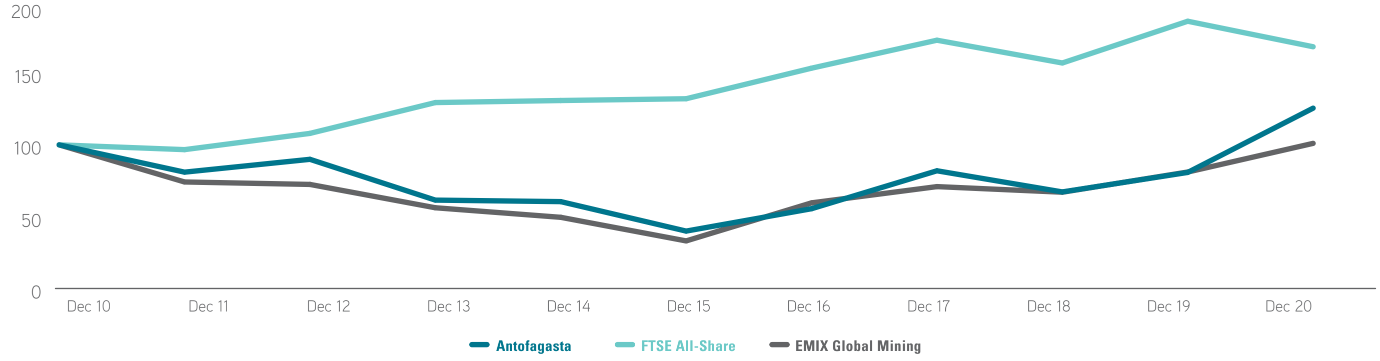
Audited CEO single figure total remuneration table

CEO (not on the Board)	Salary	Benefits[2]	Annual bonus[3]	LTIP Restricted Awards[4,5]	LTIP Performance Awards[5,6]	Total	Total fixed remuneration	Total variable remuneration
Iván Arriagada[1] 2020 $000	**589**	**24**	**1,235**	**372**	**1,720**	**3,939**	**613**	**3,326**
Iván Arriagada[1] 2019 $000	640	67	890	405	456	2,458	707	1,751

1. No pension contributions are payable to or for Iván Arriagada. Mr Arriagada is paid in Chilean pesos and amounts reported in US dollars also reflect exchange rate movements during the year.
2. The benefits expense represents the provision of life and health insurance and apart from these insurances all "benefits" amounts have been based on what the Company believes would be deemed by HMRC to be taxable benefits in the UK. Given these expenses are incurred by Mr Arriagada in connection with the fulfilment of his duties, the Company also pays the professional fees incurred to complete individual tax returns and the actual tax incurred by him on these expenses. Figures are reported in the year that they are paid, or would be payable, by the Company. 2019 amounts have been re-stated in accordance with this methodology.
3. The annual bonus paid to Iván Arriagada in 2019 is reported based on the exchange rate as at 1 April 2020. In the 2019 Remuneration Report a higher figure of $1,012,000 was reported, which reflected the anticipated exchange rate at the date the 2019 Remuneration Report was published. Iván Arriagada's 2020 annual bonus will be paid following the date of publication of this report and the exchange rate used to calculate this figure is as at 4 January 2021 and is calculated as shown on page 146. As noted in the Committee Chair's introduction on page 137 and on page 145, the Committee exercised its discretion to adjust the 2020 annual bonus outcome related to the Group's performance which accounts for $97,595 in respect of Mr. Arriagada's 2020 annual bonus. This adjustment was unrelated to share price movements.
4. As explained on page 147, awards granted pursuant to the LTIP are split between Restricted Awards and Performance Awards. Restricted Award amounts are reported in the year of grant based on the face value of the awards on the date of the grant. Performance Awards are reported in the year the performance period ends.
5. The 2019 amounts payable to Iván Arriagada under the LTIP relate to Restricted Awards granted in 2019 and Performance Awards granted in 2017. The performance period for Performance Awards granted in 2017 concluded on 31 December 2019 and those awards vested on 30 March 2020. In the 2019 Remuneration Report, a higher figure of $669,000 was reported because the Performance Awards granted in 2017 had not yet vested and were estimated using the exchange rate and KPI outcome assumptions set out in the 2019 Remuneration Report. Specifically, it was estimated that the total shareholder return KPI for the Performance Awards granted in 2017 would vest at 33%, however the eventual outcome was below the benchmark with the consequence that the vesting for this KPI was 0. The 2019 Performance Award amount therefore reflects the actual amount paid to Iván Arriagada and the share price of £7.46 and the USD/GBP exchange rate of 1.24 at the vesting date.
6. The 2020 amounts payable to Iván Arriagada under the LTIP relate to Restricted Awards granted in 2020 and Performance Awards granted in 2018. The performance period for three of the four KPIs for the Performance Awards granted in 2018 concluded on 31 December 2020, however the Total Sharholder Return KPI, which accounts for 50% of the performance score, vests three years after the grant date. Therefore the Performance Awards will not vest until on or after 29 March 2021 and the figure included in the table is an estimate as at the date of this report. Because the Performance Awards granted in 2018 have not yet vested, the amounts attributable to these awards have been estimated by applying the 98.8% of maximum overall performance score at vesting as described in more detail on page 149, using the average share price in US dollars for the last three months of 2020 of $15.90. The value of the amounts payable under the LTIP for 2020 attributable to an increase in the Company's share price is $267,273. This figure has been calculated using the market value on the date of grant of the award versus the average share price in US dollars for the last three months of 2020. As noted on page 147, LTIP participants receive conditional rights to receive a cash payment by reference to a specified number of the Company's shares ("phantom share awards"). Participants are not compensated for dividends paid by the Company between the date of grant and vesting. As explained on page 147, Mr Arriagada received an exceptional LTI grant of 325% of base salary in 2018 which is reflected in the increased amount reported in respect of 2020 Performance Awards versus 2019.

Indexed Total Shareholder Return

The following graph shows the Company's performance compared with the performance of the FTSE All-Share Index and the EMIX Global Mining Index over a 10-year period, measured by total shareholder return (as defined below). The FTSE All-Share Index has been selected as an appropriate broad equity market index 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. The EMIX Global Mining Index is also shown because this index has been determined to be the most appropriate specific comparator group for the Company, and total shareholder return performance, in comparison with the EMIX Global Mining Index, is one of the performance criteria in the Group's LTIP as set out on page 149.



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 EMIX Global Mining Index are calculated by aggregating the returns of all individual constituents of those indices over a 10-year period.

2020 Directors' and CEO Remuneration Report continued

Lead executive remuneration for the last 10 years

The total remuneration of the lead executives in the Group for the past 10 years is as follows:

Single figure of remuneration for the Group's lead executive $000	2011	2012	2013	2014[1,2]	2015	2016[3]	2017	2018	2019[4]	2020
Chairman – Jean-Paul Luksic	3,521	3,598	3,615	2,196	–	–	–	–	–	–
CEO – Diego Hernández	–	–	–	688	2,445	1,525	–	–	–	–
CEO – Iván Arriagada	–	–	–	–	–	681	1,790	2,513	2,458	3,939
Total	**3,521**	**3,598**	**3,615**	**2,884**	**2,445**	**2,206**	**1,790**	**2,513**	**2,458**	**3,939**
Proportion of maximum annual bonus paid to the CEO	–	–	–	69%	39%	61%	79%	66%	83%	93%
Proportion of maximum LTIP awards vesting in favour of the CEO[5]	–	–	–	76%	16%	–	85%	60%	65%	99%

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.
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 to the CEO.
3. The single figure remuneration for the Group's lead executive in 2016 comprises Diego Hernández's remuneration until 8 April 2016 (when he stepped down as CEO) and Iván Arriagada's remuneration from 8 April 2016 (when he became CEO).
4. 2019 figures have been restated to reflect actual 2019 outcomes as explained in the CEO single figure remuneration table on page 143.
5. No Performance Awards vested to the CEO in 2016. As Restricted Awards do not have a performance element, they are not included in these calculations.

Relative change in remuneration

Almost all the Group's employees, including the CEO, are paid in Chilean pesos. The Chilean peso depreciated against the US dollar during 2019 and this depreciation is reflected in the following figures which are reported in US dollars.

The total remuneration paid to Iván Arriagada in 2020 was 60.2% higher than in 2019. This included a 8% decrease in base salary (due to exchange rate fluctuation when reporting in $US), a 64.7% decrease in benefits and a 38.8% increase in annual bonus.

The equivalent average percentage increase in total remuneration for Mining Division employees as a whole in 2020 was 1.7%. This comprised a 9.8% decrease in salaries, a 10.1% decrease in benefits and a 7.0% increase in annual bonus. It is common for employment contracts in Chile to include a quarterly adjustment for Chilean inflation and most Chilean employees' base salaries are adjusted in this way.

The table opposite compares the changes from 2019 to 2020 in base salary, benefits and annual bonus paid to Directors, the CEO and Group employees in US dollars. The underlying elements of Directors' remuneration are calculated using the values reported in the single figure remuneration table on page 141 and the underlying elements of the CEO's pay are calculated using the values reported in the single figure remuneration table on page 143.

	Percentage change in fees/base salary	Percentage change in benefits	Percentage change in annual bonus
Non-Executive Directors[1]			
Jean-Paul Luksic	–	28%	–
Ollie Oliveira	–	-91%	–
Ramón Jara	-4.3%	17%	–
Juan Claro	–	-64%	–
Tim Baker (retired 20 May 2020)	-0.4%	-94%	–
Andrónico Luksic	–	23%	–
Vivianne Blanlot	0.2%	-45%	–
Jorge Bande	–	-63%	–
Francisca Castro	1.0%	-29%	–
Michael Anglin (appointed 1 May 2019)	0.6%	-75%	–
Tony Jensen (appointed 13 March 2020)	–	–	–
CEO	-8.0%	-65%	38.8%
Company Employees[2]	1.8%	19.9%	7.5%
Mining Division Employees[3]	-9.8%	-10.1%	7.0%[4]

1. The percentage change in fees for Directors who served for only part of a comparator year has been annualised.
2. The Company has fewer than 10 employees. The reporting of these figures is mandatory and the Company does not consider this to be an appropriate comparator group.
3. Mining division employees are considered to be a relevant comparator group because the Mining division accounts for more than 97% of the Group's revenue and the Annual Bonus Plan that applies to the Executive Committee is the same plan that applies to Mining division employees at the management and professional level.
4. This figure relates to the percentage change in the average annual bonus for Mining division employees and does not include any one-off bonuses paid to employees as a result of the conclusion of collective bargaining agreements with labour unions at Los Pelambres, Antucoya and Zaldívar in 2019 and at Zaldívar and Centinela in 2020.

Relative importance of remuneration spend

The table below shows the total expenditure on employee remuneration, the distributions to shareholders and the tax expense in 2019 and 2020.

	2019	2020	Percentage change
Employee remuneration[1]	439.8	**453.8**	3.2%
Distributions to shareholders[2]	175.5	**539.3**	207.3%
Taxation[3]	354.4	**515.3**	45.4%

1. Employee remuneration includes salaries and social security costs, as set out in Note 9 to the financial statements.
2. Distributions to shareholders represent the dividends proposed and approved for payment in relation to the year as set out in Note 14 to the financial statements.
3. Tax has been included because it provides an indication of the Group's tax contribution, almost all of which is paid by the Group's operations in Chile to the Chilean state. The tax expense represents the current tax charge in respect of corporate tax, mining tax (royalty) and withholding tax, as set out in Note 11 to the financial statements.

Annual bonus

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.

Annual bonus payout – Group performance (70%)

For 2020, the bonus payable to the CEO and members of the Executive Committee was 70% attributable to the performance of the Group and 30% to personal performance, according to measures and targets set at the beginning of the year. The Group performance criteria for the Annual Bonus Plan and the individual performance criteria for the CEO are set annually by the Committee and the Board. The personal performance criteria for the Executive Committee are set by the CEO and reviewed by the Committee.

Group performance under the 2020 Annual Bonus Plan is shown in the table below. 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	2020 Threshold 90 (0% vesting)	2020 Target 100 (50% vesting)	2020 Maximum 110 (100% vesting)	2020 Outcome	2020 Performance score[1]	2020 vesting (% of maximum)
60%	**Core business**						**103**	**65%**
15%	EBITDA – Mining division[2]	$m	2,272	2,524	2,777	2,676	106	80%
25%	Copper production[3]	kt	698.0	720.4-742.7	765.0	733.9	100	50%
20%	Costs[4]						106	80%
	Cash costs before by-product credits (17%)	$/lb	1.71	1.61	1.51	1.56	105	75%
	Corporate expenditure (3%)	$m	114.8	109.3	103.9	104.6	109	95%
20%	**Business development – Growth and innovation projects execution**						**101**	**55%**
12%	Growth projects – construction execution[5]						99	45%
4%	Exploration programme[6]		Measured according to the schedule and budget as described in more detail in the footnotes				105	75%
4%	Innovation and Digital Transformation Projects[7]						105	75%
20%	**Sustainability and organisational capabilities**						**108**	**90%**
5%	Safety – Mining division[8]		Measured according to the KPIs and milestones as described in more detail in the footnotes				110	100%
5%	People – Diversity and Inclusion Strategy[9]						108	90%
5%	Environmental performance[10]						103	65%
5%	Social performance[11]						110	100%
Total – pre-adjustments							**103.8**	**69%**
	Adjustment for meeting zero fatality target[12]						2.1	10.5%
	Board discretion applied[13]						2.1	10.5%
Total – post-adjustments							108.0	90%

1. Performance score range is 90-110 where 90 = threshold (0% bonus), 100 = target (50% bonus) and 110 = maximum (100% bonus).
2. The threshold, target and maximum target figures for EBITDA were adjusted for exchange rate fluctuations, copper price fluctuations, the impact of hedging arrangements, diesel price fluctuations, expenses relating to the Group's response to the COVID-19 pandemic and the impact of one-off bonuses paid as part of labour negotiations at Centinela and Zaldívar, which were not included in the Group's budget and were not included in the figures disclosed in the 2019 Annual Report due to their commercial sensitivity.
3. 100% basis, except for Zaldívar (50%).
4. The threshold, target and maximum target figures for cash costs were adjusted for exchange rate fluctuations, diesel price fluctuations, expenses relating to the Group's response to the COVID-19 pandemic and the impact of one-off bonuses paid as part of labour negotiations at Centinela and Zaldívar. These were not included in the Group's budget and were not included in the figures disclosed in the 2019 Annual Report due to their commercial sensitivity. The figures for corporate expenditure were adjusted for the exchange rate fluctuations and the difference between budget annual bonus payments and actual bonus payments made to employees.
5. Split between the Los Pelambres Expansion project (8%) and the Zaldívar Chloride Leach project (4%). Targets for the Los Pelambres Expansion project related to execution progress and ensuring that there were no material environmental incidents. Targets for the Zaldívar Chloride Leach project were based on execution progress and the cost of the project versus budget. The outcome was 99 (45% of maximum) comprising 98 (40% of maximum) for the Los Pelambres Expansion project, and 100 (50% of maximum) for the Zaldívar Chloride Leach project. The specific threshold, target and maximum KPIs continue to be commercially sensitive.
6. Maximum and target were defined according to the progress of execution of planned exploration programmes for two targets previously discovered to have potential mineralisation and the consolidation of exploration ownership interests, including infill drilling campaigns, increasing the potential mineral inventory against three specific KPIs for each target with a weighting of 70% for the first target and 30% for the second target. The specific threshold, target and maximum KPIs continue to be commercially sensitive. The outcome was 105 (75% of maximum) comprising 105 for the KPIs for the first target (75% of maximum) and 105 for the KPIs for the second target (75% of maximum).
7. Split between implementation of the Group's Digital Transformation Programme (70%) and the implementation of the Group's Digital Academy (30%). Targets for the Group's Digital Transformation Programme related to implementation progress with threshold at 60% progress, target at 100% progress and maximum for 100% progress plus the implementation of key change management milestones for each initiative that improves adoption of technologies in each business unit. Targets for the Group's Digital Academy related to the implementation progress with threshold at 70% implementation, target at 90% implementation and maximum at 95% implementation. The outcome was 105 (75% of maximum) comprising 105 (75% of maximum) for the Group's Digital Transformation Programme and 105 (75% of maximum) for the Group' Digital Academy.
8. Performance against a target for reducing high potential accidents versus the recorded high potential accidents in 2019, with threshold at no reduction, target a 10% reduction and maximum a 15% reduction. Outcome was 110 (100% of maximum) based on a 63% reduction versus 2019.
9. Performance against targets set at the beginning of 2020 for implementation of the Diversity and Inclusion Strategy. Split between the results of an evaluation of the Group culture in supporting the expected maturity of the Group's Diversity and Inclusion Strategy (50%) with threshold at no improvement in culture, target of an expected improvement in culture and maximum for an improvement in culture above expectations based on the Committee's approval of an evaluation overseen by the the CEO and Vice President of Operations and an increase in the percentage of female employees (50%) with threshold at 10.3%, target at 13.2% and maximum at 13.9% at 31 December 2020. The outcome was 108 (90% of maximum) compromising 105 (75% of maximum) for the cultural evaluation and 110 (100% of maximum) for the percentage of female employees which stood at 14.7% at 31 December 2020.
10. The control of risks relating to environmental performance across all companies measured against KPIs relating to compliance with an internal plan for the implementation of controls for high and moderate environmental risks and a reduction in the Group's overall consumption of CO_2 emissions versus budget for the year with threshold at 70% implementation of the internal plan and or any environmental incident with an impact on production or reputation, target at 100% implementation of the plan and no environmental incident with an impact on production or reputation, with a negative adjustment of 15% for failure to achieve the CO_2 emission budget for the year and maximum at compliance with the target KPIs plus a 5% reduction in CO_2 emissions versus budget for the year. The outcome was 103 (65% of maximum) based on the achievement of KPIs and a 1.63% reduction in CO_2 emissions versus budget.
11. Performance against the planned execution of social initiatives (50%) and a planned programme to measure the impact of initiatives (50%) with threshold at 70% implementation for each plan, target at 95-100% implementation for each plan and maximum at full implementation of the execution plans plus a 3% saving versus budget and an agreed action plan defined to address any gaps in the impact measurement plan. The outcome was 110 (100% of maximum).
12. A standalone adjustment trigger amounting to 15% of the formulaic performance score outcome applies to the Annual Bonus Plan – 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 increase of 2.1 points (ie 15% of 103.8 – 90) to the final Group performance score for 2020.
13. As noted in the Committee Chair's introduction on page 137, the Group faced unforeseen circumstances arising from the COVID-19 pandemic during the year. The Board believes that the Group's employees, led by the CEO, handled these circumstances in an exceptional manner, and exercised its discretion to increase by 2.1 points the formulaic outcome of the Group's performance scores, at each of the individual operations, as well as at the Group level, resulting in an increase under the Group's 2020 Annual Bonus Plan score from 105.9 to 108 (from 80% of maximum to 90%). This decision confirmed alignment between the discretion applied to the performance scores for the individual operations and at Group level, which impacts senior management and the CEO's pay, recognising the significant difficulty of successfully continuing operating during the COVID-19 pandemic as well as the outstanding management performance in the face of such unprecedented challenges.

Annual bonus payout – individual performance (30%)

The Committee, based on individual feedback received from each DIrector, assessed Iván Arriagada's performance against his individual objectives as 110 within a range of 90 (Threshold 0% vesting) to 110 (Maximum 100% vesting) for his individual contribution to the business during the year. This performance score reflects exceptional performance during the year, in which all his individual objectives were met or exceeded and counts towards 30% of his annual bonus. Iván Arriagada's performance against his individual objectives is summarised below:

Key Goals	Performance
Maintaining a strong relationship with the Board throughout the year in communication and implementing strategic initiatives	• Strong communication throughout the year through fortnightly Board update meetings during the pandemic and ensuring regular communication between Board meetings to ensure that Directors were apprised of important developments. • Receptive to Board input and feedback, ensuring that Board perspectives, ideas and feedback were shared and implemented throughout the Group.
Demonstration of leadership in relation to the Group's core values and development of a culture of excellence	• Strong leadership and behaviour representative of the Group's core values before all stakeholders. • Leadership continued to develop a corporate culture of excellence.
Demonstration of a well defined strategy for environment, social and governance (ESG) matters and strategic vision for the Group's long-term sustainable success	• Demonstrated strong strategic alignment and planning, leading the management team in prioritising work in accordance with the Group's long-term strategy. • Presentation and development of a well defined strategy on ESG matters. • Progressed the Group's digital transformation and innovation initiatives to ensure the long-term success of the Group.
Implementation of succession planning and talent development initiatives and performance management	• Strong progress on the development of internal talent evidenced by the internal promotion of Zaldívar General Manager Julio César Castillo. • Led the development of the New Ways of Working project.
Evaluation of business development opportunities and successful implementation of the Group's exploration programme during the year	• Progress of the Group's exploration programme despite the COVID-19 pandemic. • Business development opportunities thoroughly evaluated throughout the year.
Ensuring the Group has the requisite expertise and ability to work with stakeholders and local communities and improvement of the Group's reputation with external stakeholders during the year	• Outstanding Group health and safety performance. • Outstanding stakeholders management in response to the COVID-19 pandemic.
Effective management of the business challenges arising from the COVID-19 pandemic, improvements relating to the Group's diversity and inclusion strategy and environmental performance for the year	• Outstanding leadership during the COVID-19 pandemic demonstrated by the Group's outstanding results. • Diversity and inclusion performance above stretch targets for the year. • Strong environmental performance.

Total bonus in respect of 2020 (audited)

For 2020, Iván Arriagada's actual bonus was 186% of base salary and the average bonus for the Executive Committee members (excluding Mr Arriagada) was approximately 55% of base salary.

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

Based on performance achieved against targets during the 2020 financial year, the Committee determined that Mr Arriagada would receive a bonus payment of $1,234,869 for 2020. This figure was determined as follows:

Overall performance score	(70% x 90) + (30% x 100) = 93% of maximum
(as a percentage of Maximum)	93% of $1,327,816
Gross annual bonus	= $1,234,869

Calculated in US dollars using the exchange rate as at 4 January 2021 of $1 = Ch$711.

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

The amount of bonus paid was not linked to share price appreciation.

LTIP awards

Eligibility to participate in the LTIP is determined by the Committee each year on an individual basis and the CEO and all members of the Executive Committee currently participate. Awards are normally granted annually, and the Directors are not eligible to participate.

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

The Committee considers cash-based awards appropriate because they have been used for a number of years and are well understood by plan participants. Independent advice was sought by the Committee on the viability of granting shares, rather than cash-based awards and this subject was re-visited during the most recent Policy review in 2019. On balance, the Committee determined that it remains appropriate to continue to use cash-based awards, however, the Committee will continue to monitor this position.

LTIP awards are split between Restricted Awards and Performance Awards. Restricted Awards vest only if the relevant employee remains employed by the Group on the vesting date. Performance Awards 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.

Performance Awards reward performance over three years. There is no additional holding period before these amounts are paid.

Restricted Awards vest one-third in each year over a three-year period following the grant of the award.

The number of Performance Awards and Restricted Awards granted 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.

LTIP awards are subject to malus provisions under the LTIP rules. These allow the Committee to, at its discretion, reduce the number of shares to which an award relates or to cancel an award as a result of:

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

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

Iván Arriagada's LTIP awards (audited)

The following LTIP awards with one or more outstanding tranches have been granted to Mr Arriagada. The number of shares to which each grant relates is determined based on the limits set out in the LTIP rules, consideration around retention and the share price at the time of grant.

Year of grant	Award type	Number of shares to which the grant relates	Date of grant	Vesting dates	Face value of award (using market price at date of grant) '$000	Market price at the date of grant '$[1]	End of performance period	% of award receivable if Threshold performance achieved[2]	% of award receivable if Target performance achieved[3]	% of award receivable if Maximum performance achieved
2018[4]	Performance Awards	109,397	28-Mar-18	28-Mar-21	1,470	13.44	31-Dec-20	0%	48%	100%
	Restricted Awards	46,885	28-Mar-18	28-Mar-19 28-Mar-20 28-Mar-21	630	13.44	N/A	100%	100%	100%
2019	Performance Awards	77,516	29-Mar-19		945	12.19	31-Dec-21	0%	48%	100%
	Restricted Awards	33,222	29-Mar-19	29-Mar-20 29-Mar-21 29-Mar-22	405	12.19	N/A	100%	100%	100%
2020	Performance Awards	105,295	27-Mar-20		868	8.24	31-Dec-22	0%	48%	100%
	Restricted Awards	45,126	27-Mar-20	27-Mar-21 27-Mar-22 27-Mar-23	372	8.24	N/A	100%	100%	100%

1. The market price used at the date of grant was the average closing share price on the five dealing days ending on the last dealing day before the grant, converted into US dollars using the exchange rate on the date of grant.
2. Restricted Awards are subject to continued employment at the vesting date. Upon cessation of employment, any Restricted Awards which have not then vested shall lapse immediately.
3. The % of Performance Awards receivable if Target performance is achieved is calculated as the weighted average of the amount receivable for Target performance for each of the KPIs in the applicable plan.
4. Mr Arriagada received an exceptional LTIP grant of 325% of base salary in 2018. This is explained in more detail in the 2018 Directors' Remuneration Report.

Performance measures for 2020

The performance measures and targets applying to the Performance Awards granted in 2020 are as follows:

Weighting	Objective	Measure
50%	Relative total shareholder return	Comparison against EMIX Global Mining Index with 0% vesting at performance below the index during the three-year period, 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 from the date of grant.
25%	Mineral resources increase	Tonnes of contained copper at the end of 2022 with 100% vesting if mineral resources of 87.4 million tonnes of contained copper is achieved, 50% vesting if mineral resources of 86.0 million tonnes of contained copper is achieved and 0% vesting if mineral resources of 84.6 million tonnes of contained copper or less is achieved.
12.5%	Projects' performance	Relates to the Group's priority projects at Los Pelambres and Zaldívar. Maximum is achievable if commissioning has been achieved for the Los Pelambres Expansion project (70%) and the Zaldívar Chloride Leach project (20%) before the end of 2022 and the Environmental Impact Study for Phase 2 of the Los Pelambres Expansion project has been submitted by the end of 2021 (10%). Target (75% vesting) is 75% progress against the maximum objective for each goal and Threshold (0% vesting) is 50% progress against the maximum objective for each goal.
12.5%	Environmental and Social performance	Maximum is achievable if 85% of agreed actions under agreements with communities surrounding all of the Group's operations have been implemented (80%) and achieving a Mining division CO_2 emission reduction target of 300,000t CO_2e and transitioning mining operating companies away from coal-based long-term power purchase agreements (20%).

Performance measures for 2019

The performance measures and targets applying to the Performance Awards granted in 2019 are as follows:

Weighting	Objective	Measure
50%	Relative total shareholder return	Comparison against EMIX Global Mining Index with 0% vesting at performance below the index during the three-year period, 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 from the date of grant.
25%	Mineral resources increase	Tonnes of contained copper at the end of 2021 with 100% vesting if mineral resources of 84.2 million tonnes of contained copper is achieved, 50% vesting if mineral resources of 83.0 million tonnes of contained copper is achieved and 0% vesting if mineral resources of 81.8 million tonnes of contained copper or less is achieved.
12.5%	Project portfolio progress	Relates to the Group's priority projects at Los Pelambres and Zaldívar. Maximum is achievable if construction of the Los Pelambres Expansion project reaches 85% progress (70%), the Zaldívar Chloride Leach project is in construction (20%) and achievement of feasibility level advancement of Phase 2 of the Los Pelambres Expansion project by the end of 2021 (10%). Target (75% vesting) is 75% progress against the maximum objective for each goal and Threshold (0% vesting) is 50% progress against the maximum objective for each goal.
12.5%	Social and environmental performance	100% vesting if 100% compliance is achieved with historical commitments and agreements with communities surrounding Los Pelambres (80%) and concluding Zaldívar's renewable energy power supply agreements and progressing energy efficiency projects for the reduction of CO_2e in accordance with the forecasts set on the grant date (20%). Target (50% vesting) is 75% progress against the maximum objective for each goal and Threshold (0% vesting) is 50% progress or less against the maximum objective for each goal.

LTIP awards vesting in respect of 2020 – anticipated Group performance under the 2018 LTIP

As noted in the single figure remuneration table on page 143, performance against the Performance Awards granted in 2018 will not be finally determined by the Committee until after the date of this report, once the Group's 2020 results have been released to the market. The performance criteria attaching to these Performance Awards and the anticipated performance against these criteria, based on estimates as at the date of this report, are as follows:

Weighting	Objective	Threshold (0%)	Target (see below)	Maximum (100%)	Anticipated performance	Anticipated achievement[1]
50%	Relative total shareholder return[2]	0% vesting at performance below the index during the three-year period from the date of grant	33% vesting at performance equal to the index during the three-year period from the date of grant	100% vesting at performance equal to or greater than the index plus 5% during the three-year period from the date of grant	This KPI will vest on or after 29 March 2021. The anticipated achievement is based on performance of 25% greater than the index as of 1 March 2021.	100%
25%	Mineral resources increase	0% vesting at 82.7 million tonnes of contained copper or below as at 31 December 2020	50% vesting at 84.7 million tonnes of contained copper as at 31 December 2020	100% vesting at 85.7 million tonnes of contained copper as at 31 December 2020	Resources increased to 86.7 million tonnes of contained copper as at 31 December 2020	100%
12.5%	Los Pelambres and Zaldívar priority projects portfolio progress[2]	0% vesting if 50% progress or less against the maximum objective for each goal.	75% vesting if progress against the maximum objective for each goal. 0% vesting if 50% progress or less against the maximum objective for each goal.	100% vesting if construction of each of the Los Pelambres Expansion project (77%) and the Zaldívar Chloride Leach project (23%) meet their respective construction plans approved by the Board at the time of approving execution of the project.	Performance for the Los Pelambres Expansion project is anticipated to be 88%. Performance for the Zaldívar Chloride Leach project is anticipated to be 99%.	90.5%
12.5%	Environmental performance	0% vesting where non-compliance with a plan to meet commitments for the Group's environmental permits connected with environmental impact assessments.	75% vesting where 100% compliance with a plan to meet commitments for the Group's environmental permits connected with environmental impact assessments is achieved.	100% vesting where 100% compliance is achieved with a plan to meet commitments for the Group's environmental permits and other environmental permits not connected with environmental impact assessments.	All goals achieved.	100%
Total						**98.8%[3]**

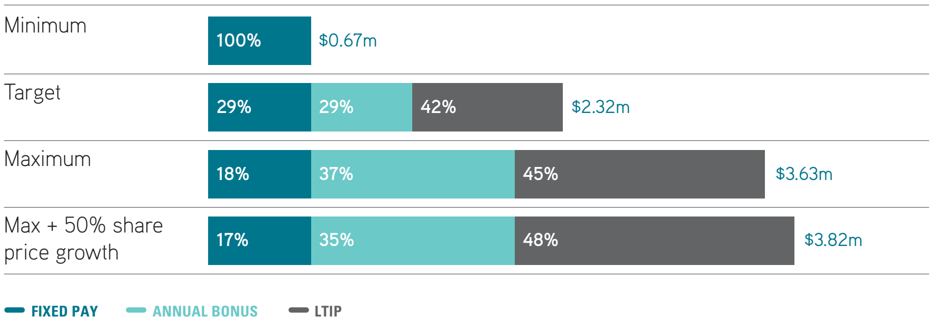
1. Anticipated achievement is based on estimates made as at the date of this report. These awards will not vest until after the Group's 2020 results have been released to the market.
2. The Company's total shareholder return is calculated to show a theoretical change in the value of a shareholding over a specified period. Total shareholder return for the EMIX 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 the three months before the beginning and the end of the period respectively.
3. The impact of this vesting level on the CEO's 2020 remuneration is set out in footnote 6 of the CEO single figure total remuneration table on page 143.

Implementation of the Directors' and CEO's remuneration policy in 2021

A significant proportion of the remuneration available to the CEO is dependent on the performance of the Group and in 2021 his total remuneration will consist of the same elements as it did in 2020.

The chart opposite outlines the CEO's total potential remuneration in 2021 under different performance scenarios.

The figures are based on the assumptions below.



Description	Minimum	Target	Maximum
LTIP awards of 200% of salary, 325% in exceptional circumstances (30% Restricted Awards, 70% Performance Awards)	No payout	100% of Restricted Awards, 48% of maximum Performance Awards	100% of Restricted Awards, 100% of maximum Performance Awards
Annual bonus, maximum opportunity of 200% of base salary	No payout	50% of maximum bonus opportunity	100% of maximum bonus opportunity
Annual base salary of Ch$472,005,528 ($663,908) as at 1 January 2021, plus benefits	Base salary plus benefits only. Excludes adjustments for inflation and the base salary increase from April 2021 described in more detail below. Restricted Awards are not included on the basis that they are subject to continued employment at the vesting date and lapse immediately upon the cessation of employment prior to vesting.		

All elements are estimated using an exchange rate of $1 = Ch$711 and are therefore subject to exchange rate fluctuations during the year.

The Committee is confident that the Policy operates as intended and no changes are necessary.

Base salary and benefits

The CEO's salary as at 1 January 2021 was $663,908 (2020: $613,629). The difference between the 2020 and 2021 figures is due to appreciation of the Chilean peso versus the US dollar during 2020 and to a lesser extent, inflation adjustments which automatically apply to the CEO's and employees' base salaries in line with the wider workforce.

As noted in the Chair's introduction, at the beginning of 2021, the Committee and the Board reviewed the operation of the CEO's pay policy using internal and external measures, deciding to increase the CEO's base salary from April 2021. The specific factors that were taken into account in this decision included:

- **the Group's performance under the CEO's leadership over the last five years:** the CEO has provided outstanding leadership, implementing the Group's culture and values, attracting and retaining key talent that works together effectively as a team, delivering on environmental, social and sustainability goals and delivering robust financial performance.
- **the position of the Group and the Board's current strategy and vision:** the organisation faces challenging operational and strategic goals that need to be delivered at a time when agility and continuity of leadership are required to meet the challenges of the continuing COVID-19 pandemic and social reform in Chile. Our CEO has a fundamental role in supporting the Group through that process.
- **external benchmarking exercises showed the CEO's remuneration to be below the appropriate positioning determined by the Committee and the Board:** The CEO's relative pay position has been consistently below global and FTSE 100/FTSE 100 mining benchmark packages and given the recent depreciation of the Chilean peso, this positioning has moved away from the Committee and the Board's desired positioning. The Committee and the Board also considered the relative position in Chile to ensure that this decision reflects the appropriate position for the CEO in Chile.
- **structural depreciation in the Chilean peso/US dollar exchange rate:** there has been a structural depreciation in the long term Chilean peso/US dollar exchange rate over the last five years. The Chilean peso has depreciated versus the US dollar leading to a decrease in the CEO's total US dollar pay and relative competitiveness in recent years. For example, the value of the Chilean peso to the US dollar in 2020 compared with 2017 has devalued by around 20%. While the Chilean peso to US dollar exchange rate will continue to be volatile, the effective increase in base pay for the CEO in US dollar terms compared with 2017 is approximately 5%. All employees are subject to annual merit reviews and similar merit increases have been made throughout the Group in recent years to ensure levels of remuneration remain competitive.

Consequently, the Committee and the Board have decided to increase base salary payments in Chilean pesos under the CEO's Chilean employment contract by 25%. The impact of this increase in US dollar terms will be reported in the Company's 2021 Remuneration Report.

Benefits payable to 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 health insurance contributions and no additional contributions are made by the Group.

Annual bonus

The maximum bonus opportunity for the CEO for 2021 will remain unchanged at 200% of salary.

The annual bonus 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. The Board has agreed Group performance criteria for the 2021 plan as set out in the table below.

The number of KPIs and weightings attributable to each component of the 2021 Annual Bonus Plan is the same as in 2020 and reflects the Committee's view of the balance required to successfully implement the Group's strategy in 2021. 70% of the CEO and Executive Committee's 2021 annual bonus will be calculated based on the Group's performance against these criteria in 2021, with the remaining 30% based on personal performance.

Weighting	Objective	Measure	Threshold	Target	Maximum
60%	**Core business**				
15%	EBITDA – Mining division[1]	$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 2021 target and outcome in the 2021 Annual Report.	≥+10%
25%	Copper production[2]	kt	699.9	722.2 – 744.6	766.9
20%	Costs[3]				
	Cash costs before by-product credits[3] (17%)	$/lb	172.9	163.1	153.3
	Corporate expenditure[4] (3%)	$m	128.5	122.4	116.3
20%	**Business development – Growth and innovation projects execution**				
13%	Growth projects[5]			Measured according to the schedule and budget as described in more detail in the footnotes.	
3%	Exploration programmes[6]				
4%	Innovation and Digital Transformation projects[7]				
20%	**Sustainability and organisational capabilities**				
5%	Safety – Mining division[8]			Measured according to the KPIs and milestones as described in more detail in the footnotes.	
5%	People – Diversity and Inclusion Strategy[9]				
5%	Environmental performance[10]				
5%	Social performance[11]				

1. The threshold, target and maximum target figures for EBITDA will be adjusted for exchange rate fluctuations, the impact of hedging arrangements, copper price fluctuations and the impact of any one-off bonuses paid as part of labour negotiations during the year.
2. 100% basis, except for Zaldívar (50%).
3. The threshold, target and maximum target figures for cash costs will be adjusted for exchange rate fluctuations, key input price deviations above 20% during the year and the impact of any one-off bonuses paid as part of labour negotiations.
4. The figures for corporate expenditure will be adjusted for exchange rate fluctuations and the difference between budget annual bonus payments and actual bonus payments made to employees for the year.
5. Split between the Los Pelambres Expansion project (6%) and the Zaldívar Chloride Leach project (1.5%), Zaldívar Environmental Impact Assessment (1.5%) and Centinela Second Concentrator project (4%).
6. Maximum and target are defined according to the progress of execution of a planned exploration programme one target previously discovered to have potential mineralisation and the consolidation of exploration ownership interests, including infill drilling campaigns, increasing the potential mineral inventory against three specific KPIs for each target.
7. Split between KPIs for the implementation of the autonomous truck fleet for Centinela (33.3%), the implementation of Centinela's Remote Operations Centre (33.3%) and implementation of the New Ways of Working project (33.3%).
8. Performance against a target for reducing high potential accidents versus the recorded high potential accidents in 2020, with threshold at no reduction, target of a 10% reduction and maximum of a 15% reduction.
9. Performance against targets set at the beginning of 2021 for implementation of the Diversity and Inclusion Strategy. Split between the results of an evaluation of the Group culture in supporting the expected maturity of the Group's Diversity and Inclusion Strategy (50%) with threshold at no improvement in culture, target of an expected improvement in culture and maximum for an improvement in culture above expectations based on the Committee's approval of an evaluation overseen by the CEO and Vice President of Operations and an increase in the percentage of female employees (50%) with threshold at 14.7%, target at 16.4% and maximum of 17.2% at 31 December 2021.
10. The control of risks relating to environmental performance across all companies measured against KPIs relating to compliance with an internal plan for the implementation of controls for high and moderate environmental risks, a reduction in the Group's overall CO_2 emissions with threshold at 80% implementation of the internal plan for the control of high and moderate environmental risks and no reduction in CO_2 emissions, target at 100% implementation of the internal plan for the implementation of controls for high and moderate environmental risks and 100% achievement of the CO_2 emissions budget for scope 1 and scope 2 emissions for the year and Centinela and Zaldívar registered with The Copper Mark before the end of the year and maximum at compliance with the target KPIs plus more than a 3.5% reduction in CO_2 emissions versus budget for the year, the establishment of a goal in 2022 for a reduction in scope 3 emissions and Centinela and Zaldívar registered with The Copper Mark before 30 September 2021.
11. Performance against the planned execution of social initiatives, improvements in measured social programmes and the control of risks relating to social incidents performance within the budget across all companies where maximum is achievable with the implementation of all planned initiatives and no social incidents impacting production or the Group's reputation and with costs incurred 3% below budget.

Full disclosure on the targets and performance against them will be provided in the 2021 Remuneration Report.

Performance adjustments and discretion

As has been the case for a number of years, the final performance score under the 2021 Annual Bonus Plan will be subject to a 15% adjustment upwards if there are no fatalities and 15% downwards if there are one or more fatalities, during 2021.

The final performance score for the "core business" component of the annual bonus score, comprising 60% of the Group performance score, will also automatically be adjusted to 90 (0% bonus) when applied to the 2021 annual bonus for the Executive Committee if the Group does not record a profit after tax (excluding extraordinary non-cash items and changes to legislation or accounting rules and calculated using the statutory nominal tax rate) in 2021.

The Committee maintains discretion to adjust the final performance score within a range of three points. However, use of this adjustment must be approved by the Board.

2021 LTIP awards

The Committee carefully considered the design of the LTIP including the vesting and holding periods for Restricted Awards and Performance Awards and the mix of awards that are granted to participants in the LTIP. It confirmed that the current design continues to be appropriate, taking into account the overall quantum of remuneration available to the CEO and the Executive Committee and remuneration structures typically used in the market in Chile.

Following the Committee's review, the maximum opportunity for 2021 will remain unchanged at 200% of salary (325% of salary in exceptional circumstances).

The LTIP will continue to comprise two elements as follows:

- Restricted Awards (30% of overall award) – vest one-third each year over a three-year period following grant.
- Performance Awards (70% of overall award) – awards subject to a three-year performance period with no holding period. The measures for 2021 awards are shown at the top of the following page.

Weighting	Objective	Measure
50%	Relative total shareholder return	Comparison against Global X Copper Miners ETF (CopX Index) with 0% vesting at performance below the index during the three-year period, 33% vesting at performance equal to the index and 100% vesting at performance equal or greater than the index plus 5% during the three-year period from the date of grant.
25%	Mineral resources increase	Maximum is expected to be 86.6 million tonnes of contained copper, with target and threshold of 85.6 and 82.6 million tonnes of contained copper respectively as at 31 December 2023.
12.5%	Project's performance	Maximum is achievable if the feasibility studies for the Concentrate Transportation System (35%) and Desalination Plant Expansion (30%) projects are completed, and Centinela's Second Concentrator project meets its respective budget and construction plans approved by the Board (35%).
12.5%	Environmental and social commitments	This KPI comprises two parts: 1. Social Management Plan (40%) Maximum is achievable for 100% compliance with initiatives included in the Group's social management plan, including initiatives existing as of 31 March 2021 and added thereafter until 31 December 2023, on time and on budget with target (0% vesting) at 85% compliance with the initiatives. The final score is calculated as the average score of all initiatives. 2. Climate change and environment (60%) Maximum is achievable for compliance with the Group's emissions budget according to the emissions reduction goal of 900,000t CO_2e by 2023, 100% compliance with the climate change strategy roadmap and 100% compliance with the internal plan to address regulatory requirements.

Implementation of the Directors' Remuneration Policy in 2021

Directors will be paid fees in 2021 in accordance with the same roles as in 2020 as set out on page 140. These fees were reviewed against relevant benchmarks at the beginning of 2021 and based on this exercise, the Board agreed to keep Non-Executive Director fees unchanged but to increase the fees payable for Committee roles and the role of Senior Independent Director to bring these fees closer to levels observed in the market and to reflect the considerable additional time commitments and responsibilities attached to these roles, which has continued to grow in recent years.

Benefits that were reported in 2020 will continue to apply. Directors are not expected to receive any other remuneration in 2021.

The fees payable for Committee roles and the role of Senior Independent Director from 1 April 2020 are set out below:

Additional Director fees payable from 1 April 2021

Role	Additional fees ($000)
Senior Independent Director	33
Audit and Risk Committee Chair	42
Audit and Risk Committee member	20
Nomination and Governance Committee Chair	25
Nomination and Governance Committee member	10
Projects Committee Chair	35
Projects Committee member	20
Remuneration and Talent Management Committee Chair	35
Remuneration and Talent Management Committee member	20
Sustainability and Stakeholder Management Committee Chair	35
Sustainability and Stakeholder Management Committee member	20

Committee and arrangements in place with advisers

The names of the members of the Remuneration and Talent Management Committee are set out on page 134 which forms part of the Remuneration Report.

During the year, the Committee reappointed remuneration consultants Willis Towers Watson to provide advice to the Committee on compensation benchmarking, regulatory and corporate governance developments and market practice. This reappointment was based on the Committee's satisfaction with the quality of advice received in previous years.

The Committee noted that except as highlighted below Willis Towers Watson had no other connection with the Company, and is satisfied that the advice provided by Willis Towers Watson in 2020 was objective and independent and that no conflict of interest arose as a result of these services. Willis Towers Watson's fees for this work were charged in accordance with time and materials and amounted to £145,130.

Willis Towers Watson also provided advice and support during the year to management, primarily covering a review of remuneration policies and practices throughout the organisation that was undertaken by a specialist team on an independent basis. The outcomes of this work were tabled for the Committee's review and the Committee was satisfied that the advice received was objective and independent.

In determining that advice received was independent, the Committee took into account that Willis Towers Watson is an independent global professional services firm that is a signatory to, and adheres to, the Code of Conduct for Remuneration Consultants. This can be found at www.remunerationconsultantsgroup.com.

The Committee also received assistance from the Chairman, Jean-Paul Luksic, the CEO, Iván Arriagada, the Vice President of Human Resources, Ana Maria Rabagliati and the Company Secretary, Julian Anderson, during 2020, none of whom participated in discussions relating to their own remuneration.

The Committee Chair and the Committee regularly speak with 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 can be debated between Committee members.

Directors' Report

Directors

Directors who have served during the year and summaries of current Directors' key skills and experience are set out in the Corporate Governance Report on pages 112-114.

Post-balance sheet events

There have been no post-balance sheet events.

Financial risk management

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

Results and dividends

The consolidated profit before tax has increased from $1,349.2 million in 2019 to $1,413.1 million in 2020.

The Board has recommended a final dividend of 48.5 cents per ordinary share (2019 – 7.1 cents). An interim dividend of 6.2 cents was paid on 2 October 2020 (2019 interim dividend – 10.7 cents). This gives total dividends per share proposed in relation to 2020 of 54.7 cents (2019 – 17.8 cents) and a total dividend amount in relation to 2019 of $539.3 million (2019 – $175.5 million).

Preference shares carry the right to a fixed cumulative dividend of 5% per annum. The preference shares are classified within borrowings and preference dividends are included within finance costs. The total cost of dividends paid on preference shares and recognised as an expense in the income statement was $0.1 million (2019 – $0.1 million). Further information relating to dividends is set out in the Financial review on page 91 and in Note 14 to the financial statements.

Political contributions

The Group did not make political donations during the year ended 31 December 2020 (2019 – nil).

Auditor

The Company's auditor, PricewaterhouseCoopers LLP, has indicated its willingness to continue in office and a resolution seeking its reappointment will be proposed at the Annual General Meeting.

Disclosure of information to auditors

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

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

Capital structure

Details of the authorised and issued ordinary share capital are shown in Note 30 to the financial statements. The Company has one class of ordinary shares, which carry no right to fixed income. Each ordinary share carries one vote at any general meeting of the Company.

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

When the preference shares were issued, they each carried one vote at any general meeting of the Company in parity with the ordinary shares in issue at that time. The number of ordinary shares in issue has increased since then through stock splits and bonus issues and because the preference shares were not split at the same time as the ordinary shares. In order to maintain proportionate voting rights attaching to the preference shares, the voting rights attaching to preference shares have increased to 100 votes on a poll at any general meeting of the Company.

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

With regard to the appointment and replacement of Directors, the Company is governed by, and has regard to, its Articles of Association, the UK Corporate Governance Code 2018, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders. There are no significant agreements in place that take effect, alter or terminate upon a change of control of the Company. There are no agreements in place between the Company and its Directors or employees that provide for compensation for loss of office or employment resulting from a change of control of the Company.

The percentages of the total nominal share capital of the Company represented by each class of share are:

Class	Number in issue	Nominal value per share	Percentage of capital
Ordinary shares of 5p each	985,856,695	5p	96.10%
Preference shares of £1.00 each	2,000,000	£1	3.90%

Authority to issue shares and authority to purchase own shares

At the 2020 AGM, held on 20 May 2020, authority was given to the Directors to allot unissued relevant securities in the Company up to a maximum amount equivalent to two-thirds of the ordinary shares in issue (of which one-third may only be offered by way of rights issue). This authority expires on the date of this year's AGM, scheduled to be held on 12 May 2021. No shares have been issued as at the date of this report or during the year. The Directors propose to seek renewal of this authority at this year's AGM.

A further special resolution passed at the 2020 AGM granted authority to the Directors to allot equity securities in the Company for cash up to an aggregate nominal amount of £2,464,641, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of this year's AGM and the Directors will seek to renew this authority by way of two separate resolutions, in line with the Investment Association's guidance and the Pre-Emption Group's Statement of Principles.

The Company was also authorised by a shareholders' resolution passed at the 2020 AGM to purchase up to 10% of its issued ordinary share capital. Any shares bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued and authorised share capital. This authority will expire at this year's AGM and a resolution to renew the authority for a further year will be proposed. No shares were purchased by the Company during the year.

Directors' interests and indemnities

Details of Directors' contracts and letters of appointment, remuneration and emoluments, and their interests in the shares of the Company as at 31 December 2020, are given in the Directors' Remuneration Report. No Director had any material interest in a contract of significance (other than a service contract – see page 142) with the Company or any subsidiary company during the year.

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

Conflicts of interest

Each year, the Directors complete a form identifying interests that may constitute a conflict of interest, including, for example, directorships in other companies. Directors are also required to notify the Company during the year of any relevant changes in those positions or situations.

The Board, with assistance from the Nomination and Governance Committee, considers the potential and actual conflict situations and decides in relation to each situation the steps, if any, which need to be taken to manage it.

The authorisation process is not regarded as a substitute for managing an actual conflict of interest if one arises, and the monitoring, and, if appropriate, authorisation of actual and potential conflicts of interest is an ongoing process.

Substantial shareholdings

As at 31 December 2019, the following significant holdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure and Transparency Rule 5:

Shareholder	Ordinary share capital %	Preference share capital %	Total share capital %
1. Metalinvest Establishment	50.72	94.12	58.04
2. Kupferberg Establishment	9.94	–	8.27
3. Aureberg Establishment	4.26	–	3.54

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

No interests have been disclosed to the Company between 31 December 2020 and the date of this report.

Exploration and research and development

The Group's subsidiaries carry out exploration and research and development activities that are necessary to support and expand the Group's operations.

Going concern

The Directors, having made appropriate enquiries, have satisfied themselves that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements, as detailed in Note 1 to the financial statements. Additionally, the Directors have considered longer-term viability, as described in their statement on page 30.

Business relationships with suppliers, customers and others

A statement of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions made by the Company during the year, are set out on pages 34-61 of the Strategic Report and pages 108-109 of the Corporate Governance Report.

Other statutory disclosures

The Corporate Governance Report on pages 94-152, the Statement of Directors' responsibilities on page 155 and Note 25 to the financial statements are incorporated into this Directors' Report by reference.

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

	Location in Strategic Report
Future developments in the business of the Group	Pages 64-83
Viability statement	Page 30
Subsidiaries, associates and joint ventures	Pages 64-83
Employee engagement	Pages 42-44
Greenhouse gas emissions	Page 53
Streamlined energy and carbon reporting	Pages 52-53

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

	Location in Annual Report
Statement of interest capitalised by the Group (LR 9.8.4(1))	See Notes 6, 10 and 16 to the financial statements on pages 178-181, 186 and 189.
Relationship agreement (LR 9.8.4(14))	Page 103

By order of the Board

Julian Anderson
Company Secretary

15 March 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy.

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

- the group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the parent company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

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

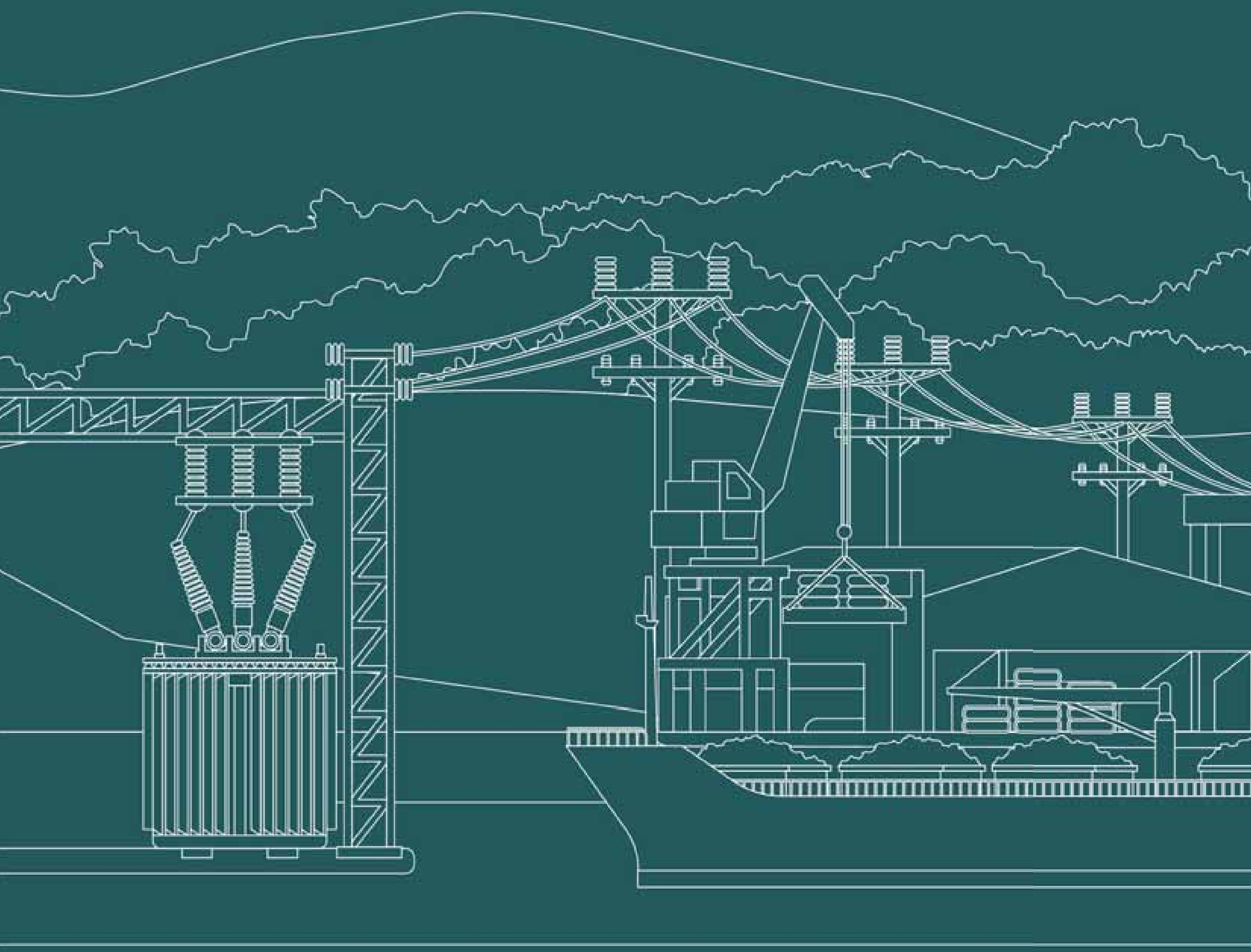
By order of the Board

Jean-Paul Luksic
Chairman

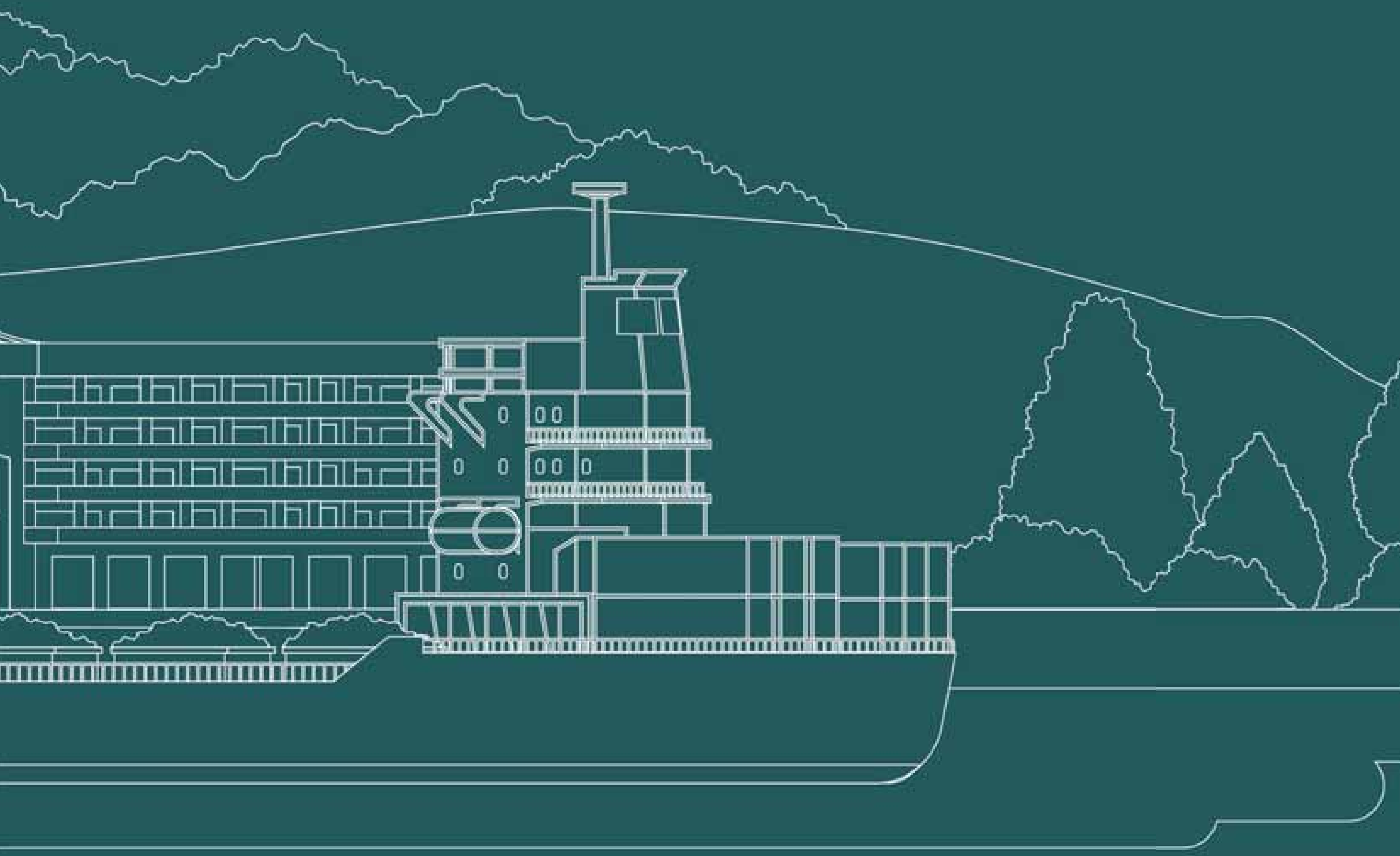
Ollie Oliveira
Senior Independent Director

15 March 2021

Financial statements



Financial statements



Independent auditors' report to the members of Antofagasta plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Antofagasta plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2020 (the "Annual Report"), which comprise: the consolidated and Parent Company balance sheets as at 31 December 2020; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Context

The most significant impact on the audit for the year ended 31 December 2020 was the COVID-19 pandemic. As a result of COVID-19, Chile and the United Kingdom were both placed under government lockdowns for large parts of our 2020 audit cycle, which impacted the way we conducted our work, with more procedures being performed remotely, including the Group team's direction and oversight of our component teams. The impacts of the pandemic, both from a financial reporting perspective and as it related to delivering the audit largely remotely, were continuously re-evaluated throughout the year, including the impact of the pandemic on our risk assessment.

Overview

Audit scope

- We identified two components (2019: two) as individually financially significant components, which required an audit of their complete financial information due to their financial significance to the Group, and a further three components (2019: three) where we concluded that a full scope audit of the component financial information was warranted.
- We also determined that specified procedures were necessary in respect of certain balances within the corporate segment and transport division to ensure that we had sufficient coverage from our audit work over each line of the Group's financial statements.
- Taken together, the components at which audit work was performed accounted for 97% of Group revenue.

Key audit matters

- Assessment of indicators of impairment for the Antucoya and Centinela cash generating units (Group)
- COVID-19 (Group and Parent Company)

Materiality

- Overall Group materiality: $64 million (2019: $70 million) based on approximately 5% of three year average profit before tax adjusted for one-off items.
- Overall Parent Company materiality: $22 million (2019: $13 million) based on 1% of total assets.
- Performance materiality: $48 million (Group) and $16.5 million (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of safety and environmental regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Inquiries with management, including the Group's Vice President of Legal and the Head of Internal Audit, regarding their consideration of known or suspected instances of non-compliance with laws and regulation, fraud, and breaches of applicable environmental regulations;
- Obtaining legal letters from the Group's external legal advisers in respect of litigation and claims and other such matters, where considered necessary;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular their anti-bribery controls;
- Challenging assumptions and judgements made by management in respect of critical accounting judgements and significant accounting estimates, in particular in relation to impairment indicator assessments at Antucoya and Centinela (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted with certain unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Independent auditors' report to the members of Antofagasta plc continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

COVID-19 is a new key audit matter this year. Provisions for decommissioning and restoration, which was a key audit matter last year, is no longer included because of the reduced audit risk given the absence of both significant cost estimate updates and also any mandatory reviews by the Chilean regulator of the cost estimate in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Assessment of indicators of impairment for the Antucoya and Centinela cash generating units (Group) In accordance with IAS 36 'Impairment of assets', the Directors are required to perform an impairment assessment of long-lived assets at any time an indicator of impairment exists. The Directors considered various external and internal factors, as set out in IAS 36, in assessing whether an impairment indicator existed as at 31 December 2020, such as short- and long-term forecast copper prices, the operational performance of these mines and indicative estimates of movements in value during the year based on the latest Life of Mine plans. The Directors concluded that no impairment indicators existed as at 31 December 2020 in respect of either Antucoya or Centinela and, therefore, no detailed impairment tests were performed. This assessment required judgement on the part of the Directors in determining whether an impairment trigger existed and was, therefore, considered a key audit matter. There is a heightened level of potential impairment risk at Antucoya, given its relatively high cost base, and at Centinela given its sensitivity to changes in the long-term copper price. Refer to note 5 to the financial statements and the Audit and Risk Committee's views set out on page 125.	We assessed management's conclusion that there were no impairment indicators as at 31 December 2020. Our procedures included evaluating management's assessment of impairment indicators, including evaluating the completeness of the assessment by reference to both internal and external factors, including but not limited to the impact of COVID-19, operational performance in the year, macro-economic factors including forecast copper prices, foreign currency exchange rates and market interest rates, climate change, and expected future production profiles and capital expenditure as included in the latest Life of Mine plan for each operation. In addition, we evaluated management's quantitative impairment indicator assessments, and the process by which they were drawn up, including verifying the mathematical accuracy of the cash flow models and agreeing future capital and operating expenditure to the latest Board approved budgets and the latest approved Life of Mine plans. We assessed the reasonableness of the expected capital and operating expenses in light of their historical levels and recent operational performance, and considered the competence and objectivity of management's internal technical experts who prepared the Life of Mine plans. We evaluated the appropriateness of key market related assumptions in the indicative valuation models, including the copper prices, discount rates and foreign currency exchange rates, with the support of our valuation experts. We performed sensitivity analysis around the key assumptions within the cash flow forecasts, using both lower long-term copper prices and a stronger Chilean peso. In light of the above, we assessed the appropriateness of the related disclosures in note 5 to the financial statements, including the sensitivities provided. Overall, we identified no material issues in our work.
COVID-19 (Group and Parent Company) Management has undertaken an assessment of the impact of COVID-19 on the Group and Parent Company financial statements focusing on the potential impact of the pandemic on the Group's accounting estimates and judgements. The areas where management has given greatest attention to the accounting and disclosure implications of COVID-19 are as follows: • The Group's going concern assessment (note 1 to the financial statements); • Impairment considerations, including asset sensitivities (note 5 to the financial statements); • Net realisable value of inventories (note 20 to the financial statements; and • Recoverability of trade receivables (note 21 to the financial statements). We focused on the impact of COVID-19 on the Group and Parent Company financial statements as its impact may be significant and pervasive, both in terms of the impact on a range of the Group's accounting judgements and estimates, including but not limited to impairment, and in terms of the related disclosures in the Annual Report. Refer also to the Audit and Risk Committee's views set out on page 125. In addition, restrictions on travel and office closures limited our ability to access mine sites and resulted in a large proportion of the audit being delivered remotely.	We issued specific audit instructions to component teams, requesting additional risk assessments to be performed on the impact of COVID-19 locally, and directed component auditors to perform further procedures to address the additional areas that may be subject to significant estimates or judgements to ensure the appropriateness and completeness of our audit risk assessment and planned audit response. We assessed our ability to execute the audit when operating under lockdown and the related international travel restrictions. We implemented alternative communication and review protocols with management and with our component auditors. We also held a planning meeting involving management and our component auditors, and agreed ways to facilitate a remote audit, including determining how we could ensure appropriate access to relevant documentation that we needed for our audit. We increased the frequency and extent of our direction and oversight of our component audit teams, using more frequent video conferencing and more extensive remote working paper reviews, to satisfy ourselves as to the appropriateness of audit work performed by our component teams based in Santiago. With the support of our component teams where necessary, we evaluated management's accounting estimates in light of COVID-19. We considered its impact on impairment and we have reported a separate key audit matter in respect of the assessment of indicators of impairment at Antucoya and Centinela. Our procedures and conclusions in respect of going concern are set out separately within the Conclusions relating to going concern section of this report. We assessed management's disclosures in the Annual Report in relation to the impact of COVID-19, considering whether the disclosures were consistent with our underlying audit procedures both at the Group and at the component level. Overall, we identified no material issues from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The core mining business comprises four mining operations: Los Pelambres; Centinela; Antucoya and Zaldívar, a joint venture with Barrick Gold Corporation operated by the Group. These mines produce copper cathodes, copper concentrates and significant volumes of by-products.

In addition to mining, the Group has a transport division that provides rail and road cargo services in northern Chile, predominantly to mining customers, including to the Group's own operations.

All of the above operations are located in Chile. In addition, the Group has corporate head offices located in both Santiago, Chile (Antofagasta Minerals S.A.) and London, UK (Antofagasta plc). The Group also has exploration projects in various countries.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each of the four mine sites and the corporate offices in Chile, by us, as the Group engagement team and by component auditors from PwC Chile operating under our instruction. Los Pelambres and Centinela were considered to be financially significant components of the Group, due to their contribution towards Group profit before tax, and so required audits of their complete financial information. Antucoya and Zaldívar, as well as the Parent Company Antofagasta plc, were also subject to an audit of their complete financial information. We also requested that component auditors perform specified procedures over the corporate offices in Chile, and specific line items of other entities within the Group (including the transport division) to ensure that we had sufficient coverage from our audit work over each line of the Group's financial statements. The Group engagement team also performed specified procedures in respect of the recoverability of the intangible asset associated with the Twin Metals' mining licences, held within the corporate segment. For all other components, the Group team performed analytical review procedures.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

A UK staff member was seconded to PwC Chile to be an integral part of the team for part of the year. The Group team also reviewed the component auditor working papers and reviewed other communications dealing with significant accounting and auditing issues.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent Company
Overall materiality	$64 million (2019: $70 million)	$22 million (2019: $13 million)
How we determined it	Approximately 5% of three year average profit before tax adjusted for one-off items	1% of total assets
Rationale for benchmark applied	For overall Group materiality, we chose to use an underlying earnings measure as the benchmark because an underlying measure removes the impact of material items that do not recur from year to year or otherwise significantly affect the underlying trend of performance from continuing operations. The adoption of a multi-year average benchmark for materiality responds to longer term trends in commodity markets and reduces volatility in the measure year-on-year. Using our professional judgement, we determined materiality for this year at $64 million, which equates to approximately 4.3% of the current year's profit before tax adjusted for one-off items.	For the Parent Company materiality, we determined our materiality based on total assets, which is more applicable than a performance-related measure as the company is an investment holding company for the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $6 million and $45 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to $48 million for the Group financial statements and $16.5 million for the Parent Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $3.2 million (Group audit) (2019: $3.5 million) and $1.1 million (Parent Company audit) (2019: $650,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and examining management's base case forecasts and downside scenarios, checking that the forecasts have been subject to board review and, in the case of the base case, approval;
- Considering the historical reliability of management forecasting by comparing budgeted results with actual performance;
- Assessing the future cash flows included in the base case to ensure that these were consistent with our understanding from work performed over other key accounting estimates in the financial statements such as the impairment indicator assessment;
- Performing our own sensitivity analysis to understand the impact of changes in cash flows and net debt on the resources available to the Group;
- Assessing the covenants applicable to the Group's borrowings and considering whether the forecasts supported ongoing compliance with the covenants; and
- Reading management's paper to the Audit and Risk Committee in respect of going concern, and agreeing the forecasts set out in this paper to the underlying base case cash flow model.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

In relation to the Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' and CEO remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Parent Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Parent Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' and CEO remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 20 May 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2015 to 31 December 2020.

Simon Morley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

15 March 2021

Consolidated income statement

For the year ended 31 December 2020

	Notes	Excluding exceptional items 2020 $m	Exceptional Items 2020 $m	2020 $m	2019 $m
Group revenue	6,7	5,129.3	–	5,129.3	4,964.5
Total operating costs		(3,537.1)	–	(3,537.1)	(3,588.7)
Operating profit from subsidiaries	6,8	1,592.2	–	1,592.2	1,375.8
Net share of results from associates and joint ventures	6,18	5.1	–	5.1	24.4
Impairment of investment in associate	3	–	(80.8)	(80.8)	–
Total profit from operations, associates and joint ventures	8	1,597.3	(80.8)	1,516.5	1,400.2
Investment income		18.9	–	18.9	47.1
Interest expense		(77.1)	–	(77.1)	(111.1)
Other finance items		(45.2)	–	(45.2)	13.0
Net finance expense	10	(103.4)	–	(103.4)	(51.0)
Profit before tax	6	1,493.9	(80.8)	1,413.1	1,349.2
Income tax expense	11	(546.2)	19.7	(526.5)	(506.1)
Profit from continuing operations	6	947.7	(61.1)	886.6	843.1
Profit from discontinued operations	12	7.3	–	7.3	–
Profit for the year		955.0	(61.1)	893.9	843.1
Attributable to:					
Non-controlling interests	31	408.4	(20.9)	387.5	341.7
Profit attributable to the owners of the parent	13	546.6	(40.2)	506.4	501.4

					US cents
Basic earnings per share	13				
From continuing operations		54.7	(4.1)	50.6	50.9
From discontinued operations		0.7	–	0.7	–
Total continuing and discontinued operations		55.4	(4.1)	51.3	50.9

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 $m	2019 $m
Profit for the year	6	**893.9**	843.1
Items that may be or were subsequently reclassified to profit or loss:			
(Losses)/gains on cash flow hedges – time value		**(19.2)**	0.4
Losses on cash flow hedges – intrinsic value	25	**(12.9)**	(7.7)
Losses/(gains) in fair value of cash flow hedges transferred to the income statement	25	**3.4**	(0.8)
Deferred tax effects arising on cash flow hedges deferred in reserves		**2.4**	2.0
Currency translation adjustment		**0.9**	–
Total items that may be or were subsequently reclassified to profit or loss		**(25.4)**	(6.1)
Items that will not be subsequently reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	27	**9.8**	(4.7)
Tax on items recognised through Other Comprehensive income/(expense) which will not be reclassified to profit or loss in the future		**(2.6)**	0.9
Gains in fair value of equity investments	19	**5.5**	0.3
Share of other comprehensive losses of equity accounted units, net of tax		**–**	(0.3)
Total items that will not be subsequently reclassified to profit or loss		**12.7**	(3.8)
Total other comprehensive expense		**(12.7)**	(9.9)
Total comprehensive income for the year		**881.2**	833.2
Attributable to:			
Non-controlling interests	31	**383.2**	338.6
Equity holders of the Company		**498.0**	494.6

	2020 $m	2019 $m
Total comprehensive income for the year – continuing operations	**873.9**	833.2
Total comprehensive income for the year – discontinued operations	**7.3**	–
	881.2	833.2

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital $m	Share premium $m	Other reserves (Note 30) $m	Retained earnings (Note 30) $m	Equity attributable to equity owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2019	89.8	199.2	(14.5)	7,084.9	**7,359.4**	2,078.7	**9,438.1**
Profit for the year	–	–	–	501.4	**501.4**	341.7	**843.1**
Other comprehensive expense for the year	–	–	(3.6)	(3.2)	**(6.8)**	(3.1)	**(9.9)**
Dividends	–	–	–	(470.3)	**(470.3)**	(400.0)	**(870.3)**
At 31 December 2019	**89.8**	**199.2**	**(18.1)**	**7,112.8**	**7,383.7**	**2,017.3**	**9,401.0**
Capital increases from non-controlling interest (Note 23) [1]	–	–	–	–	**–**	210.0	**210.0**
Profit for the year	–	–	–	506.4	**506.4**	387.5	**893.9**
Other comprehensive expense for the year	–	–	(12.5)	4.1	**(8.4)**	(4.3)	**(12.7)**
Dividends	–	–	–	(131.1)	**(131.1)**	(280.0)	**(411.1)**
At 31 December 2020	**89.8**	**199.2**	**(30.6)**	**7,492.2**	**7,750.6**	**2,330.5**	**10,081.1**

1. A capital contribution of $210 million was received from Marubeni, the minority partner at Antucoya, in order to replace part of Antucoya's subordinated debt financing with equity (see Notes 23 and 31).

Consolidated Balance sheet

As at 31 December 2020

	Note	2020 $m	2019 $m
Non-current assets			
Intangible assets	15	**150.1**	150.1
Property, plant and equipment	16	**9,851.9**	9,556.7
Other non-current assets		**2.6**	2.1
Inventories	20	**278.1**	208.0
Investment in associates and joint ventures	18	**914.6**	1,024.8
Trade and other receivables	21	**55.9**	48.2
Derivative financial instruments	25	**0.3**	1.7
Equity investments	19	**11.1**	5.1
Deferred tax assets	28	**6.4**	8.2
		11,271.0	11,004.9
Current assets			
Inventories	20	**592.7**	586.4
Trade and other receivables	21	**1,016.9**	682.4
Current tax assets		**49.8**	140.2
Derivative financial instruments	25	**1.1**	3.1
Liquid investments	22	**2,426.0**	1,539.7
Cash and cash equivalents	22	**1,246.8**	653.7
		5,333.3	3,605.5
Total assets		**16,604.3**	14,610.4
Current liabilities			
Short-term borrowings	23	**(603.4)**	(723.9)
Derivative financial instruments	25	**(37.4)**	(9.6)
Trade and other payables	24	**(808.8)**	(750.6)
Short-term decommissioning and restoration provisions	29	**(22.2)**	(22.0)
Current tax liabilities		**(153.9)**	(42.8)
		(1,625.7)	(1,548.9)
Non-current liabilities			
Medium and long-term borrowings	23	**(3,151.4)**	(2,032.9)
Derivative financial instruments	25	**–**	(2.5)
Trade and other payables	24	**(11.0)**	(8.2)
Liabilities in relation to joint venture	18	**(1.1)**	(1.8)
Post-employment benefit obligations	27	**(123.2)**	(118.7)
Decommissioning and restoration provisions	29	**(498.0)**	(391.2)
Deferred tax liabilities	28	**(1,112.8)**	(1,105.2)
		(4,897.5)	(3,660.5)
Total liabilities		**(6,523.2)**	(5,209.4)
Net assets		**10,081.1**	9,401.0
Equity			
Share capital	30	**89.8**	89.8
Share premium		**199.2**	199.2
Other reserves	30	**(30.6)**	(18.1)
Retained earnings	30	**7,492.2**	7,112.8
Equity attributable to equity owners of the parent		**7,750.6**	7,383.7
Non-controlling interests	31	**2,330.5**	2,017.3
Total equity		**10,081.1**	9,401.0

The financial statements on pages 165-211 were approved by the Board of Directors on 15 March 2021 and signed on its behalf by

Jean-Paul Luksic
Chairman

Ollie Oliveira
Senior Independent Director

Consolidated Cash Flow Statement
For the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Cash flow from continuing operations	32	**2,431.1**	2,570.7
Interest paid		**(52.7)**	(76.3)
Income tax paid		**(319.7)**	(403.6)
Net cash from operating activities		**2,058.7**	2,090.8
Investing activities			
Capital contributions to joint ventures	18	**(7.2)**	(1.8)
Dividends from associates	18	**–**	58.0
Acquisition of mining properties		**(1.5)**	(5.2)
Proceeds from sale of property, plant and equipment		**0.8**	1.9
Purchases of property, plant and equipment		**(1,305.9)**	(1,073.6)
Net increase in liquid investments	22	**(886.3)**	(676.5)
Interest received		**12.6**	41.0
Net cash used in investing activities		**(2,187.5)**	(1,656.2)
Financing activities			
Dividends paid to equity holders of the Company	14	**(131.1)**	(470.3)
Dividends paid to preference shareholders of the Company	14	**(0.1)**	(0.1)
Dividends paid to non-controlling interests	31	**(280.0)**	(400.0)
Capital increase from non-controlling interest [1]		**210.0**	–
Proceeds from issue of new borrowings	32	**2,398.6**	741.4
Repayments of borrowings	32	**(1,393.8)**	(588.1)
Principal elements of lease payments	32	**(86.5)**	(92.5)
Net cash from/(used in) financing activities		**717.1**	(809.6)
Net increase/(decrease) in cash and cash equivalents		**588.3**	(375.0)
Cash and cash equivalents at beginning of the year		**653.7**	1,034.4
Net increase/(decrease) in cash and cash equivalents	32	**588.3**	(375.0)
Effect of foreign exchange rate changes	32	**4.8**	(5.7)
Cash and cash equivalents at end of the year	22,32	**1,246.8**	653.7

1. A capital contribution of $210 million was received from Marubeni, the minority partner at Antucoya, in order to replace part of Antucoya's subordinated debt financing with equity (see Notes 23 and 31).

1 Basis of preparation

The financial statements have been prepared in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.The financial statements have been prepared on the going concern basis.

Going concern

The Group's business activities, together with those factors likely to affect its future performance, are set out in the Strategic Report, and in particular within the Operating Review. Details of the cash flows of the Group during the period, along with its financial position at the period-end, are set out in the Financial Review. The financial statements include details of the Group's cash, cash equivalents and liquid investment balances in Note 22, and details of borrowings are set out in Note 23.

When assessing the going concern status of the Group the Directors have considered in particular its financial position, including its significant balance of cash, cash equivalents and liquid investments and the borrowing facilities in place, including their terms and remaining durations. The Group had a strong financial position as at 31 December 2020, with combined cash, cash equivalents and liquid investments of $3,672.8 million. Total borrowings were $3,754.8 million, resulting in a net debt position of just $82.0 million. Of the total borrowings, only 16% is repayable within one year, and 14% repayable between one and two years. 43% of the borrowings are repayable after more than 5 years.

When assessing the prospects of the Group, the Directors have considered the Group's copper price forecasts, the Group's expected production levels, operating cost profile, and capital expenditure. This analysis has focused on the existing asset base of the Group, without factoring in potential development projects, which is considered appropriate for an assessment of the Group's ability to manage the impact of a depressed economic environment. The analysis has only included the draw-down of existing committed borrowing facilities, and has not assumed that any new borrowing facilities will be put in place. The Directors have assessed the principal risks which could impact the prospects of the Group over the going concern period and consider the most relevant to be risks to the copper price outlook. Robust down-side sensitivity analyses have been performed, assessing the impact of:

- A significant deterioration in the copper price outlook over the going concern period;
- A shut-down of the Group's operations for several months as the result of COVID-19 related issues; and
- The occurrence of several of the Group's most significant potential risks within a single year, such as temporary shut-downs or operational disruption due to issues such as labour strikes or water availability.

These stress-tests all indicated results which could be managed in the normal course of business. Based on their assessment of the Group's prospects and viability, the Directors have formed a judgement, at the time of approving the financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing its financial statements.

Company structure

Antofagasta plc is a company limited by shares, incorporated and domiciled in the United Kingdom at Cleveland House, 33 King Street, London SW1Y 6RJ.

The immediate parent of the Group is Metalinvest Establishment, which is controlled by E. Abaroa Foundation, in which members of the Luksic family are interested.

The nature of the Group entities' operations is mainly related to mining and exploration activities and the transport of rail and road cargo.

A) Adoption of new accounting standards

The following accounting standards, amendments and interpretations became effective in the current reporting period:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The application of these standards and interpretations effective for the first time in the current year has had no significant impact on the amounts reported in these financial statements.

B) Accounting standards issued but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 17, Insurance Contracts
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contract – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The item which is expected to have most relevance to the Group is the amendment to IAS 16 Property, Plant and Equipment – Proceeds before intended use. Currently the Group deducts amounts received from the sale of products during the initial ramp-up of new projects, before commercial production is achieved, from the capital cost of the project. Under the amendment to IAS 16 such amounts will instead be recognised as revenue in the income statement along with a corresponding allocation of related operating expenses, which is likely to result in increased revenue and operating expenses and a higher initial capitalised amount.

2 Principal accounting policies

A) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the use of fair values to measure certain financial instruments, principally provisionally priced sales as explained in Note 2(F) and financial derivative contracts as explained in Note 2(W).

B) Basis of consolidation

The financial statements comprise the consolidated financial statements of Antofagasta plc ("the Company") and its subsidiaries (collectively "the Group").

Subsidiaries – A subsidiary is an entity over which the Group has control, which is the case when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-company balances and transactions. For partly-owned subsidiaries, the net assets and profit attributable to non-controlling shareholders are presented as "Non-controlling interests" in the consolidated balance sheet and consolidated income statement.

2 Principal accounting policies continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (ie reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisitions and disposals are treated as explained in Note 2(G) relating to business combinations and goodwill.

C) Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through the power to participate in the financial and operating policy decisions of that entity. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. This requires recording the investment initially at cost to the Group and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Group's share of the associate's results less any impairment and any other changes to the associate's net assets such as dividends. When the Group loses control of a former subsidiary but retains an investment in associate in that entity the initial carrying value of the investment in associate is recorded at its fair value at that point. When the Group's share of losses of an associate exceeds the Group's interest in that associate the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

D) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are accounted depending on the nature of the arrangement.

i) Joint ventures – are accounted for using the equity method in accordance with IAS 28 Investment in Associates and Joint Ventures as described in Note 18.

ii) Joint operations – are accounted for recognising directly the assets, obligations, revenues and expenses of the joint operator in the joint arrangement. The assets, liabilities, revenues and expenses are accounted for in accordance with the relevant IFRS.

When a Group entity transacts with its joint arrangements, profits and losses resulting from the transactions with the joint arrangements are recognised in the Group's consolidated financial statements only to the extent of interests in the joint arrangements that are not related to the Group.

E) Currency translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at year-end exchange rates. Gains and losses on retranslation are included in net profit or loss for the period within other finance items.

The presentational currency of the Group and the functional currency of the Company is the US dollar. On consolidation, income statement items for entities with a functional currency other than the US dollar are translated into US dollars at average rates of exchange. Balance sheet items are translated at period-end exchange rates. Exchange differences on translation of the net assets of such entities are taken to equity and recorded in a separate currency translation reserve. Cumulative translation differences arising after the transition date to IFRS are recognised as income or as expenses in the income statement in the period in which an operation is disposed of.

On consolidation, exchange gains and losses which arise on balances between Group entities are taken to reserves where that balance is, in substance, part of the net investment in a foreign operation, ie where settlement is neither planned nor likely to occur in the foreseeable future. All other exchange gains and losses on Group balances are dealt with in the income statement.

Fair value adjustments and any goodwill arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the period-end rate.

F) Revenue recognition

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of consideration received or receivable, and excludes any applicable sales tax.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

For the Group's mining products the customer generally gains control over the material when it has been loaded at the port of loading, and so this is the point of revenue recognition. The Group sells a significant proportion of its products on Cost, Insurance & Freight (CIF) Incoterms, which means that the Group is responsible for shipping the product to a destination port specified by the customer. The shipping service represents a separate performance obligation, and is recognised separately from the sale of the material over time as the shipping service is provided, along with the associated costs. Shipment revenue is recognised at the contracted price as this reflects the standalone selling price.

Revenue from mining activities is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date, as explained below. For copper and molybdenum concentrates, which are sold to smelters and roasting plants for further processing, the invoiced amount is the market value of the metal payable by the customer, net of deductions for tolling charges. Revenue includes amounts from the sale of by-products.

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average London Metal Exchange ("LME") copper price or the monthly average market molybdenum price for specified future periods. This normally ranges from one to four months after delivery to the customer. For sales contracts, which contain provisional pricing mechanisms, the total receivable balance is measured at fair value through profit or loss. Gains and losses from the marking-to market of open sales are recognised through adjustments to other income as part of revenues in the income statement and to trade receivables in the balance sheet. The fair value calculations are based on forward prices at the period end for copper concentrate and cathode sales, and period-end average prices for molybdenum concentrate sales due to the absence of a futures market.

For the Transport division, revenue in respect of its transportation and ancillary services are recognised in line with the performance of those services.

Other Income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from equity investments, associates and joint ventures is recognised when the shareholders' right to receive payment has been established. For associates and joint ventures, it is recorded as a decrease of the investment.

G) Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The results of businesses acquired during the year are brought into the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of a business, which can be measured reliably, are recorded at their provisional fair values at the date of acquisition. Provisional fair values are finalised within 12 months of the acquisition date. Acquisition-related costs are expensed as incurred.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as "measurement period" adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (ie the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances which existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill arising in a business combination is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net identifiable assets acquired and liabilities assumed. Any goodwill on the acquisition of subsidiaries is separately disclosed, while any goodwill on the acquisition of associates and joint ventures is included within investments in equity accounted entities. Internally generated goodwill is not recognised. Where the fair values of the identifiable net assets acquired exceed the sum of the consideration transferred, the surplus is credited to the profit or loss in the period of acquisition as a bargain purchase gain.

The Group sometimes enters into earn-in arrangements whereby the Group acquires an interest in a project company in exchange for funding exploration and evaluation expenditure up to a specified level of expenditure or a specified stage in the life of the project. Funding is usually conditional on the achievement of key milestones by the partner. Typically there is no consideration transferred or funding liability on the effective date of acquisition of the interest in the project company and no goodwill is recognised on this type of transaction.

The results of businesses sold during the year are included in the consolidated financial statements for the period up to the effective date of disposal. Gains or losses on disposal are calculated as the difference between the sales' proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the income statement as a discontinued operation.

H) Exploration and evaluation expenditure

Exploration and evaluation costs, other than those incurred in acquiring exploration licences, are expensed in the year in which they are incurred. When a mining project is considered to be commercially viable (normally when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved) all further directly attributable pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when commercial levels of production are achieved.

Costs incurred in acquiring exploration and mining licences are classified as intangible assets when construction of the related mining operation has not yet commenced. When construction commences the licences are transferred from intangible assets to the mining properties category within property, plant and equipment.

2 Principal accounting policies continued

I) Stripping costs

Pre-stripping and operating stripping costs are incurred in the course of the development and operation of open-pit mining operations.

Pre-stripping costs relate to the removal of waste material as part of the initial development of an open-pit, in order to allow access to the ore body. The capitalised costs are depreciated once production commences on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves for that pit at the beginning of the year.

Operating stripping costs relate to the costs of extracting waste material as part of the ongoing mining process. The ongoing mining and development of the Group's open-pit mines is generally performed via a succession of individual phases. The costs of extracting material from an open-pit mine are generally allocated between ore and waste stripping in proportion to the tonnes of material extracted. The waste stripping costs are generally absorbed into inventory and expensed as that inventory is processed and sold. Where the stripping costs relate to a significant stripping campaign which is expected to provide improved access to an identifiable component of the ore body (typically an individual phase within the overall mine plan), the costs of removing waste in order to improve access to that part of the ore body will be capitalised within property, plant and equipment. The capitalised costs will then be amortised on a unit of production basis, in proportion to the volume of ore extracted compared with the total ore contained in the component of the pit to which the stripping campaign relates.

J) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Exploration and mining licences are classified as intangible assets when construction of the related mining operation has not yet commenced. When construction commences the licences are transferred from intangible assets to the mining properties category within property, plant and equipment. Amortisation is recognised on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

K) Property, plant and equipment

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment in the year in which they are incurred, when a mining project is considered to be commercially viable (normally when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved). The cost of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Once a project has been established as commercially viable, related development expenditure is capitalised. This includes costs incurred in preparing the site for mining operations, including pre-stripping costs. Capitalisation ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit.

Interest on borrowings related to construction or development of projects is capitalised, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production.

L) Depreciation of property, plant and equipment

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended.

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the operation if shorter, to residual value. The major categories of property, plant and equipment are depreciated as follows:

(i) **Land** – freehold land is not depreciated unless the value of the land is considered to relate directly to a particular mining operation, in which case the land is depreciated on a straight-line basis over the expected mine life.

(ii) **Mining properties** – mining properties, including capitalised financing costs, are depreciated on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

(iii) **Buildings and infrastructure** – straight-line basis over 10 to 25 years.

(iv) **Railway track** (including trackside equipment) – straight-line basis over 20 to 25 years.

(v) **Wagons and rolling stock** – straight-line basis over 10 to 20 years.

(vi) **Machinery, equipment and other assets** – are depreciated on a unit of production basis, in proportion to the volume of ore/material processed or on a straight-line basis over 5 to 20 years.

(vii) **Assets under construction** – no depreciation until asset is available for use.

(viii) **Lease right-of-use assets** – depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(ix) **Stripping cost** – The capitalised costs will then be amortised on a unit of production basis, in proportion to the volume of ore extracted compared with the total ore contained in the component of the pit to which the stripping campaign relates (Note 16).

Residual values and useful lives are reviewed, and adjusted if appropriate, at least annually, and changes to residual values and useful lives are accounted for prospectively.

M) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and finite life intangible assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal reflects the net amount the Group would receive from the sale of the asset in an orderly transaction between market participants. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued use, further development or eventual disposal of the asset. The estimates used in determining the present value of those cash flows are those that an independent market participant would consider appropriate. Value in use reflects the expected present value of the future cash flows which the Group would generate through the operation of the asset in its current condition, without taking into account potential enhancements or further development of the asset. The fair value less costs of disposal valuation will normally be higher than the value in use valuation, and accordingly the Group typically applies this valuation estimate in its impairment assessments.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment charge is recognised in the income statement immediately. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined if no impairment had previously been recognised. A reversal is recognised in the income statement immediately.

N) Inventory

Inventory consists of raw materials and consumables, work-in-progress and finished goods. Work-in-progress represents material that is in the process of being converted into finished goods. The conversion process for mining operations depends on the nature of the copper ore. For sulphide ores, processing includes milling and concentrating and results in the production of copper concentrate. For oxide ores, processing includes leaching of stockpiles, solvent extraction and electrowinning and results in the production of copper cathodes. Finished goods consist of copper concentrate containing gold and silver at Los Pelambres and Centinela and copper cathodes at Centinela and Antucoya. Los Pelambres and Centinela also produce molybdenum as a by-product.

Inventory is valued at the lower of cost, on a weighted average basis, and net realisable value. Net realisable value represents estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Cost of finished goods and work-in-progress is production cost and for raw materials and consumables it is purchase price. Production cost includes:

- labour costs, raw material costs and other costs directly attributable to the extraction and processing of ore;
- depreciation of plant, equipment and mining properties directly involved in the production process; and
- an appropriate portion of production overheads.

Stockpiles represent ore that is extracted and is available for further processing. Costs directly attributable to the extraction of ore are generally allocated as part of production costs in proportion to the tonnes of material extracted. Operating stripping costs are generally absorbed into inventory, and therefore expensed as that inventory is processed and sold. If ore is not expected to be processed within 12 months of the statement of financial position date it is included within non-current assets. If there is significant uncertainty as to when any stockpiled ore will be processed it is expensed as incurred.

O) Taxation

Tax expense comprises the charges or credits for the year relating to both current and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it excludes items of income or expense that are taxable and deductible in different years and also excludes items that are not taxable or deductible. The liability for current tax is calculated using tax rates for each entity in the consolidated financial statements which have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (ie differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences with certain limited exceptions as follows:

(i) tax payable on undistributed earnings of subsidiaries, associates and joint ventures is provided except where the Group is able to control the remittance of profits and it is probable that there will be no remittance of past profits earned in the foreseeable future;

(ii) deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; nor is deferred tax provided on subsequent changes in the carrying value of such assets and liabilities, for example where they are depreciated; and

(iii) the initial recognition of any goodwill.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

P) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Q) Provisions for decommissioning and restoration costs

An obligation to incur decommissioning and restoration costs occurs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan and are subject to regular formal review.

Such costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged against profit or loss over the life of the mine, through depreciation of the asset and unwinding or amortisation of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included within other finance expenses. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work are added to, or deducted from, the cost of the related asset in the current year.

The costs for restoration of site damage, which is created on an ongoing basis during production, are provided for at their net present values and charged against profit or loss as extraction progresses. Changes in the measurement of a liability relating to site damage created during production, which relate to changes in the estimate of the closure costs, are charged against operating profit, and changes relating to the discount rate and foreign exchange are recorded within other finance expenses.

2 Principal accounting policies continued

R) Share-based payments

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. The Group currently does not have any equity settled share-based payments to employees or third parties.

S) Post-employment benefits

The Group operates defined contribution schemes for a limited number of employees. For such schemes, the amount charged to the income statement is the contributions paid or payable in the year.

Employment terms may also provide for payment of a severance indemnity when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance indemnity obligation is treated as an unfunded defined benefit plan, and the calculation is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated.

The obligation recognised in the balance sheet represents the present value of the severance indemnity obligation. Actuarial gains and losses are immediately recognised in other comprehensive income.

T) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a maturity period of 90 days or less.

U) Liquid investments

Liquid investments represent highly liquid current asset investments such as term deposits and managed funds invested in high quality fixed income instruments. They do not meet the IAS 7 definition of cash and cash equivalents, normally because even if readily accessible, the underlying investments have an average maturity profile greater than 90 days from the date first entered into. These assets are designated as fair value through profit or loss.

V) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

W) Other financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the Group has transferred the asset to another party. Financial liabilities are removed from the Group's balance sheet when they are extinguished – ie when the obligation specified in the contract has been discharged, cancelled or expired.

(i) **Investments** – Equity investments which are not subsidiaries, associates or joint ventures are recognised at fair value. The Group generally applies an irrevocable election for each equity investment to designate them as Fair Value through Other Comprehensive Income (FVOCI). Dividends from equity investments are recognised in the income statement when the right to receive payment is established.

(ii) **Trade and other receivables** – As explained above, for sales contracts which contain provisional pricing mechanisms the total receivable balance is measured at fair value through profit or loss. Other receivable balances are recognised at amortised cost.

(iii) **Trade and other payables** – Trade and other payables are generally not interest-bearing and are normally stated at their nominal value.

(iv) **Borrowings (loans and preference shares)** – Interest-bearing loans and bank overdrafts are initially recorded at fair value which is typically equal to the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method. Amounts are either recorded as financing costs in profit or loss or capitalised in accordance with the accounting policy set out in Note 2(K). Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified within borrowings and translated into US dollars at period-end rates of exchange. Preference share dividends are included within finance costs.

(v) **Equity instruments** – Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its Sterling-denominated issued ordinary share capital and related share premium. As explained in Note 2(E), the presentational currency of the Group and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

(vi) Derivative financial instruments – As explained in Note 25(D), the Group periodically uses derivative financial instruments to reduce exposure to foreign exchange, interest rate and commodity price movements. The Group does not use such derivative instruments for trading purposes. The Group has applied the hedge accounting provisions of IFRS 9 Financial Instruments. The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in profit or loss in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in profit or loss. Realised gains and losses on commodity derivatives recognised in profit or loss are recorded within revenue. The time value element of changes in the fair value of derivative options is recognised within other comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining the appropriate classification and measurement. The treatment of embedded derivatives arising from provisionally priced commodity sales contracts is set out in further detail in Note 2(F) relating to revenue. Derivatives embedded in financial liabilities are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value. Changes in fair value are reported in profit or loss for the year.

(vii) Impairment of financial assets – The Group applies the forward-looking expected credit loss model to its financial assets, other than those measured at fair value through profit or loss. The Group applies the IFRS 9 "simplified approach" to its trade receivables, measuring the loss allowance at the lifetime expected credit loss. For other financial assets, where the credit risk has not increased significantly since initial recognition, the loss allowance is measured at the 12 month expected credit loss. If there has been a significant increase in credit risk, the loss allowance is measured at the lifetime expected credit loss. Increases or decrease to the credit loss allowance are recognised immediately in profit or loss.

X) Exceptional items

Exceptional items are material items of income and expense which are non-regular or non-operating and typically non-cash movements. Profit excluding exceptional items is considered to be a useful performance measure as it provides an indication of the underlying earnings of the Group's operations, excluding these one-off items.

Y) Rounding

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million dollars unless otherwise stated.

These policies have been consistently applied to all the years presented, unless otherwise stated.

3 Critical accounting judgements and key sources of estimation uncertainty

Determining many of the amounts included in the financial statements involves the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is included in the principal accounting policies in Note 2 or the other notes to the financial statements, and the key areas are set out below.

A) Judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Capitalisation of project costs within property, plant and equipment

As explained in Note 2(K) the costs of developing mining properties are capitalised as property, plant and equipment when the mining project is considered to be commercially viable. Commercial viability is normally considered to be demonstrable when the project has completed a pre-feasibility study, and the start of a feasibility study has been approved. Management reviews amounts capitalised to ensure that the treatment of that expenditure as capital rather than operating expenditure is reasonable, in particular in respect of the commercial viability of the project.

As at 31 December 2020 $ 23.0 million of feasibility study costs relating to projects which are still under evaluation and have not yet received final Board approval were capitalised within property, plant and equipment. Should the Group ultimately take the decision to abandon any of these projects, and not continue with their development, then it is likely that the corresponding element of the capitalised feasibility study costs would need to be impaired.

The capitalisation of the construction and commissioning costs for a new mining operation ceases, and depreciation commences, when the operation is in the condition necessary for it to be capable of operating in the manner intended (which is termed as achieving commercial production).

The determination of the commercial production date requires judgement which involves the consideration of a number of relevant factors, including the successful completion of commissioning tests and the processing and production levels achieved compared with expected design capacity.

(ii) Deferred taxation

As explained in Note 2(O), deferred tax assets are recognised only to the extent that it is probable that they will be recovered through sufficient future taxable profits. Generally under Chilean tax law most tax losses can be carried forward indefinitely, and so the expiry of tax losses is not generally an issue. The key assumptions to which the forecasts of the probable level of future taxable profits are most sensitive are future commodity prices, production levels and operating costs.

3 Critical accounting judgements and key sources of estimation uncertainty continued

As set out in Note 28, the Group has recognised $6.4 million of deferred tax assets as at 31 December 2020, with the majority of these deferred tax assets relating to short-term timing differences and provisions. The Group had unused tax losses of $599.4 million available for offset against future profits. Deferred tax assets of $5.3 million have been recognised in respect of $19.6 million of these losses, with no deferred tax assets recognised in respect of the remaining $579.8 million of tax losses. If the Group's assessment as to the recoverability of those tax losses were to change, then potentially additional deferred tax assets of up to $157 million could be recognised. In determining that it is not currently appropriate to recognise these additional deferred tax assets the Group has taken into account that the entities involved have consistently generated taxable losses in recent years, and are currently forecast to continue generating taxable losses in forthcoming years.

No deferred tax liability is recognised in respect of the undistributed earnings of subsidiaries where it is not likely that those profits will be distributed in the foreseeable future. When determining whether it is likely that distributions will be made in the foreseeable future, and what is the appropriate foreseeable future period for this purpose, the Group considers factors such as the predictability of the likely future Group dividends, taking into account the Group's dividend policy and the level of potential volatility of the Group's future earnings, as well as the current level of distributable reserves at the Antofagasta plc entity level. As set out in Note 28, at 31 December 2020 deferred withholding tax liabilities of $52.8 million have been recognised, which relate to undistributed earnings of subsidiaries where it is considered likely that the corresponding profits will be distributed in the foreseeable future. The value of the remaining undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was $4,810 million.

B) Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Non-financial assets impairment

As explained in Note 2(M), the Group reviews the carrying value of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit ("CGU"). The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs of disposal and value in use.

Details of the valuations and sensitivities of the Group's mining operations are included in Note 5, including quantitative sensitivity analyses.

Management necessarily applies its judgement in allocating assets to CGUs, in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the fair value less costs of disposal calculation. The key assumptions are set out in Note 2(M) and Note 5. Subsequent changes to CGU allocation, licensing status, reserves and resources, price assumptions or other estimates and assumptions in the fair value less cost to dispose calculation could impact the carrying value of the respective assets.

(ii) Inventory valuation

The valuation of work in progress inventories involves a number of estimates, including the average ore grade, volume and density of ore stockpiles, and the total recoveries and the speed of recovery in respect of material on the leach piles. Evaluating the net realisable value of the inventories also requires an estimate of the likely future copper price for the periods when it is expected that the inventories will be completed and sold. As set out in Note 20, the value of work in progress inventories at 31 December 2020 was $617.4 million.

If the copper spot price at 31 December 2020 (used for forecasting the likely sales price of short-term inventories) had been 5% lower, this would have resulted in a net realisable value provision and charge to the Income Statement of approximately $9 million.

(iii) Useful economic lives of property, plant and equipment and ore reserves estimates

As explained in Note 2(L), mining properties, including capitalised financing costs, are depreciated in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that were valid at the time of estimation may change when new information becomes available. These include assumptions as to grade estimates and cut-off grades, recovery rates, commodity prices, exchange rates, production costs, capital costs, processing and reclamation costs and discount rates. The actual volume of ore extracted and any changes in these assumptions could affect prospective depreciation rates and carrying values.

The majority of other items of property, plant and equipment are depreciated on a straight-line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives at least annually and, again, any changes could affect prospective depreciation rates and asset carrying values.

The total depreciation and amortisation charge for 2020 was $1,048.7 million, and so as a very simplistic sensitivity, a 10% adjustment to the useful economic lives of all of the Group's property, plant and equipment would result in an impact of approximately $100 million on the annual depreciation charge.

(iv) Provisions for decommissioning and site restoration costs

As explained in Note 2(Q), provision is made, based on net present values, for decommissioning and site rehabilitation costs as soon as the obligation arises following the development or ongoing production of a mining property. The provision is based on a closure plan prepared with the assistance of external consultants.

Management uses its judgement and experience to provide for and (in the case of capitalised decommissioning costs) amortise these estimated costs over the life of the mine. The ultimate cost of decommissioning and site rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Details of the decommissioning and restoration provisions are set out in Note 29. The total value of these provisions as at 31 December 2020 was $520.2 million.

4 Exceptional items

Exceptional items are material items of income and expense which are non-regular or non-operating and typically non-cash movements. The exceptional items in 2020 and their impact on the results are set out below.

On 31 March 2020 the Group agreed to dispose of its 40% interest in Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% interest. This was part of the value accretive renegotiation of Centinela's power purchase agreement which as a result will be wholly supplied from lower cost renewable sources from 2022. Under the terms of the agreement the Group will dispose of its investment to Engie in 2021 for a nominal consideration, and will not be entitled to receive any further dividend income from Hornitos from the date of the agreement. Accordingly, the Group no longer has any effective economic interest in the results or assets of Hornitos from 31 March 2020 onwards, and has therefore recognised an impairment of $80.8 million in respect of its investment in associate balance, and will no longer recognise any share of Hornitos' results. The post-tax impact of the impairment is $61.1 million, of which $40.2 million is attributable to the equity owners of the Company.

There were no exceptional items in 2019.

5 Asset sensitivities

Other asset sensitivities

Based on an assessment of both qualitative and quantitative factors, there were no indicators of potential impairment, or reversal of previous impairments, for the Group's non-current assets associated with its mining operations at the 2020 year-end, and accordingly no impairment reviews have been performed. The quantitative element of the trigger assessment provides an indication of what the approximate recoverable amount of the Group's operations would be, were a full impairment test under IAS 36 to be performed. In order to provide an indication of the sensitivities of the approximate recoverable amount of the Group's mining operations, sensitivity analysis has been performed on the preliminary valuation, prepared as part of the Group's impairment indicator analysis.

The COVID-19 situation is not expected to have a relevant negative impact on the future production, operating expenses or capital projects of the Group's mining operations.

The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal reflects the net amount the Group would receive from the sale of the asset in an orderly transaction between market participants. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued use, further development or eventual disposal of the asset. Value in use reflects the expected present value of the future cash flows which the Group would generate through the operation of the asset in its current condition, without taking into account potential enhancements or further development of the asset. The fair value less costs of disposal valuation will normally be higher than the value in use valuation, and accordingly the Group typically applies this valuation estimate in its impairment or valuation assessments.

This impairment indicator valuation exercise demonstrated positive headroom for all of the Group's mining operations, with the recoverable amount of the assets in excess of their carrying value.

If a full IAS 36 impairment test were to be prepared, which was not the case as at 31 December 2020, the assumption to which the value of the assets is most sensitive is the future copper price. The copper price forecasts (representing the Group's estimates of the assumptions that would be used by independent market participants in valuing the assets) are based on the forward curve for the short term and consensus analyst forecasts including both investment banks and commodity consultants for the longer term.

A long-term copper price of $3.10/lb has been used in the base valuations used in the impairment indicator assessment. As an additional down-side sensitivity a valuation was performed with a long-term copper price of $2.90/lb, reflecting the lower quartile price in the consensus of analyst forecasts used when assessing the appropriate long-term price. Los Pelambres, Centinela and Zaldivar still showed a positive headroom in this alternative down-side scenario, however the Antucoya valuation indicated a potential deficit of approximately $15million. This was a simple sensitivity exercise, looking at an illustrative change in the forecast long-term copper price in isolation. In reality, a deterioration in the long-term copper price environment is likely to result in corresponding improvements in a range of input cost factors. In particular, given that copper exports account for over 50% of Chile's exports, movements in the US dollar/Chilean peso exchange rate are highly correlated to the copper price, and a decrease in the copper price is likely to result in a weakening of the Chilean peso, with a resulting reduction in the Group's operating costs and capital expenditure. These likely cost reductions, as well as potential operational changes which could be made in a weaker copper price environment, could partly mitigate the impact of the lower copper price modelled in these estimated potential sensitivities.

In addition to the future copper price, the valuations are sensitive to the assumptions in respect of the discount rate used to determine the present value of the future cash flows, future operating costs, sustaining and development capital expenditure, and the US dollar/Chilean peso exchange rate. As an additional down-side sensitivity a valuation was performed with a 10% stronger long-term Chilean peso exchange rate assumption. Los Pelambres, Centinela, Antucoya and Zaldivar all still showed a positive headroom in this alternative down-side scenario. A real post-tax discount rate of 8% has been used in determining the present value of the forecast future cash flows from the assets as part of the impairment indicator assessment.

Climate change aspects relevant to asset sensitivities

The "Taskforce on Climate Related Financial Disclosures" ("TCFD") section on pages 54-56 of the Annual Report provides detail of the Group's on-going work to assess and reduce the Group's exposure to climate risks, in line with the TCFD framework. During 2020 the Group conducted an initial qualitative assessment of the potential risks and opportunities and likely business impacts under two climate change scenarios, and during 2021 will select the most material risks and opportunities to undergo a quantitative scenario analysis in order to estimate in more detail the potential operational and financial impact to our operations. The following section provides a high-level summary of the way in which climate change related factors could be relevant to the sensitivities of the values of the Group's mining operations, based on the Group's existing analysis.

Relevant aspects of the Group's operations

The following aspects of the Group's mining operations are particularly relevant when looking at the potential impacts of climate change on the operational performance and value of the Group's mining operations:

- The Group's mining business is focused on copper. The transition to a low-carbon economy requires many carbon reduction measures with two major drivers being the increased demand for renewable energy and the electrification of transportation systems. As copper is a primary component in these technologies, this is expected to have a positive impact on copper demand in the medium- to long-term.
- The Group has been working to eliminate its involvement with coal-fired electricity generation. The Group has electricity supply contracts in place which mean that from 2022 all of the mining operations' electricity supply will be from renewable sources.
- The Group has also held a 40% interest in the Hornitos coal-fired power station in northern Chile. In March 2020 the Group agreed to dispose of this interest, recognising a full impairment of the carrying value of this investment.

5 Asset sensitivities continued

- The Group's sensitivity analysis has identified an increased risk of drought in the Coquimbo region where Los Pelambres is situated as one of the principal potential climate related physical risks for the Group. In the Atacama region where Antucoya, Centinela and Zaldivar are situated, water scarcity has always been acute and is expected to remain so. The Group has been focused on reducing its use of continental fresh water for a number of years, through the use of sea water and maximising the level of recycling of water in its operations. Centinela and Antucoya were designed to operate entirely with raw (i.e. non-desalinated) sea water. Los Pelambres is currently constructing a desalination plant, and by 2025 this will result in 95% of its water usage coming from desalinated sea water or recycled water. Zaldívar has submitted an Environmental Impact Assessment for an extension of its mine life to 2031 and this includes an application to extend the mine's water extraction rights from 2025, when they currently expire.

Relevant aspects of the asset sensitivity and valuation analysis
The nature of the asset sensitivity and valuation analysis described above means that some level of assessment of potential future climate-related risks should effectively already be incorporated into a number of the key assumptions used in this analysis. As explained above, the Group typically uses a "fair value less cost to dispose" methodology when performing this analysis, which reflects the price the Group could expect to receive from the sale of the asset to an external market participant. Accordingly, the Group uses assumptions which an external market participant could reasonably be expected to use when valuing the asset. Therefore, where possible the Group uses assumptions which are supported by external market data – in particular, in respect of the forecasts for the future copper price, the future US dollar / Chilean peso exchange rate and the discount rate. This market data should reflect the market's current best estimate of the risks and opportunities impacting, for example, the future copper price or comparable mining assets etc – including within those overall risks and opportunities the market's current assessment of the probable impact of climate-related factors.

6 Segment information

The Group's reportable segments are as follows:

- Los Pelambres
- Centinela
- Antucoya
- Zaldívar
- Exploration and evaluation
- Corporate and other items
- Transport division

For management purposes, the Group is organised into two business divisions based on their products – Mining and Transport. The Mining division is split further for management reporting purposes to show results by mine and exploration activity. Los Pelambres produces primarily copper concentrate, molybdenum, gold and silver as a by-product. Centinela produces copper concentrate containing gold and silver as a by-product, molybdenum concentrates and copper cathodes. Antucoya and Zaldívar produce copper cathodes. The Transport division provides rail cargo and road cargo transport together with a number of ancillary services. All the operations are based in Chile. The Exploration and evaluation segment incurs exploration and evaluation expenses. "Corporate and other items" comprises costs incurred by the Company, Antofagasta Minerals SA, the Group's mining corporate centre and other entities, that are not allocated to any individual business segment. Consistent with its internal management reporting, the Group's corporate and other items are included within the Mining division.

The chief operating decision-maker (the Group's Chief Executive Officer) monitors the operating results of the business segments separately for the purpose of making decisions about resources to be allocated and assesses performance. Segment performance is evaluated based on the operating profit of each of the segments.

A) Segment revenues and results

For the year ended 31 December 2020

	Los Pelambres $m	Centinela $m	Antucoya $m	Zaldívar $m	Exploration and evaluation[2] $m	Corporate and other items $m	Mining $m	Transport division $m	Total $m
Revenue	2,655.1	1,844.5	480.3	–	–	–	4,979.9	149.4	5,129.3
Operating cost excluding depreciation	(992.1)	(932.8)	(314.5)	–	(85.1)	(66.2)	(2,390.7)	(91.4)	(2,482.1)
Depreciation and amortisation	(252.6)	(662.9)	(94.6)	–	–	(7.8)	(1,017.9)	(30.8)	(1,048.7)
Loss on disposals	(2.5)	(1.8)	–	–	–	–	(4.3)	(2.0)	(6.3)
Operating profit/(loss)	1,407.9	247.0	71.2	–	(85.1)	(74.0)	1,567.0	25.2	1,592.2
Equity accounting results	–	–	–	12.2	–	(6.5)	5.7	(0.6)	5.1
Impairment of investment in associate[3]	–	(95.6)	–	–	–	–	(95.6)	14.8	(80.8)
Net share of results from associates and joint ventures	–	(95.6)	–	12.2	–	(6.5)	(89.9)	14.2	(75.7)
Investment income	4.7	4.3	0.8	–	–	9.0	18.8	0.1	18.9
Interest expense	(4.3)	(24.9)	(25.5)	–	–	(20.7)	(75.4)	(1.7)	(77.1)
Other finance items	(26.0)	(13.7)	(4.0)	–	–	(5.5)	(49.2)	4.0	(45.2)
Profit/(loss) before tax	1,382.3	117.1	42.5	12.2	(85.1)	(97.7)	1,371.3	41.8	1,413.1
Tax	(435.8)	(23.0)	(0.3)	–	–	(59.2)	(518.3)	(8.2)	(526.5)
Profit/(loss) for the year from continuing operations	946.5	94.1	42.2	12.2	(85.1)	(156.9)	853.0	33.6	886.6
Profit for the period from discontinued operations	–	–	–	–	–	7.3	7.3	–	7.3
Profit/(loss) for the year	946.5	94.1	42.2	12.2	(85.1)	(149.6)	860.3	33.6	893.9
Non-controlling interests	371.5	12.9	3.1	–	–	–	387.5	–	387.5
Profit/(losses) attributable to the owners of the parent	575.0	81.2	39.1	12.2	(85.1)	(149.6)	472.8	33.6	506.4
EBITDA[1]	1,663.0	911.7	165.8	95.5	(85.1)	(72.7)	2,678.2	61.0	2,739.2
Additions to non-current assets									
Capital expenditure	827.3	441.8	44.6	–	–	8.4	1,322.1	26.2	1,348.3
Segment assets and liabilities									
Segment assets	5,475.9	5,898.8	1,641.5	–	–	2,284.2	15,300.4	382.9	15,683.3
Deferred tax assets	–	–	–	–	–	2.7	2.7	3.7	6.4
Investment in associates and joint venture	–	–	–	909.0	–	–	909.0	5.6	914.6
Segment liabilities	(2,700.1)	(1,823.2)	(702.5)	–	–	(1,202.6)	(6,428.4)	(94.8)	(6,523.2)

1. EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation, profit or loss on disposals and impairment charges to operating profit. This comprises 100% of the EBITDA from the Group's subsidiaries, and the Group's proportional share of the EBITDA of its associates and joint ventures (Refer to the Alternative Performance Measures section on page 216).
2. Operating cash outflow in the exploration and evaluation segment was $43.1 million.
3. On 31 March 2020 the Group agreed to dispose of its 40% interest in Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% interest. This has resulted in a $80.8 million impairment in respect of the Group's investment in associate balance.

6 Segment information continued

For the year ended 31 December 2019

	Los Pelambres $m	Centinela $m	Antucoya $m	Zaldívar $m	Exploration and evaluation[2] $m	Corporate and other items $m	Mining $m	Transport division $m	Total $m
Revenue	2,363.9	2,007.9	432.2	–	–	–	4,804.0	160.5	4,964.5
Operating cost excluding depreciation	(979.8)	(1,048.4)	(345.9)	–	(111.1)	(70.8)	(2,556.0)	(105.7)	(2,661.7)
Depreciation and amortisation	(258.5)	(532.2)	(92.2)	–	–	(7.9)	(890.8)	(23.5)	(914.3)
Loss on disposals	(10.5)	(1.5)	–	–	–	–	(12.0)	(0.7)	(12.7)
Operating profit/(loss)	1,115.1	425.8	(5.9)	–	(111.1)	(78.7)	1,345.2	30.6	1,375.8
Equity accounting results	–	–	–	15.5	–	(2.5)	13.0	11.4	24.4
Investment income	11.1	7.9	1.4	–	–	26.2	46.6	0.5	47.1
Interest expense	(7.7)	(36.5)	(42.7)	–	–	(21.7)	(108.6)	(2.5)	(111.1)
Other finance items	8.8	3.4	(0.5)	–	–	1.8	13.5	(0.5)	13.0
Profit/(loss) before tax	1,127.3	400.6	(47.7)	15.5	(111.1)	(74.9)	1,309.7	39.5	1,349.2
Tax	(341.4)	(88.5)	(0.2)	–	–	(68.2)	(498.3)	(7.8)	(506.1)
Profit/(loss) for the year from continuing operations	785.9	312.1	(47.9)	15.5	(111.1)	(143.1)	811.4	31.7	843.1
Profit/(loss) for the year	785.9	312.1	(47.9)	15.5	(111.1)	(143.1)	811.4	31.7	843.1
Non-controlling interests	(309.0)	(69.4)	36.7	–	–	–	(341.7)	–	(341.7)
Profit/(losses) attributable to the owners of the parent	476.9	242.7	(11.2)	15.5	(111.1)	(143.1)	469.7	31.7	501.4
EBITDA[1]	1,384.1	959.5	86.3	112.6	(111.1)	(73.3)	2,358.1	80.8	2,438.9
Additions to non-current assets									
Capital expenditure	573.0	535.9	43.0	–	–	16.0	1,167.9	68.6	1,236.5
Segment assets and liabilities									
Segment assets	4,251.2	5,792.2	1,647.1	–	–	1,543.3	13,233.8	343.6	13,577.4
Deferred tax assets	–	–	–	–	–	5.5	5.5	2.7	8.2
Investment in associates and joint venture	–	–	–	961.8	–	–	961.8	63.0	1,024.8
Segment liabilities	(1,696.7)	(1,789.6)	(933.3)	–	–	(694.0)	(5,113.6)	(95.8)	(5,209.4)

1. EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation, profit or loss on disposals and impairment charges to operating profit. This comprises 100% of the EBITDA from the Group's subsidiaries, and the Group's proportional share of the EBITDA of its associates and joint ventures (Refer to the Alternative Performance Measures section on page 216).
2. Operating cash outflow in the exploration and evaluation segment was $43.0 million.

Notes to segment revenues and results

(i) Inter-segment revenues are eliminated on consolidation. Revenue from the Transport division segment is stated after eliminating inter-segmental sales to the mining division of $6.8 million (year ended 31 December 2019 – $5.3 million).

(ii) Revenue includes provisionally priced sales of copper, gold and molybdenum concentrates and copper cathodes. Further details of such adjustments are given in Note 7.

(iii) The copper and molybdenum concentrate sales are stated net of deductions for tolling charges. Tolling charges for copper and molybdenum concentrates are detailed in Note 7.

(iv) The effects of tax and non-controlling interests on the expenses within the Exploration and evaluation segment are allocated to the mine that the exploration work relates to.

(v) The assets of the Transport division segment include nil (31 December 2019 – $56.9 million) relating to the Group's 40% interest in Inversiones Hornitos SA ("Inversiones Hornitos"), which owns the 165MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta region and $5.6 million (31 December 2019 – $6.2 million) relating to the Group's 30% interest in Antofagasta Terminal International SA ("ATI"), which operates a concession to manage installations in the port of Antofagasta. Further details of these investments are set out in Note 18.

B) Entity-wide disclosures

Revenue by product[1]

	2020 $m	2019 $m
Copper		
• Los Pelambres	**2,323.6**	2,009.1
• Centinela concentrate	**940.4**	1,137.7
• Centinela cathodes	**603.9**	504.4
• Antucoya	**480.3**	432.2
Gold		
• Los Pelambres	**106.4**	75.2
• Centinela	**251.3**	332.5
Molybdenum		
• Los Pelambres	**181.8**	249.0
• Centinela	**27.7**	5.6
Silver		
• Los Pelambres	**43.3**	30.7
• Centinela	**21.2**	27.6
Total	**4,979.9**	4,804.0
Transport division	**149.4**	160.5
	5,129.3	4,964.5

Revenue by location of customer[1]

	2020 $m	2019 $m
Europe		
• United Kingdom	**123.3**	152.3
• Switzerland	**593.5**	612.4
• Spain	**29.3**	158.0
• Germany	**116.4**	102.7
• Rest of Europe	**92.3**	85.0
Latin America		
• Chile	**224.4**	213.8
• Rest of Latin America	**182.0**	95.3
North America		
• United States	**216.5**	88.9
Asia		
• Japan	**1,631.1**	1,561.5
• China	**531.4**	517.2
• Singapore	**667.5**	692.1
• South Korea	**353.4**	371.2
• Hong Kong	**235.7**	171.0
• Rest of Asia	**132.5**	143.1
	5,129.3	4,964.5

Information about major customers

In the year ended 31 December 2020 the Group's mining revenue included $763.4 million related to one large customer that individually accounted for more than 10% of the Group's revenue (year ended 31 December 2019 – one large customer representing $711.9 million).

1. Figures include both revenue from the sale of products and the associated income from the provision of shipping services.

Non-current assets by location of assets

	2020 $m	2019 $m Restated
Chile	**11,092.7**	10,818.0
USA	**178.3**	176.9
Other	**–**	0.1
	11,271.0	10,995.0

The above amounts reflect non-current assets excluding financial assets (in particular, derivative financial instruments) and deferred tax assets. The prior period comparatives have been restated to exclude financial assets and deferred tax assets, resulting in a reduction in respect of the assets located in Chile of $9.9 million as at 31 December 2019.

7 Revenue

Copper and molybdenum concentrate sale contracts and copper cathode sale contracts generally provide for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average London Metal Exchange copper price or monthly average molybdenum price for specified future periods. This normally ranges from one to four months after shipment to the customer. For sales contracts which contain provisional pricing mechanisms the total receivable balance is measured at fair value through profit or loss. Gains and losses from the mark-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade receivables in the balance sheet. The Group determines mark-to-market prices using forward prices at each period-end for copper concentrate and cathode sales, and period-end month average prices for molybdenum concentrate sales due to the absence of a futures market in the market price references for that commodity in the majority of the Group's contracts.

The Group sells a significant proportion of its products on Cost, Insurance & Freight (CIF) Incoterms, which means that the Group is responsible for shipping the product to a destination port specified by the customer. The shipping service represents a separate performance obligation, and is recognised separately from the sale of the material over time as the shipping service is provided.

An analysis of the Group's revenue is as follows:

	2020 $m	2019 $m
Revenue from contracts with customers		
Sale of products	**4,617.3**	4,693.4
Provision of shipping services associated with the sale of products	**95.4**	92.9
Transport services	**149.4**	160.5
Provisional pricing adjustments in respect of copper, gold and molybdenum	**267.2**	17.7
Total revenue	**5,129.3**	4,964.5

The categories of revenue which are principally affected by different economic factors are the individual product types. A summary of revenue by product is set out in Note 6.

In addition to mark-to-market and final pricing adjustments, revenue also includes realised gains and losses relating to derivative commodity instruments. Details of these realised gains or losses are shown in the tables that follow.

Copper and molybdenum concentrate sales are stated net of deductions for tolling charges, as shown in the tables that follow.

For the year ended 31 December 2020[1]

	Los Pelambres Copper concentrate $m	Centinela Copper concentrate $m	Centinela Copper cathodes $m	Antucoya Copper cathodes $m	Los Pelambres Gold in concentrate $m	Centinela Gold in concentrate $m	Los Pelambres Molybdenum concentrate $m	Centinela Molybdenum concentrate $m
Provisionally invoiced gross sales	2,256.7	949.3	594.8	474.8	104.9	250.6	205.0	31.6
Effects of pricing adjustments to previous year invoices								
Reversal of mark-to-market adjustments at the end of the previous year	(29.1)	(15.2)	(0.4)	(0.4)	–	(1.2)	0.4	–
Settlement of sales invoiced in the previous year	(43.6)	(18.7)	(0.3)	(0.3)	0.2	3.7	(1.5)	(0.2)
Total effect of adjustments to previous year invoices in the current year	(72.7)	(33.9)	(0.7)	(0.7)	0.2	2.5	(1.1)	(0.2)
Effects of pricing adjustments to current year invoices								
Settlement of sales invoiced in the current year	194.6	67.0	11.2	7.8	1.5	(2.0)	4.6	2.1
Mark-to-market adjustments at the end of the current year	58.7	26.8	(0.1)	0.5	–	0.9	(0.2)	0.3
Total effect of adjustments to current year invoices	253.3	93.8	11.1	8.3	1.5	(1.1)	4.4	2.4
Total pricing adjustments	180.6	59.9	10.4	7.6	1.7	1.4	3.3	2.2
Realised losses on commodity derivatives	–	–	(1.3)	(2.1)	–	–	–	–
Revenue before deducting tolling charges	2,437.3	1,009.2	603.9	480.3	106.6	252.0	208.3	33.8
Tolling charges	(113.6)	(68.8)	–	–	(0.2)	(0.7)	(26.5)	(6.1)
Revenue net of tolling charges	2,323.7	940.4	603.9	480.3	106.4	251.3	181.8	27.7

For the year ended 31 December 2019[1]

	Los Pelambres Copper concentrate $m	Centinela Copper concentrate $m	Centinela Copper cathodes $m	Antucoya Copper cathodes $m	Los Pelambres Gold in concentrate $m	Centinela Gold in concentrate $m	Los Pelambres Molybdenum concentrate $m	Centinela Molybdenum concentrate $m
Provisionally invoiced gross sales	2,144.9	1,222.3	506.1	434.8	76.2	325.3	298.1	7.4
Effects of pricing adjustments to previous year invoices								
Reversal of mark-to-market adjustments at the end of the previous year	23.6	9.5	0.7	0.7	–	(0.7)	(0.7)	–
Settlement of sales invoiced in the previous year	0.3	9.9	(1.0)	(0.9)	(1.3)	1.4	(8.4)	–
Total effect of adjustments to previous year invoices in the current year	23.9	19.4	(0.3)	(0.2)	(1.3)	0.7	(9.1)	–
Effects of pricing adjustments to current year invoices								
Settlement of sales invoiced in the current year	(41.3)	(14.6)	(1.8)	(2.9)	0.5	6.4	(7.0)	(0.8)
Mark-to-market adjustments at the end of the current year	29.1	15.2	0.4	0.4	–	1.2	(0.4)	–
Total effect of adjustments to current year invoices	(12.2)	0.6	(1.4)	(2.5)	0.5	7.6	(7.4)	(0.8)
Total pricing adjustments	11.7	20.0	(1.7)	(2.7)	(0.8)	8.3	(16.5)	(0.8)
Realised gains on commodity derivatives	–	–	–	0.1	–	–	–	–
Revenue before deducting tolling charges	2,156.6	1,242.3	504.4	432.2	75.4	333.6	281.6	6.6
Tolling charges	(147.5)	(104.6)	–	–	(0.2)	(1.1)	(32.6)	(1.0)
Revenue net of tolling charges	2,009.1	1,137.7	504.4	432.2	75.2	332.5	249.0	5.6

1. Figures include both revenue from the sale of products and the associated income from the provision of shipping services.

(I) Copper concentrate

The typical period for which sales of copper concentrate remain open until settlement occurs is a range of approximately three to four months from shipment date.

		2020	2019
Sales provisionally priced at the balance sheet date	Tonnes	**162,300**	158,600
Average mark-to-market price	$/lb	**3.52**	2.81
Average provisional invoice price	$/lb	**3.28**	2.68

(II) Copper cathodes

The typical period for which sales of copper cathodes remain open until settlement occurs is approximately one month from shipment date.

		2020	2019
Sales provisionally priced at the balance sheet date	Tonnes	**13,800**	12,000
Average mark-to-market price	$/lb	**3.52**	2.80
Average provisional invoice price	$/lb	**3.50**	2.77

(III) Gold in concentrate

The typical period for which sales of gold in concentrate remain open until settlement occurs is approximately one month from shipment date.

		2020	2019
Sales provisionally priced at the balance sheet date	Ounces	**16,300**	21,200
Average mark-to-market price	$/oz	**1,917**	1,542
Average provisional invoice price	$/oz	**1,861**	1,485

(IV) Molybdenum concentrate

The typical period for which sales of molybdenum remain open until settlement occurs is approximately two months from shipment date.

		2020	2019
Sales provisionally priced at the balance sheet date	Tonnes	**2,000**	1,900
Average mark-to-market price	$/lb	**9.34**	9.20
Average provisional invoice price	$/lb	**9.38**	9.30

7 Revenue continued

As detailed above, the effects of gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and to trade debtors in the balance sheet. The effect of mark-to-market adjustments on the balance sheet at the end of each period are as follows:

	Effect on debtors of year end mark-to-market adjustments	
	2020 $m	2019 $m
Los Pelambres – copper concentrate	58.7	29.1
Los Pelambres – molybdenum concentrate	(0.2)	(0.4)
Centinela – copper concentrate	26.8	15.2
Centinela – molybdenum concentrate	0.3	–
Centinela – gold in concentrate	0.9	1.2
Centinela – copper cathodes	(0.1)	0.4
Antucoya – copper cathodes	0.5	0.4
	86.9	45.9

8 Profit before tax

Operating profit from subsidiaries and total profit from operations and associates and joint ventures is derived from Group revenue by deducting operating costs as follows:

	2020 $m	2019 $m
Group revenue	5,129.3	4,964.5
Cost of sales	(2,856.9)	(2,963.6)
Gross profit	2,272.4	2,000.9
Administrative and distribution expenses	(484.6)	(445.9)
Other operating income	27.0	28.4
Other operating expenses	(222.6)	(207.6)
Operating profit from subsidiaries	1,592.2	1,375.8
Net share of results from associates and joint ventures	5.1	24.4
Impairment of investment in associate	(80.8)	–
Total profit from operations, associates and joint ventures	1,516.5	1,400.2

Other operating expenses comprise $85.0 million of exploration and evaluation expenditure (2019 – $111.0 million), $17.9 million in respect of the employee severance provision (2019 – $24.8 million), $45.2 million in respect of the closure provision (2019 – $2.8 million credit) and $74.5 million of other expenses (2019 – $74.5 million).

Profit before tax is stated after (charging)/crediting:

	2020 $m	2019 $m
Foreign exchange (gains)/losses		
• included in net finance costs	(28.4)	35.8
• included in income tax expense	0.1	0.7
Depreciation of property, plant and equipment		
• owned assets	(966.9)	(828.0)
• leased assets	(81.8)	(81.4)
Loss on disposal of property, plant and equipment	(6.3)	(12.7)
Cost of inventories recognised as expense	(1,810.0)	(1,970.1)
Employee benefit expense	(453.8)	(439.8)
Decommissioning and restoration	(45.2)	2.8
Severance charges	(17.9)	(24.8)
Exploration and evaluation expense	(85.0)	(111.1)
Auditors´ remuneration	(1.8)	(1.5)

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

Group	2020 $000	2019 $000
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	920	944
Fees payable to the Company's auditors and its associates for other services:		
• The audit of the Company's subsidiaries	323	288
• Audit-related assurance services	185	219
• Tax advisory services	–	–
• Other assurance services	352	19
• Corporate finance services not covered above	–	–
• Other non-audit services	–	20
	1,780	1,490

Details of the Company's policy on the use of auditors for non-audit services, the reason why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit and Risk Committee report on page 124. No services were provided pursuant to contingent fee arrangements.

9 Employees

A) Average monthly number of employees

	2020 Number	2019 Number
Los Pelambres	944	926
Centinela	2,092	2,057
Michilla	3	2
Antucoya	798	787
Exploration and evaluation	67	62
Corporate and other employees		
• Chile	528	469
• United Kingdom	4	4
• Other	4	4
Mining and Corporate	4,440	4,311
Transport division	1,379	1,408
	5,819	5,719

(i) The average number of employees for the year includes all the employees of subsidiaries. The average number of employees does not include contractors who are not directly employed by the Group.

(ii) The average number of employees does not include employees from associates and joint ventures.

(iii) The average number of employees includes Non-Executive Directors.

B) Aggregated remuneration

The aggregated remuneration of the employees included in the table above was as follows:

	2020 $m	2019 $m
Wages and salaries	(430.2)	(416.1)
Social security costs	(23.6)	(23.7)
	(453.8)	(439.8)

C) Key management personnel

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Directors (Executive and Non-Executive) of the Company. Key management personnel who are not Directors have been treated as responsible senior management at the Corporate Centre and those responsible for the running of the key business divisions of the Group.

Compensation for key management personnel (including Directors) was as follows:

	2020 $m	2019 $m
Salaries and short-term employee benefits	(18.6)	(16.1)
	(18.6)	(16.1)

Disclosures on Directors' remuneration required by Schedule 8 of the Large and Medium-sized Companies and Group (Financial Statement) Regulations 2008 including those specified for audit by that Schedule are included in the Remuneration report on page 139.

10 Net finance expense

	2020 $m	2019 $m
Investment income		
Interest income	**3.4**	9.8
Fair value through profit or loss	**15.5**	37.3
	18.9	47.1
Interest expense		
Interest expense	**(77.1)**	(111.1)
	(77.1)	(111.1)
Other finance items		
Unwinding of discount on provisions	**(16.7)**	(22.7)
Effects of changes in foreign exchange rates	**(28.4)**	35.8
Preference dividends	**(0.1)**	(0.1)
	(45.2)	13.0
Net finance expense	**(103.4)**	(51.0)

During 2020, amounts capitalised and consequently not included within the above table were as follows: $21.0 million at Los Pelambres (year ended 31 December 2019 – $12.5 million) and $5.7 million at Centinela (year ended 31 December 2019 – $4.7 million).

The fair value through profit or loss line represents the fair value gains relating to liquid investments.

The interest expense shown above includes $9.7 million in respect of leases (2019 – $13.0 million).

11 Income tax expense

The tax charge for the year comprised the following:

	2020 $m	2019 $m
Current tax charge		
• Corporate tax (principally first category tax in Chile)	**(353.5)**	(255.5)
• Mining tax (royalty)	**(106.1)**	(67.2)
• Withholding tax	**(55.8)**	(32.4)
• Exchange losses on corporate tax balances	**0.1**	0.7
	(515.3)	(354.4)
Deferred tax charge		
• Corporate tax (principally first category tax in Chile)	**(1.1)**	(125.1)
• Mining tax (royalty)	**4.2**	0.6
• Withholding tax	**(14.3)**	(27.2)
	(11.2)	(151.7)
Total tax charge	**(526.5)**	(506.1)

The rate of first category (ie corporate) tax in Chile is 27.0% (2019 – 27.0%).

In addition to first category tax and the mining tax, the Group incurs withholding taxes on any remittance of profits from Chile. Withholding tax is levied on remittances of profits from Chile at 35% less first category (ie corporation) tax already paid in respect of the profits to which the remittances relate.

The Group's mining operations are also subject to a mining tax (royalty). Production from Los Pelambres, Antucoya, Encuentro (oxides), the Tesoro North East pit and the Run-of-Mine processing at Centinela Cathodes is subject to a rate of between 5–14%, depending on the level of operating profit margin. Production from Centinela Concentrates and the Tesoro Central and Mirador pits is subject to a rate of 5% of taxable operating profit.

	Year ended Excluding exceptional items 2020 $m	%	Year ended Including exceptional items 2020 $m	%	2019 $m	%
Profit before tax	**1,493.9**		**1,413.1**		1,349.2	
Tax at the Chilean corporate tax rate of 27%	**(403.4)**	**27.0**	**(381.5)**	**27.0**	(364.3)	27.0
Impairment of investment in associate	**–**	**–**	**(2.2)**	**0.2**		
Mining tax (royalty)	**(101.3)**	**6.8**	**(101.3)**	**7.2**	(66.6)	4.9
Deduction of mining tax (royalty) as an allowable expense in determination of first category tax	**28.1**	**(1.9)**	**28.1**	**(2.0)**	19.1	(1.4)
Items not deductible from first category tax	**(9.8)**	**0.7**	**(9.8)**	**0.6**	(11.9)	0.9
Adjustment in respect of prior years	**(1.6)**	**0.1**	**(1.6)**	**0.1**	4.3	(0.3)
Withholding tax	**(70.0)**	**4.7**	**(70.0)**	**5.0**	(59.3)	4.4
Tax effect of share of profit of associates and joint ventures	**1.4**	**(0.1)**	**1.4**	**(0.1)**	4.7	(0.3)
Reversal of previously unrecognised tax losses/(unrecognised tax losses)	**10.5**	**(0.7)**	**10.5**	**(0.7)**	(33.0)	2.4
Net other items	**(0.1)**	**–**	**(0.1)**	**–**	0.9	(0.1)
Tax expense and effective tax rate for the year	**(546.2)**	**36.6**	**(526.5)**	**37.3**	(506.1)	37.5

The effective tax rate varied from the statutory rate principally due to the mining tax (royalty) (net impact of $73.2 million / 5.2% including the deduction of the mining tax (royalty) as an allowable expense in the determination of first category tax), the withholding tax relating to the remittance of profits from Chile (impact of $70.0 million / 5.0%), items not deductible for Chilean corporate tax purposes, principally the funding of expenses outside of Chile (impact of $9.8 million / 0.6%), adjustments in respect of prior years (impact of $1.6 million / 0.1%), partly offset by unrecognised tax gains (impact of $10.5 million / 0.7%) and the impact of the recognition of the Group's share of profit from associates and joint ventures, which are included in the Group's profit before tax net of their respective tax charges (impact of $1.4 million / 0.1%).

The impact of the exceptional items on the effective tax rate including exceptional items was $2.2 million / 0.2%.

The main factors which could impact the sustainability of the Group's existing effective tax rate are:

- the level of future distributions made by the Group's Chilean subsidiaries out of Chile, which could result in increased withholding tax charges,
- the impact of expenses which are not deductible for Chilean first category tax. Some of these expenses are relatively fixed costs, and so the relative impact of these expenses on the Group's effective tax rate will vary depending on the Group's total profit before tax in a particular year.

There are no significant tax uncertainties which would require critical judgements, estimates or potential provisions other than deferred tax estimates as explained in Note 3 A (ii).

12 Discontinued operations

In 2016 the Group disposed of Minera Michilla SA, with the profit on disposal, along with the results for that year, being presented on the "Profit for the period from discontinued operations" line in the income statement. The Group retained certain residual options over the Michilla operation, and in December 2020 the current owner of Michilla paid the Group $10.0 million in order to extinguish those options, resulting in a post-tax gain for the Group of $7.3 million. Consistent with the original presentation in 2016, this gain has been reflected on the "Profit for the period from discontinued operations" line in the income statement.

13 Earnings per share

	2020 $m	2019 $m
Profit for the year attributable to equity holders of the Company	**506.4**	501.4

	2020 Number	2019 Number
Ordinary shares in issue throughout each year	**985,856,695**	985,856,695

	2020 cents	2019 cents
Basic earnings per share		
From continuing operations	**50.6**	50.9
From discontinued operations	**0.7**	–
Total continuing and discontinued operations	**51.3**	50.9

Basic earnings per share are calculated as profit after tax and non-controlling interests, based on 985,856,695 (2019: 985,856,695) ordinary shares.

There was no potential dilution of earnings per share in either year set out above, and therefore diluted earnings per share did not differ from basic earnings per share as disclosed above.

13 Earnings per share continued

Reconciliation of basic earnings per share from continuing operations:

		2020	2019
Profit for the year attributable to equity holders of the Company	$m	**506.4**	501.4
Less: profit for discontinued operations attributable to equity holders of the Company	$m	**(7.3)**	–
Profit from continuing operations	$m	**499.1**	501.4
Ordinary shares	Number	**985,856,695**	985,856,695
Basic earnings per share from continuing operations	cents	**50.6**	50.9

14 Dividends

Amounts recognised as distributions to equity holders in the year:

	2020 $m	2019 $m	2020 cents per share	2019 cents per share
Final dividend paid in June (proposed in relation to the previous year)				
• ordinary	**70.0**	364.7	**7.1**	37.0
Interim dividend paid in October				
• ordinary	**61.1**	105.5	**6.2**	10.7
	131.1	470.2	**13.3**	47.7

The recommended final dividend for each year, which is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements, is as follows:

	2020 $m	2019 $m	2020 cents per share	2019 cents per share
Final dividend proposed in relation to the year				
• ordinary	**478.2**	70.0	**48.5**	7.1

This gives total dividends proposed in relation to 2020 (including the interim dividend) of 54.7 cents per share or $539.3 million (2019 – 17.8 cents per share or $175.5 million).

In accordance with IAS 32, preference dividends have been included within interest expense (see Note 10) and amounted to $0.1 million (2019 – $0.1 million).

Further details of the currency election timing and process (including the default currency of payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company's registrar, Computershare Investor Services PLC on +44 370 702 0159.

Further details relating to dividends for each year are given in the Directors' Report on page 153.

15 Intangible assets

	$m
Cost	
At 1 January 2019	150.1
Additions	–
Disposals	–
At 31 December 2019	**150.1**
Additions	**–**
Disposals	**–**
At 31 December 2020	**150.1**

The $150.1 million intangible asset reflects the value of Twin Metals' mining licences assets included within the corporate segment. These assets are classified as intangible assets as construction of the related mining operation has not yet commenced. When construction commences the licences will be transferred from intangible assets to the mining properties category within property, plant and equipment. Depreciation of these mining licences, along with the construction costs of the related mining operation, will commence when the operation is capable of commercial production.

16 Property, plant and equipment

	Land $m	Mining properties $m	Stripping cost $m	Buildings and infrastructure $m	Railway track $m	Wagons and rolling stock $m	Machinery, equipment and others $m	Assets under construction $m	Right-of-use assets $m	Total $m
Cost										
At 1 January 2019	55.8	662.3	1,471.4	5,321.1	84.1	146.1	6,845.5	955.2	409.3	15,950.8
Additions	4.8	–	346.5	0.5	–	–	–	777.4	45.2	1,174.4
Additions – capitalised depreciation	–	–	62.6	–	–	–	–	–	–	62.6
Adjustment to capitalised decommissioning provisions	–	–	–	24.8	–	–	–	–	–	24.8
Capitalisation of interest	–	–	–	–	–	–	8.9	–	–	8.9
Capitalisation of critical spare parts	–	–	–	–	–	–	11.5	–	–	11.5
Reclassifications	–	5.2	–	121.2	15.6	64.7	197.5	(385.1)	(23.0)	(3.9)
Asset disposals				(2.8)	–	(7.2)	(4.4)	(12.2)	(0.9)	(27.5)
At 31 December 2019	60.6	667.5	1,880.5	5,464.8	99.7	203.6	7,059.0	1,335.3	430.6	17,201.6
At 1 January 2020	60.6	667.5	1,880.5	5,464.8	99.7	203.6	7,059.0	1,335.3	430.6	17,201.6
Additions	**1.4**	**–**	**356.7**	**0.2**	**–**	**–**	**0.3**	**937.4**	**33.6**	**1,329.6**
Additions – capitalised depreciation	**–**	**–**	**67.8**	**–**	**–**	**–**	**–**	**–**	**–**	**67.8**
Adjustment to capitalised decommissioning provisions	**–**	**–**	**–**	**59.4**	**–**	**–**	**–**	**–**	**–**	**59.4**
Capitalisation of interest	**–**	**–**	**–**	**–**	**–**	**–**	**8.0**	**18.7**	**–**	**26.7**
Capitalisation of critical spare parts	**–**	**–**	**–**	**–**	**–**	**–**	**10.2**	**–**	**–**	**10.2**
Reclassifications	**–**	**–**	**–**	**403.7**	**9.7**	**14.6**	**192.5**	**(620.5)**	**–**	**–**
Asset disposals	**(0.1)**	**–**	**–**	**–**	**(1.1)**	**(10.2)**	**(3.1)**	**(4.3)**	**(5.3)**	**(24.1)**
At 31 December 2020	**61.9**	**667.5**	**2,305.0**	**5,928.1**	**108.3**	**208.0**	**7,266.9**	**1,666.6**	**458.9**	**18,671.2**
Accumulated depreciation and impairment										
At 1 January 2019	–	(490.3)	(441.9)	(2,140.1)	(30.5)	(84.3)	(3,348.3)	–	(99.9)	(6,635.3)
Charge for the year	–	(40.0)	(262.2)	(245.9)	(3.5)	(13.7)	(267.6)	–	(81.4)	(914.3)
Depreciation capitalised in inventories	–	–	–	–	–	–	(49.7)	–	–	(49.7)
Depreciation capitalised in property, plant and equipment	–	–	–	–	–	–	(62.6)	–	–	(62.6)
Reclassification	–	–	–	0.6	–	–	(6.7)	–	9.5	3.4
Asset disposals	–	–	–	2.2	–	6.8	3.7	–	0.9	13.6
At 31 December 2019	–	(530.3)	(704.1)	(2,383.2)	(34.0)	(91.2)	(3,731.2)	–	(170.9)	(7,644.9)
At 1 January 2020	–	(530.3)	(704.1)	(2,383.2)	(34.0)	(91.2)	(3,731.2)	–	(170.9)	(7,644.9)
Charge for the year	**–**	**(31.8)**	**(413.0)**	**(230.4)**	**(4.8)**	**(18.8)**	**(268.1)**	**–**	**(81.8)**	**(1,048.7)**
Depreciation capitalised in inventories	**–**	**–**	**–**	**–**		**–**	**(74.8)**	**–**	**–**	**(74.8)**
Depreciation capitalised in property, plant and equipment	**–**	**–**	**–**	**–**		**–**	**(67.8)**	**–**	**–**	**(67.8)**
Asset disposals	**–**	**–**	**–**	**–**	**0.3**	**9.2**	**2.1**	**–**	**5.3**	**16.9**
At 31 December 2020	**–**	**(562.1)**	**(1,117.1)**	**(2,613.6)**	**(38.5)**	**(100.8)**	**(4,139.8)**	**–**	**(247.4)**	**(8,819.3)**
Net book value										
At 31 December 2020	**61.9**	**105.4**	**1,187.9**	**3,314.5**	**69.8**	**107.2**	**3,127.1**	**1,666.6**	**211.5**	**9,851.9**
At 31 December 2019	60.6	137.2	1,176.4	3,081.6	65.7	112.4	3,327.8	1,335.3	259.7	9,556.7

The Group has no pledged assets (2019 – nil) as security against bank loans provided to the Group.

At 31 December 2020 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $849.5 million (2019 – $863.3 million) of which $553.2 million was related to Los Pelambres and $289.6 million to Centinela.

Compensation from insurance companies related to property, plant and equipment included in the consolidated income statement was nil in 2020 (2019 – nil).

The average interest rate for the amounts capitalised was 4.2% (2019 – 3.5%).

At 31 December 2020, assets capitalised relating to the decommissioning provision were $199.5 million (2019 – $140.1 million).

Depreciation capitalised in property, plant and equipment of $67.8 million related to the depreciation of assets used in mine development (operating stripping) at Centinela, Los Pelambres and Antucoya (2019 – $62.6 million).

17 Investments in subsidiaries

The subsidiaries of the Group, the percentage of equity owned and the main country of operation are set out below. These interests are consolidated within these financial statements.

	Country of incorporation	Country of operations	Registered office	Nature of business	Economic interest
Direct subsidiaries of the Parent Company					
Antofagasta Railway Company plc	UK	Chile	1	Railway	100%
Andes Trust Limited (The)	UK	UK	1	Investment	100%
Chilean Northern Mines Limited	UK	Chile	1	Investment	100%
Andes Re Limited	Bermuda	Bermuda	4	Insurance	100%
Indirect subsidiaries of the Parent Company					
Minera Los Pelambres SCM	Chile	Chile	2	Mining	60%
Minera Centinela SCM	Chile	Chile	2	Mining	70%
Minera Antucoya SCM	Chile	Chile	2	Mining	70%
Antofagasta Minerals SA	Chile	Chile	2	Mining	100%
Alfa Estates Limited	Jersey	Jersey	3	Investment	100%
Energía Andina Geothermal SpA	Chile	Chile	2	Energy	100%
Los Pelambres Transmisión	Chile	Chile	2	Energy	100%
Northern Minerals Investment (Jersey) Limited	Jersey	Jersey	3	Investment	100%
Northern Metals (UK) Limited	UK	UK	1	Investment	100%
Northern Minerals Holding Co	USA	USA	5	Investment	100%
Duluth Metals Limited	Canada	Canada	7	Investment	100%
Twin Metals (UK) Limited	UK	UK	1	Investment	100%
Twin Metals (USA) Inc	USA	USA	6	Investment	100%
Twin Metals Minnesota LLC	USA	USA	6	Mining	100%
Franconia Minerals (US) LLC	USA	USA	6	Mining	100%
Duluth Metals Holdings (USA) Inc	USA	USA	13	Investment	100%
Duluth Exploration (USA) Inc	USA	USA	14	Investment	100%
DMC LLC (Minnesota)	USA	USA	13	Investment	100%
DMC (USA) LLC (Delaware)	USA	USA	13	Investment	100%
DMC (USA) Corporation	USA	USA	13	Investment	100%
Antofagasta Investment Company Limited	UK	UK	1	Investment	100%
Minprop Limited	Jersey	Jersey	3	Mining	100%
Antomin 2 Limited	BVI	BVI	8	Mining	51%
Antomin Investors Limited	BVI	BVI	8	Mining	51%
Antofagasta Minerals Australia Pty Limited	Australia	Australia	9	Mining	100%
Minera Anaconda Peru	Peru	Peru	10	Mining	100%
Los Pelambres Holding Company Limited	UK	UK	1	Investment	100%
Los Pelambres Investment Company Limited	UK	UK	1	Investment	100%
Lamborn Land Co	USA	USA	5	Investment	100%
Anaconda South America Inc	USA	USA	15	Investment	100%
El Tesoro (SPV Bermuda) Limited	Bermuda	Bermuda	4	Investment	100%
Morrisville Holdings Co	BVI	BVI	8	Investment	100%
Antofagasta Minerals Canada	Canada	Canada	9	Agency	100%
Antofagasta Minerals (Shanghai) Co. Limited	China	China	16	Agency	100%
Andes Investments Company (Jersey) Limited	Jersey	Jersey	3	Investment	100%
Bolivian Rail Investors Co Inc	USA	USA	5	Investment	100%
Inversiones Ferrobol Limitada	Bolivia	Bolivia	11	Investment	100%
Inversiones Los Pelambres Chile Limitada	Chile	Chile	2	Investment	100%
Equatorial Resources SpA	Chile	Chile	2	Investment	100%
Minera Santa Margarita de Astillas SCM	Chile	Chile	2	Mining	82.0%

	Country of incorporation	Country of operations	Registered office	Nature of business	Economic interest
Minera Penacho Blanco SA	Chile	Chile	2	Mining	66.6%
Michilla Costa SpA	Chile	Chile	2	Logistics	99.9%
Pampa Fenix SA	Chile	Chile	2	Investment	90.0%
Minera Mulpun Limitada	Chile	Chile	2	Mining	100%
Fundación Minera Los Pelambres	Chile	Chile	2	Community development	100%
Inversiones Punta de Rieles Limitada	Chile	Chile	12	Investment	100%
Ferrocarril Antofagasta a Bolivia (Permanent Establishment)	Chile	Chile	12	Railway	100%
Inversiones Chilean Northern Mines Limitada	Chile	Chile	12	Investment	100%
The Andes Trust Chile SA	Chile	Chile	12	Investment	100%
Forestal SA	Chile	Chile	12	Forestry	100%
Servicios de Transportes Integrados Limitada	Chile	Chile	12	Road transport	100%
Inversiones Train Limitada	Chile	Chile	12	Investment	100%
Servicios Logisticos Capricornio Limitada	Chile	Chile	12	Transport	100%
Embarcadores Limitada	Chile	Chile	12	Transport	100%
FCAB Ingenieria y Servicios 2 Limitada	Chile	Chile	12	Transport	100%
Emisa Antofagasta SA	Chile	Chile	12	Transport	100%

Registered offices:

1 Cleveland House, 33 King Street, London, SW1Y 6RJ, UK
2 Avenida Apoquindo N° 4001, Piso 18, Las Condes, Santiago, Chile
3 22 Grenville Street, St Helier, Jersey, JE4 8PX3, Channel Islands
4 Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda
5 1209 Orange Street, Wilmington, DE 19801, USA
6 6040 Earle Brown Drive, 480 Brooklyn Center, MN 55430, USA
7 161 Bay Street, Suite 4320, Toronto, Ontario, M5J 2S1, Canada
8 PO Box 958, Road Town, Tortola VG1110, British Virgin Islands
9 Riparian Plaza, Level 28, 71 Eagle Street, Brisbane, Qld 4001, Australia
10 Avenida Paseo de la Republica Nº 3245 Piso 3, Lima, Peru
11 Avenida 16 de Julio N° 1440, piso 19 oficina 1905, La Paz, Bolivia
12 Simon Bolivar 255, Antofagasta, Chile
13 6041 Earle Brown Drive, 480 Brooklyn Center, MN 55430, USA
14 1010 Dale Street N, St Paul, MN 55117-5603, USA
15 2711 Centerville Road, Suite 400, Wilmington, DE 19808, USA
16 Unit 3309, IFC 2, 8 Century Avenue, Shanghai, China

With the exception of the Antofagasta Railway Company plc, all of the above Group companies have only one class of ordinary share capital in issue. The Antofagasta Railway Company plc has ordinary and preference share capital in issue, with the ordinary share capital representing 76% of the Company's total share capital, and the preference share capital representing 24%. Antofagasta plc holds 100% of both the ordinary and preference shares.

The proportion of voting rights is proportional to the economic interest for the companies listed above.

18 Investment in associates and joint ventures

	Inversiones Hornitos 2020 $m	ATI [ii] 2020 $m	Minera Zaldívar [iii] 2020 $m	Tethyan Copper [iv] 2020 $m	Total 2020 $m
Balance at the beginning of the year	56.9	6.1	961.8	–	1,024.8
Obligations on behalf of JV and associates at the beginning of the year	–	–	–	(1.8)	(1.8)
Capital contribution	23.9	–	–	7.2	31.1
Impairment of investment in associate [i]	(80.8)	–	–	–	(80.8)
Share of net profit/(loss) before tax	–	(0.9)	19.8	(6.5)	12.4
Share of tax	–	0.4	(7.6)	–	(7.2)
Share of income/(loss) from JV and associates	–	(0.5)	12.2	(6.5)	5.2
Dividends receivable	–	–	(65.0)	–	(65.0)
Balance at the end of the year	–	5.6	909.0	–	914.6
Obligations on behalf of JV and associates at the end of the year	–	–	–	(1.1)	(1.1)

	Inversiones Hornitos 2019 $m	ATI 2019 $m	Minera Zaldívar 2019 $m	Tethyan Copper 2019 $m	Total 2019 $m
Balance at the beginning of the year	54.6	5.1	996.4	–	1,056.1
Obligations on behalf of JV and associates at the beginning of the year	–	–	–	(1.0)	(1.0)
Capital contribution	–	–	–	1.8	1.8
Share of net profit/(loss) before tax	13.8	1.5	23.8	(2.6)	36.5
Share of tax	(3.5)	(0.4)	(8.2)	–	(12.1)
Share of income/(loss) from JV and associates	10.3	1.1	15.6	(2.6)	24.4
Dividends receivable	(8.0)	–	(50.0)	–	(58.0)
Other comprehensive income	–	(0.1)	(0.2)	–	(0.3)
Balance at the end of the year	56.9	6.1	961.8	–	1,024.8
Obligations on behalf of JV and associates at the end of the year	–	–	–	(1.8)	(1.8)

The investments which are included in the $913.4 million balances at 31 December 2020 are set out below:

Investment in associates

(i) On 31 March 2020 the Group agreed to dispose of its 40% interest in Hornitos coal-fired power station to ENGIE Energía Chile S.A. ("ENGIE"), the owner of the remaining 60% interest. This was part of the value accretive renegotiation of Centinela's power purchase agreement which as a result will be wholly supplied from lower cost renewable sources from 2022. Under the terms of the agreement the Group will dispose of its investment to Engie in 2021 for a nominal consideration, and will not be entitled to receive any further dividend income from Hornitos from the date of the agreement. Accordingly, the Group no longer has any effective economic interest in the results or assets of Hornitos from 31 March 2020 onwards, and has therefore recognised an impairment of $80.8 million in respect of its investment in associate balance, and will no longer recognise any share of Hornitos' results. The post-tax impact of the provision is $61.1 million, of which $40.2 million is attributable to the equity owners of the Company.

(ii) The Group's 30% interest in ATI, which operates a concession to manage installations in the port of Antofagasta.

Investment in joint ventures

(iii) The Group's 50% interest in Minera Zaldívar SpA ("Zaldívar").

(iv) The Group's 50% interest in Tethyan Copper Company Limited ("Tethyan"), which is a joint venture with Barrick Gold Corporation in respect of the Reko Diq project in Pakistan. Tethyan has been pursuing arbitration claims against the Islamic Republic of Pakistan ("Pakistan") following the unlawful denial of a mining lease for the project in 2011. Details in respect of the arbitration are set out in Note 35.

As the net carrying value of the interest in Tethyan is negative it is included within non-current liabilities, as the Group is liable for its share of the joint venture's obligations.

Summarised financial information for the associates is as follows:

	ATI 2020 $m	Total 2020 $m
Cash and cash equivalents	**0.2**	**0.2**
Current assets	**11.3**	**11.3**
Non-current assets	**108.2**	**108.2**
Current liabilities	**(19.9)**	**(19.9)**
Non-current liabilities	**(83.5)**	**(83.5)**
Revenue	**40.4**	**40.4**
Profit/(loss) from continuing operations	**(1.9)**	**(1.9)**
Other comprehensive expense	**–**	**–**
Total comprehensive income	**(1.9)**	**(1.9)**

	Inversiones Hornitos 2019 $m	ATI 2019 $m	Total 2019 $m
Cash and cash equivalents	29.3	0.8	30.1
Current assets	26.0	13.2	39.2
Non-current assets	265.1	112.5	377.6
Current liabilities	(43.8)	(18.3)	(62.1)
Non-current liabilities	(153.9)	(90.0)	(243.9)
Revenue	139.9	52.2	192.1
Profit/(loss) from continuing operations	25.8	3.6	29.4
Other comprehensive expense	–	(0.3)	(0.3)
Total comprehensive income	25.8	3.3	29.1

Summarised financial information for the joint ventures is as follows:

	Minera Zaldívar 2020 $m	Tethyan Copper 2020 $m	Total 2020 $m
Cash and cash equivalents	**281.0**	**4.2**	**285.2**
Current assets	**677.2**	**–**	**677.2**
Non-current assets	**1,856.3**	**–**	**1,856.3**
Current liabilities	**(290.0)**	**(6.2)**	**(296.2)**
Non-current liabilities	**(670.4)**	**(0.1)**	**(670.5)**
Revenue	**599.3**	**–**	**599.3**
Profit/(loss) after tax from continuing and discontinued operations	**24.3**	**(12.9)**	**11.4**
Other comprehensive expense	**–**	**–**	**–**
Total comprehensive income/(expense)	**24.3**	**(12.9)**	**11.4**

	Minera Zaldívar 2019 $m	Tethyan Copper 2019 $m	Total 2019 $m
Cash and cash equivalents	138.7	1.7	140.4
Current assets	631.3	–	631.3
Non-current assets	1,846.8	–	1,846.8
Current liabilities	(118.7)	(5.1)	(123.8)
Non-current liabilities	(517.9)	(0.1)	(518.0)
Revenue	687.6	–	687.6
Profit/(loss) after tax from continuing and discontinued operations	53.0	(5.1)	47.9
Other comprehensive expense	(0.4)	–	(0.4)
Total comprehensive income/(expense)	52.6	(5.1)	47.5

The above summarised financial information is based on the amounts included in the IFRS financial statements of the associate or joint venture (ie 100% of the results or balances of the associate or joint venture, rather than the Group's proportionate share), after the Group's fair value adjustments.

19 Equity investments

	2020 $m	2019 $m
Balance at the beginning of the year	5.1	4.7
Movement in fair value	5.5	0.3
Foreign currency exchange differences	0.5	0.1
Balance at the end of the year	11.1	5.1

Equity investments represent those investments which are not subsidiaries, associates or joint ventures and are not held for trading purposes. The fair value of all equity investments is based on quoted market prices.

20 Inventories

	2020 $m	2019 $m
Current		
Raw materials and consumables	178.2	219.9
Work-in-progress	339.3	276.7
Finished goods	75.2	89.8
	592.7	586.4
Non-current		
Work-in-progress	278.1	208.0
Total	870.8	794.4

During 2020 a net realisable value ("NRV") adjustment of $1.5 million has been recognised (2019 $18.5 million). Non-current work-in-progress represents inventory expected to be processed more than 12 months after the balance sheet date.

The carrying value of the Group's inventory balances has been reassessed with consideration of the effects of the COVID-19 pandemic. No material adjustments have been made to the carrying values of the inventory balances for the year ended 31 December 2020 as a result of the COVID-19 pandemic.

21 Trade and other receivables

Trade and other receivables do not generally carry any interest, are principally short-term in nature and are normally stated at their nominal value less any impairment.

	Due in one year		Due after one year		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Trade debtors	832.6	570.9	–	–	832.6	570.9
Other debtors	184.3	111.5	55.9	48.2	240.2	159.7
	1,016.9	682.4	55.9	48.2	1,072.8	730.6

The largest balances of trade receivables are with equity participants in the key mining projects. Many other significant trade receivables are secured by letters of credit or other forms of security. There is no material element which is interest-bearing. Trade debtors include mark-to-market adjustments in respect of provisionally priced sales of copper and molybdenum concentrates which remain open as to final pricing. Further details of such adjustments are given in Note 7.

Movements in the provision for doubtful debts were as follows:

	2020 $m	2019 $m
Balance at the beginning of the year	(3.1)	(4.6)
Utilised in year	1.8	1.6
Foreign currency exchange difference	(0.2)	(0.1)
Balance at the end of the year	(1.5)	(3.1)

The ageing analysis of the trade and other receivables balance is as follows:

		Past due but not impaired			
	Neither past due nor impaired $m	Up to 3 months past due $m	3-6 months past due $m	More than 6 months past due $m	Total $m
2020	**1,064.3**	**8.0**	**0.2**	**0.3**	**1,072.8**
2019	724.1	4.0	0.1	2.4	730.6

With respect to the trade receivables that are neither past due nor impaired, there are no indications that the debtors will not meet their payment obligations. The carrying value of the trade receivables recorded in the financial statements represents the Group's maximum exposure to credit risk.

The recoverability of the Group's trade receivables has been reassessed with consideration of the effects of the COVID-19 pandemic. No material adjustments have been made to the carrying values of trade receivables for the year ended 31 December 2020 as a result of the COVID-19 pandemic.

22 Cash and cash equivalents, and liquid investments

The fair value of cash and cash equivalents, and liquid investments is not materially different from the carrying values presented. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Cash and cash equivalents, and liquid investments comprised:

	2020 $m	2019 $m
Cash and cash equivalents	**1,246.8**	653.7
Liquid investments	**2,426.0**	1,539.7
	3,672.8	2,193.4

At 31 December 2020 and 2019 there is no cash which is subject to restriction.

The denomination of cash, cash equivalents and liquid investments was as follows:

	2020 $m	2019 $m
US dollars	**3,558.9**	2,145.7
Chilean pesos	**112.8**	45.7
Sterling	**–**	0.3
Other	**1.1**	1.7
	3,672.8	2,193.4

The credit quality of cash, cash equivalents and liquid investments are as follow:

Current account bank deposits and cash at bank	2020 $m	2019 $m
AAA	**2,007.1**	1,602.5
AA+	**–**	6.0
AA	**46.0**	4.8
AA-	**279.5**	36.7
A+	**553.3**	125.7
A	**741.5**	369.7
A-	**33.9**	–
BBB+	**2.1**	–
BBB-	**–**	–
Subtotal	**3,663.4**	2,145.4
Cash at bank[1]	**9.4**	48.0
Total cash, cash equivalents and liquid investments	**3,672.8**	2,193.4

1. Cash at bank is held with investment grade financial institutions.

There have been no impairments recognised in respect of cash or cash equivalents as at 31 December 2020 (31 December 2019 nil).

23 Borrowings

A) Analysis by type of borrowing

Borrowings may be analysed by business segment and type as follows:

	Note	2020 $m	2019 $m
Los Pelambres			
• Senior loan	(i)	**(1,288.1)**	(469.4)
• Leases	(ii)	**(91.4)**	(115.0)
Centinela			
• Senior loan	(iii)	**(496.5)**	(298.8)
• Subordinated debt	(iv)	**(203.0)**	(205.9)
• Short-term loan		**–**	(200.0)
• Leases	(v)	**(78.0)**	(81.0)
Antucoya			
• Senior loan	(vi)	**(261.1)**	(325.4)
• Subordinated debt	(vii)	**(191.5)**	(391.9)
• Short-term loan	(viii)	**(75.0)**	(75.0)
• Leases	(ix)	**(19.9)**	(27.7)
Corporate and other items			
• Senior loan	(x)	**(496.6)**	(499.2)
• Bond	(xi)	**(495.6)**	–
• Leases	(xii)	**(18.6)**	(19.3)
Transport division			
• Senior loan	(xiii)	**(36.5)**	(44.6)
• Leases	(xiv)	**(0.3)**	(1.0)
Preference shares	(xv)	**(2.7)**	(2.6)
Total		**(3,754.8)**	(2,756.8)

(i) The senior loan at Los Pelambres represents a $1,300 million US dollar denominated syndicated loan divided in two tranches. The first tranche has a remaining duration of 5 years and an interest rate of LIBOR six-month rate plus 1.2%. The second tranche has a remaining duration of 8 years and an interest rate of LIBOR six-month rate plus 0.85%. As at 31 December 2020 the loan facility had been fully drawn-down. The loan is subject to financial covenants which require that specified net debt to EBITDA and EBITDA to finance expense ratios are maintained.

(ii) Leases at Los Pelambres are denominated in a mixture of US dollars and Chilean pesos, with a weighted average interest rate of 5.0% and a remaining duration of 1.5 years.

(iii) The previous Centinela senior loan was repaid in February 2020. A new $500 million senior loan was put in place at that time, with a remaining duration of 4.2 years and an interest rate of LIBOR six-month rate plus 0.95%. The loan is subject to financial covenants which require that specified net debt to EBITDA and EBITDA to finance expense ratios are maintained.

(iv) The subordinated debt at Centinela is provided by Marubeni Corporation and is US dollar denominated with a remaining duration of 5.5 years and a weighted average interest rate of LIBOR six-month rate plus 4.5%. Subordinated debt provided by Group companies to Centinela has been eliminated on consolidation.

(v) Leases at Centinela are mainly Chilean peso denominated, with a weighted average interest rate of 5.1% and a remaining duration of 3 years.

(vi) The senior loan at Antucoya represents a US dollar denominated syndicated loan, with a remaining duration of 3.9 years and an interest rate of LIBOR six-month rate plus 1.3%. The loan is subject to financial covenants which require that specified net debt to EBITDA and EBITDA to finance expense ratios are maintained.

(vii) The subordinated debt at Antucoya is provided by Marubeni Corporation and is US dollar denominated with a remaining duration of 4.5 years and an interest rate of LIBOR six-month rate plus 3.65%. Subordinated debt provided by Group companies to Antucoya has been eliminated on consolidation.

During the year ended 31 December 2020 Antucoya made a $210 million repayment of the subordinated debt due to Marubeni which was replaced with equity.

(viii) The short-duration loan at Antucoya is US dollar denominated, comprising a working capital loan for an average period of 1 year and has an interest rate of LIBOR six-month rate plus a weighted average spread of 0.53%.

(ix) Leases at Antucoya are denominated in a mixture of US dollars and Chilean pesos, with a weighted average interest rate of 4.6% and a remaining duration of 3 years.

(x) The previous Corporate (Antofagasta plc) senior loan was repaid in August 2020. A new $500 million senior loan was put in place at that time, with an interest rate of LIBOR six-month rate plus 2.25% and has a remaining duration of 4.7 years.

(xi) Antofagasta plc issued a $500 million corporate bond in October 2020 with a 10 year tenor and a yield of 2.415%.

(xii) Leases at Corporate and other items are denominated in Unidades de Fomento (ie inflation-linked Chilean pesos) and have a remaining duration of 7.2 years and are at fixed rates with an average interest rate of 5.3%.

(xiii) The senior loan at the Transport division is US dollar denominated, with a remaining duration of 4 years and an interest rate of LIBOR six-month rate plus 1.06%.

(xiv) Leases at the Transport division are mainly in Unidades de Fomento (ie inflation-linked Chilean pesos), with a weighted average interest rate of 2.13% and a remaining duration of 1 year.

(xv) The preference shares are Sterling-denominated and issued by Antofagasta plc. There were 2 million shares of £1 each authorised, issued and fully paid at 31 December 2020. The preference shares are non-redeemable and are entitled to a fixed cumulative dividend of 5% per annum. On winding up they are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes in any general meeting of the Company.

B) Leases

Information in respect of the Group's leases is contained in the following notes:

- Note 16 – depreciation charges, additions and disposals in respect of the right of use assets relating to the leases
- Note 32(b) – repayments of the lease balances and new lease liabilities arising during the period
- Note 10 – interest expense in respect of the lease balances

C) Analysis of borrowings by currency

The exposure of the Group's borrowings to currency risk is as follows:

At 31 December 2020	Chilean pesos $m	Sterling $m	US dollars $m	2020 Total $m
Corporate loans	–	–	(2,578.8)	(2,578.8)
Bond	–	–	(495.6)	(495.6)
Other loans (including short-term loans)	–	–	(469.5)	(469.5)
Leases	(169.5)	–	(38.7)	(208.2)
Preference shares	–	(2.7)	–	(2.7)
	(169.5)	(2.7)	(3,582.6)	(3,754.8)

At 31 December 2019	Chilean pesos $m	Sterling $m	US dollars $m	2019 Total $m
Corporate loans	–	–	(1,637.4)	(1,637.4)
Other loans (including short-term loans)	–	–	(872.8)	(872.8)
Leases	(195.7)	–	(48.3)	(244.0)
Preference shares	–	(2.6)	–	(2.6)
	(195.7)	(2.6)	(2,558.5)	(2,756.8)

D) Analysis of borrowings by type of interest rate

The exposure of the Group's borrowings to interest rate risk is as follows:

At 31 December 2020	Fixed $m	Floating $m	2020 Total $m
Corporate loans	–	(2,578.8)	(2,578.8)
Bond	(495.6)	–	(495.6)
Other loans (including short-term loans)	–	(469.5)	(469.5)
Leases	(177.6)	(30.6)	(208.2)
Preference shares	(2.7)	–	(2.7)
	(675.9)	(3,078.9)	(3,754.8)

At 31 December 2019	Fixed $m	Floating $m	2019 Total $m
Corporate loans	–	(1,637.4)	(1,637.4)
Other loans (including short-term loans)	–	(872.8)	(872.8)
Leases	(199.3)	(44.7)	(244.0)
Preference shares	(2.6)	–	(2.6)
	(201.9)	(2,554.9)	(2,756.8)

23 Borrowings continued

E) Maturity profile

The maturity profile of the Group's borrowings is as follows:

At 31 December 2020	Within 1 year $m	Between 1-2 years $m	Between 2-5 years $m	After 5 years $m	2020 Total $m
Corporate loans	(454.3)	(471.3)	(941.0)	(712.2)	(2,578.8)
Bond	–	–	–	(495.6)	(495.6)
Other loans	(75.0)	–	–	(394.5)	(469.5)
Leases	(74 .1)	(62.6)	(67.4)	(4.1)	(208.2)
Preference shares	–	–	–	(2.7)	(2.7)
	(603.4)	(533.9)	(1,008.4)	(1,609.1)	(3,754.8)

At 31 December 2019	Within 1 year $m	Between 1-2 years $m	Between 2-5 years $m	After 5 years $m	2019 Total $m
Corporate loans	(373.3)	(135.2)	(1,128.9)	–	(1,637.4)
Other loans	(275.0)	–	–	(597.8)	(872.8)
Leases	(75.6)	(59.7)	(92.9)	(15.8)	(244.0)
Preference shares	–	–	–	(2.6)	(2.6)
	(723.9)	(194.9)	(1,221.8)	(616.2)	(2,756.8)

The amounts included above for leases are based on the present value of minimum lease payments.

The total minimum lease payments for these leases may be analysed as follows:

	2020 $m	2019 $m
Within 1 year	(81.3)	(82.4)
Between 1 – 2 years	(66.7)	(68.4)
Between 2 – 5 years	(71.9)	(99.6)
After 5 years	(4.3)	(16.7)
Total minimum lease payments	(224.2)	(267.1)
Less amounts representing finance charges	16.0	23.1
Present value of minimum lease payments	(208.2)	(244.0)

All leases are on a fixed payment basis and no arrangements have been entered into for contingent rental payments.

24 Trade and other payables

	Due in one year		Due after one year		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Trade creditors	(536.5)	(513.5)	–	–	(536.5)	(513.5)
Other creditors and accruals	(272.3)	(237.1)	(11.0)	(8.2)	(283.3)	(245.3)
	(808.8)	(750.6)	(11.0)	(8.2)	(819.8)	(758.8)

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Other creditors are mainly related to property plant and equipment payables, finance interest and employee retentions.

The average credit period taken for trade purchases is 21 days (2019 – 26 days).

At 31 December 2020, the other creditors and accruals include $3.8million (2019 – $6.8 million) relating to prepayments. Prepayments are offset against payables to the same suppliers.

25 Financial instruments and financial risk management

A) Categories of financial instruments

The carrying value of financial assets and financial liabilities is shown below:

	At fair value through profit and loss	At fair value through other comprehensive income	Held at amortised cost	Total 2020 $m
Financial assets				
Derivative financial assets	1.4	–	–	1.4
Equity investments	–	11.1	–	11.1
Loans and receivables	808.0	–	184.6	992.6
Cash and cash equivalents	–	–	1,246.8	1,246.8
Liquid investments	2,426.0	–	–	2,426.0
	3,235.4	11.1	1,431.4	4,677.9
Financial liabilities				
Derivative financial liabilities	(37.4)	–	–	(37.4)
Trade and other payables	(0.3)	–	(815.8)	(816.1)
Borrowings and leases	–	–	(3,754.8)	(3,754.8)
	(37.7)	–	(4,570.6)	(4,608.3)

	At fair value through profit and loss	At fair value through other comprehensive income	Held at amortised cost	Total 2019 $m
Financial assets				
Derivative financial assets	4.8	–	–	4.8
Equity investments	–	5.1	–	5.1
Loans and receivables (restated[1])	571.3	–	97.1	668.4
Cash and cash equivalents	–	–	653.7	653.7
Liquid investments	1,539.7	–	–	1,539.7
	2,115.8	5.1	750.8	2,871.7
Financial liabilities				
Derivative financial liabilities	(12.1)	–	–	(12.1)
Trade and other payables	(0.4)	–	(755.9)	(756.3)
Borrowings and leases	–	–	(2,756.8)	(2,756.8)
	(12.5)	–	(3,512.7)	(3,525.2)

The fair value of the fixed rate bond included within the "Borrowings and leases" category was $503.5 million at 31 December 2020 compared with its carrying value of $495.6 million. The fair value of all other financial assets and financial liabilities carried at amortised cost is not materially different from the carrying value presented above.

1. The "Loans and receivables" balances for the comparative periods have been restated to exclude certain amounts which are outside the scope of the definition of "financial assets" per IAS 32 Financial Instruments: Presentation, resulting in a $62.2 million reduction in the balance as at 31 December 2019.

B) Fair value of financial instruments

	Level 1 $m	Level 2 $m	Level 3 $m	Total 2020 $m
Financial assets				
Derivative financial assets [(a)]	–	1.4	–	1.4
Equity investments [(b)]	11.1	–	–	11.1
Loans and receivables [(c)]	–	808.0	–	808.0
Liquid investment [(d)]	2,426.0	–	–	2,426.0
	2,437.1	809.4	–	3,246.5
Financial liabilities				
Derivative financial liabilities [(a)]	–	(37.4)	–	(37.4)
Trade and other payables	–	(0.3)	–	(0.3)
	–	(37.7)	–	(37.7)

25 Financial instruments and financial risk management continued

	Level 1 $m	Level 2 $m	Level 3 $m	Total 2019 $m
Financial assets				
Derivative financial assets [(a)]	–	4.8	–	4.8
Equity investments [(b)]	5.1	–	–	5.1
Loans and receivables [(c)]	–	571.3	–	571.3
Liquid investment [(d)]	1,539.7	–	–	1,539.7
	1,544.8	576.1	–	2,120.9
Financial liabilities				
Derivative financial liabilities [(a)]	–	(12.1)	–	(12.1)
Trade and other payables	–	(0.4)	–	(0.4)
	–	(12.5)	–	(12.5)

Recurring fair value measurements are those that are required in the balance sheet at the end of each reporting year.

a) Derivatives in designated hedge accounting relationships are valued using a discounted cash flow analysis valuation model, which includes observable credit spreads and using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. These are level 2 inputs as described below. Hedging instruments at 31 December 2020 relate to foreign exchange and commodity options.

b) Equity investments are investments in shares on active markets and are valued using unadjusted quoted market values of the shares at the financial reporting date. These are level 1 inputs as described below.

c) Provisionally priced metal sales for the period are marked-to-market at the end of the period. Gains and losses from the marking-to-market of open sales are recognised through adjustments to revenue in the income statement and trade receivables in the balance sheet. Forward prices at the end of the period are used for copper sales while period-end average prices are used for molybdenum concentrate sales. These are level 2 inputs as described below.

d) Liquid investments are highly liquid current asset investments that are valued using market prices at the period end. These are level 1 inputs as described below.

The inputs to the valuation techniques described above are categorised into three levels, giving the highest priority to unadjusted quoted prices in active markets (level 1) and the lowest priority to unobservable inputs (level 3 inputs):

- Level 1 fair value measurement inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurement inputs are derived from inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurement inputs are unobservable inputs for the asset or liability.

The degree to which inputs into the valuation techniques used to measure the financial assets and liabilities are observable and the significance of these inputs in the valuation are considered in determining whether any transfers between levels have occurred. In the year ended 31 December 2020, there were no transfers between levels in the hierarchy.

C) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risk, currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group periodically uses derivative financial instruments, to reduce its exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes.

The Board of Directors is responsible for overseeing the Group's risk management framework. The Audit and Risk Committee assists the Board with its review of the effectiveness of the risk management process, and monitoring of key risks and mitigations. The Internal Audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

(I) Commodity price risk

The Group generally sells its copper and molybdenum concentrate and copper cathode output at prevailing market prices, subject to final pricing adjustments which normally range from one to four months after delivery to the customer, and it is therefore exposed to changes in market prices for copper and molybdenum both in respect of future sales and previous sales, which remain open as to final pricing. In 2020, sales of copper and molybdenum concentrate and copper cathodes represented 88.9% of Group revenue and therefore revenues and earnings depend significantly on LME and realised copper prices.

The Group periodically uses futures and min-max options to manage its exposure to copper prices. These instruments may give rise to accounting volatility due to fluctuations in their fair value prior to the maturity of the instruments. Details of those copper and molybdenum concentrate sales and copper cathode sales, which remain open as to final pricing, are given in Note 7. Details of commodity rate derivatives entered into by the Group are given in Note 23(E).

Commodity price sensitivity

The sensitivity analysis below shows the impact of a movement in the copper price on the financial instruments held as at the reporting date. A movement in the copper market price as at the reporting date will affect the final pricing adjustment to sales that remain open at that date, impacting the trade receivables balance and consequently the income statement. A movement in the copper market price will also affect the valuation of commodity derivatives, impacting the hedging reserve in equity if the fair value movement relates to an effective designated cash flow hedge, and impacting the income statement if it does not. The calculation assumes that all other variables, such as currency rates, remain constant.

- If the copper market price as at the reporting date had increased by 10 c/lb, profit attributable to the owners of the parent would have increased by $16.8 million (2019 – increase by $16.5 million).

- If the copper market price as at the reporting date had decreased by 10 c/lb, profit attributable to the owners of the parent would have decreased by $16.8 million (2019 – decrease by $16.5 million). In addition, a movement in the average copper price during the year would impact revenue and earnings. A 10 c/lb change in the average copper price during the year would have affected profit attributable to the owners of the parent by $73.5 million (2019 – $77.3 million) and earnings per share by 7.5 cents (2019 – 7.8 cents), based on production volumes in 2020, without taking into account the effects of provisional pricing and hedging activity. A $1 /lb change in the average molybdenum price for the year would have affected profit attributable to the owners of the parent by $11.8 million (2019 – $10.7 million), and earnings per share by 1.2 cents (2019 – 1.0 cents), based on production volumes in 2020, and without taking into account the effects of provisional pricing. A $100 /oz change in the average gold price for the year would have affected profit attributable to the owners of the parent by $10.1 million (2019 – $14.5 million), and earnings per share by 1.0 cents (2019 – 1.5 cents), based on production volumes in 2020, and without taking into account the effects of provisional pricing.

(II) Currency risk

The Group is exposed to a variety of currencies. The US dollar, however, is the currency in which the majority of the Group's sales are denominated. Operating costs are influenced by the countries in which the Group's operations are based (principally in Chile) as well as those currencies in which the costs of imported goods and services are determined. After the US dollar, the Chilean peso is the most important currency influencing costs and to a lesser extent sales.

Given the significance of the US dollar to the Group's operations, this is the presentational currency of the Group for internal and external reporting. The US dollar is also the currency for borrowing and holding surplus cash, although a portion of this may be held in other currencies, notably Chilean pesos and Sterling, to meet short-term operating and capital commitments and dividend payments.

When considered appropriate, the Group uses forward exchange contracts and currency swaps to limit the effects of movements in exchange rates in foreign currency denominated assets and liabilities. The Group may also use these instruments to reduce currency exposure on future transactions and cash flows. Details of any exchange rate derivatives entered by the Group in the year are given in Note 25(D).

The currency exposure of the Group's cash, cash equivalents and liquid investments is given in Note 22, and the currency exposure of the Group's borrowings is given in Note 23(C). The effects of exchange gains and losses included in the income statement are given in Note 10. Exchange differences on translation of the net assets of entities with a functional currency other than the US dollar are taken to the currency translation reserve and are disclosed in the Consolidated Statement of Changes in Equity on page 166.

Currency sensitivity

The sensitivity analysis below shows the impact of a movement in the US dollar/Chilean peso exchange rate on the financial instruments held as at the reporting date.

The impact on profit or loss is as a result of the retranslation of monetary financial instruments (including cash, cash equivalents, liquid investments, trade receivables, trade payables and borrowings). The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges, and changes in the fair value of equity investments. The calculation assumes that all other variables, such as interest rates, remain constant.

If the US dollar had strengthened by 10% increase against the Chilean peso as at the reporting date, profit attributable to the owners of the parent would have increased by $15.8 million (2019 – increase of $10.2 million). If the US dollar had weakened by 10% against the Chilean peso as at the reporting date, profit attributable to the owners of the parent would have decreased by $19.3 million (2019 – decrease of $12.5 million).

(III) Interest rate risk

The Group's policy is generally to borrow and invest cash at floating rates. Fluctuations in interest rates may impact the Group's net finance income or cost, and to a lesser extent the value of financial assets and liabilities. The Group occasionally uses interest rate swaps and collars to manage interest rate exposures on a portion of its existing borrowings. Details of any interest rate derivatives entered into by the Group are given in Note 25(D).

The Interest rate exposure of the Group's borrowings is given in Note 23.

Interest rate sensitivity

The sensitivity analysis below shows the impact of a movement in interest rates in relation to the financial instruments held as at the reporting date. The impact on profit or loss reflects the impact on annual interest expense in respect of the floating rate borrowings held as at the reporting date, and the impact on annual interest income in respect of cash and cash equivalents held as at the reporting date. The impact on equity is as a result of changes in the fair value of derivative instruments which are effective designated cash flow hedges. The calculation assumes that all other variables, such as currency rates, remain constant.

If the interest rate increased by 1%, based on the financial instruments held as at the reporting date, profit attributable to the owners of the parent would have decreased by $1.7 million (2019 – decrease of $1.5 million). This does not include the effect on the income statement of changes in the fair value of the Group's liquid investments relating to the underlying investments in fixed income instruments.

(IV) Other price risk

The Group is exposed to equity price risk on its equity investments.

Equity price sensitivity

The sensitivity analysis below shows the impact of a movement in the equity values of the equity investment financial assets held as at the reporting date.

If the value of the equity investments had increased by 10% as at the reporting date, equity would have increased by $1.1 million (2019 – increase of $0.5 million). There would have been no impact on the income statement.

25 Financial instruments and financial risk management continued

(V) Cash flow risk

The Group's future cash flows depend on a number of factors, including commodity prices, production and sales levels, operating costs, capital expenditure levels, and financial income and costs. Its cash flows are therefore subject to the exchange, interest rate and commodity price risks described above as well as operating factors and input costs. To reduce the risk of potential short-term disruptions to the supply of key inputs such as electricity and sulphuric acid, the Group enters into medium- and long-term supply contracts to help ensure continuity of supply. Long-term electricity supply contracts are in place at each of the Group's mines, in most cases linking the cost of electricity under the contract to the current cost of electricity on the Chilean grid or the generation cost of the supplier. The Group seeks to lock in supply of sulphuric acid for future periods of a year or longer, with contract prices agreed in the latter part of the year, to be applied to purchases of acid in the following year. Further information on production and sales levels and operating costs are given in the Operating review on pages 64-83.

(VI) Credit risk

Credit risk arises from trade and other receivables, cash, cash equivalents, liquid investments and derivative financial instruments. The Group's credit risk is primarily to trade receivables. The credit risk on cash, cash equivalents and liquid investments and on derivative financial instruments is limited as the counterparties are financial institutions with high credit ratings assigned by international credit agencies.

The largest balances of trade receivables are with equity participants in the key mining projects. Many other significant trade receivables are secured by letters of credit or other forms of security. All customers are subject to credit review procedures, including the use of external credit ratings where available. Credit is provided only within set limits, which are regularly reviewed. The main customers are recurrent with a good credit history during the years they have been customers.

Outstanding receivable balances are monitored on an ongoing basis.

The carrying value of financial assets recorded in the financial statements represents the maximum exposure to credit risk. The amounts presented in the balance sheet are net of allowances for any doubtful receivables (Note 21).

The Group has recognised an expected credit loss provision for its employee receivables, with the main inputs into the provision calculation being the average level of staff turnover and the average level of recovery of receivables from former employees. For the reasons set out above, the expected credit loss risk for other trade and other receivable balances is considered to be immaterial to the Group.

(VII) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and financing facilities, through the review of forecast and actual cash flows.

The Group typically holds surplus cash in demand or term deposits or highly liquid investments, which typically can be accessed or liquidated within 24 hours.

At the end of 2020 the Group was in a net debt position (2019 – net debt position), as disclosed in Note 32(C). Details of cash, cash equivalents and liquid investments are given in Note 22, while details of borrowings including the maturity profile are given in Note 23(E). Details of undrawn committed borrowing facilities are also given in Note 23.

The following table analyses the maturity of the Group's contractual commitments in respect of its financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

At 31 December 2020	Less than 6 months $m	Between 6 months to 1 year $m	Between 1-2 years $m	After 2 years $m	2020 Total $m
Corporate loans	**(223.4)**	**(221.1)**	**(462.6)**	**(1,838.5)**	**(2,745.6)**
Other loans (including short-term loans)	**(82.3)**	**(6.0)**	**(24.1)**	**(1,011.7)**	**(1,124.1)**
Leases	**(42.1)**	**(39.1)**	**(66.7)**	**(76.2)**	**(224.1)**
Preference shares[1]	**–**	**–**	**(2.7)**	**–**	**(2.7)**
Trade and other payables	**(808.8)**	**–**	**(11.0)**	**–**	**(819.8)**
Derivative financial instruments	**(36.0)**	**–**	**–**	**–**	**(36.0)**
	(1,192.6)	**(266.2)**	**(567.1)**	**(2,926.4)**	**(4,952.3)**

At 31 December 2019	Less than 6 months $m	Between 6 months to 1 year $m	Between 1-2 years $m	After 2 years $m	2019 Total $m
Corporate loans	(206.6)	(204.3)	(1,062.7)	(234.3)	(1,707.9)
Other loans (including short-term loans)	(391.9)	(202.3)	(76.0)	(205.9)	(876.1)
Leases	(37.2)	(35.3)	(64.4)	(100.4)	(237.3)
Preference shares[1]	–	–	(2.6)	–	(2.6)
Trade and other payables (restated[2])	(750.6)	–	(8.2)	–	(758.8)
Derivatives financial instruments	(6.3)	–	(1.0)	–	(7.3)
	(1,392.6)	(441.9)	(1,214.9)	(540.6)	(3,590.0)

1. The preference shares pay an annual dividend of £100,000 in perpetuity, and accordingly it is not possible to determine total amounts payable for periods without a fixed end date.
2. The "Trade and other payables" balance for the comparative period has been restated to exclude certain amounts which are outside the scope of the definition of "financial liabilities" per IAS 32 Financial Instruments: Presentation, resulting in a $22.0 million reduction in the balance as at 31 December 2019.

(VIII) Capital risk management

The Group's objectives are to return capital to shareholders while leaving the Group with sufficient funds to progress its short, medium and long-term growth plans as well as preserving the financial flexibility to take advantage of opportunities as they may arise. This policy remains unchanged.

The Group monitors capital on the basis of net cash/debt (defined as cash, cash equivalents and liquid investments less borrowings) which was a net debt of $82.0 million at 31 December 2020 (2019 – net debt $563.4 million), as well as gross cash (defined as cash, cash equivalents and liquid investments) which was $3.672.8 million at 31 December 2020 (2019 – $2,193.4 million). The Group's total cash is held in a combination of on demand and term deposits and managed funds investing in high quality, fixed income instruments. Some of the managed funds have been instructed to invest in instruments with average maturities greater than 90 days. These amounts are presented as liquid investments but are included in net cash for monitoring and decision-making purposes. The Group has a risk averse investment strategy. The Group's borrowings are detailed in Note 23. Additional project finance or shareholder loans are taken out by the operating subsidiaries to fund projects on a case-by-case basis.

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

1) Net Financial Debt / EBITDA

2) EBITDA / Interest Expense

3) Total Indebtedness / Tangible Net Worth

The Group has complied with these covenants throughout the reporting period.

D) Derivative financial instruments

The Group periodically uses derivative financial instruments, to reduce its exposure to commodity price, foreign exchange and interest rate movements. The Group does not use such derivative instruments for speculative trading purposes.

The Group has applied the hedge accounting provisions of IFRS 9 "Financial Instruments". Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows have been recognised directly in equity, with such amounts subsequently recognised in the income statement in the period when the hedged item affects profit or loss. Any ineffective portion is recognised immediately in the income statement. Realised gains and losses on commodity derivatives recognised in the income statement have been recorded within revenue. The time value element of changes in the fair value of derivative options is recognised within other comprehensive income. Realised gains and losses and changes in the fair value of exchange and interest derivatives are recognised within other finance items for those derivatives where hedge accounting has not been applied. When hedge accounting has been applied the realised gains and losses on exchange and interest derivatives are recognised within other finance items and interest expense respectively.

Hedges for future cash flows at the 2020 year-end relate to provisionally priced trade receivables and foreign exchange and commodity options, and are immaterial to the Group.

26 Long-term incentive plan

The long-term incentive plan (the "Plan") forms part of the remuneration of senior managers in the Group. Directors are not eligible to participate in the Plan.

Details of the Awards

Under the Plan, the Group may grant awards based on the price of ordinary shares in the Company and cannot grant awards over actual shares.

- Restricted Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares, subject to the relevant employee remaining employed by the Group when the Restricted Award vests; and
- Performance Awards: These awards are conditional rights to receive cash payment by reference to a specified number of the Company's ordinary shares subject to both the satisfaction of a performance condition and the relevant employee remaining employed by the Group when the Performance Award vests.

When awards vest under the Plan, participants become entitled to receive a cash payment by reference to the number and portion of awards that have vested and the market value of the Company's ordinary shares on the date of vesting. There is no exercise price payable by participants in respect of the awards.

Restricted Awards can only vest in full if participants remain employed by the Group for three years from the date that Restricted Awards are granted. In ordinary circumstances, the first one-third of a Restricted Award will vest after one year, the second one-third will vest after two years and the remaining one-third will vest after three years. There are no performance criteria attached to Restricted Awards. The fair value of Restricted Awards granted under the Plan is recorded as a compensation expense over the vesting periods, with a corresponding liability recognised for the fair value of the liability at the end of each period until settled.

Performance Awards only vest if certain performance criteria are met. The performance criteria reflect a number of factors including total shareholder return, earnings levels, growth in the Group's reserves and resources and project delivery targets. The fair value of Performance Awards under the Plan is recorded as a compensation expense over the vesting period, with a corresponding liability at the end of each period until settled.

26 Long-term incentive plan continued

Valuation process and accounting for the awards

The fair value of the awards is determined using a Monte Carlo simulation model. The inputs into the Monte Carlo simulation model are as follows:

	2020	2019
Weighted average forecast share price at vesting date	$19.2	$11.2
Expected volatility	49.56%	38.50%
Expected life of awards	3 years	3 years
Expected dividend yields	0.73%	4.18%
Discount rate	0.08%	1.71%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous five years. The expected life of awards used in the model has been adjusted based on management's best estimate for the effects of non-transferability and compliance of the objectives determined according to the characteristic of each plan.

The number of awards outstanding at the end of the year is as follows:

	Restricted Awards	Performance Awards
Outstanding at 1 January 2020	548,543	1,403,917
Granted during the year	474,969	760,352
Cancelled during the year	(30,356)	(61,847)
Payments during the year	(254,421)	(472,896)
Outstanding at 31 December 2020	738,735	1,629,526
Number of awards that have vested	286,058	

The Group has recorded a liability for $22.3 million at 31 December 2020, of which $11.0 million is due after more than one year (31 December 2019 – $10.2 million of which $6.5 million was due after more than one year) and total expenses of $17.2 million for the year (2019 – expense of $7.7 million).

27 Post-employment benefit obligations

A) Defined contribution schemes

The Group operates defined contribution schemes for a limited number of employees. The amount charged to the income statement in 2020 was $0.1 million (2019 – $0.1 million), representing the amount paid in the year. There were no outstanding amounts which remain payable at the end of either year.

B) Severance provisions

Employment terms at some of the Group's operations provide for payment of a severance payment when an employment contract comes to an end. This is typically at the rate of one month for each year of service (subject in most cases to a cap as to the number of qualifying years of service) and based on final salary level. The severance payment obligation is treated as an unfunded defined benefit plan, and the obligation recognised is based on valuations performed by an independent actuary using the projected unit credit method, which are regularly updated. The obligation recognised in the balance sheet represents the present value of the severance payment obligation. Actuarial gains and losses are immediately recognised in other comprehensive income.

The most recent valuation was carried out in 2020 by Ernst & Young, a qualified actuary in Santiago, Chile who is not connected with the Group.

The main assumptions used to determine the actuarial present value of benefit obligations were as follows:

	2020	2019
Average nominal discount rate	3.5%	5.0%
Average rate of increase in salaries	2.0%	1.5%
Average staff turnover	5.7%	7.5%

Amounts included in the income statement in respect of severance provisions are as follows:

	2020 $m	2019 $m
Current service cost (charge to operating profit)	(17.9)	(24.8)
Interest cost (charge to interest expenses)	(4.9)	(4.9)
Foreign exchange charge to other finance items	(6.2)	7.8
Total charge to income statement	**(29.0)**	(21.9)

Movements in the present value of severance provisions were as follows:

	2020 $m	2019 $m
Balance at the beginning of the year	**(118.7)**	(107.4)
Current service cost	**(17.9)**	(24.8)
Actuarial gains/(losses)	**9.8**	(4.7)
Interest cost	**(4.9)**	(4.9)
Paid in the year	**14.5**	15.3
Foreign currency exchange difference	**(6.0)**	7.8
Balance at the end of the year	**(123.2)**	(118.7)

Assumptions description

Discount rate

	31 December 2020	31 December 2019
Nominal discount rate	**3.64%**	4.01%
Reference rate name	**20-year Chilean Central Bank Bonds**	20-year Chilean Central Bank Bonds
Governmental or corporate rate	**Governmental**	Governmental
Reference rating	**AA-/AA+**	AA-/AA+
Corresponds to an Issuance market (primary) or secondary market	**Secondary**	Secondary
Issuance currency associated to the reference rate	**Chilean peso**	Chilean peso
Date of determination of the reference interest rate	**15 November 2020**	15 November 2019
Source of the reference interest rate	**Bloomberg**	Bloomberg

The discount rate is the interest rate used to discount the estimated future severance payments to their present value. The table above shows the principal instruments and assumptions utilised in determining the discount rate.

Rate of increase in salaries

This represents the estimated average rates of future salary increases, reflecting likely future promotions and other changes. This has been based on historical information for the Group for the period from 2016 to 2020.

Turnover rate

This represents the estimated average level of future employee turnover. This has been based on historical information for the Group for the period from 2015 to 2019.

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and staff turnover. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher the defined benefit obligation would decrease by $7.1 million. If the discount rate is 100 basis points lower the defined benefit obligation would increase by $8.0 million.
- If the expected salary growth increases by 1% the defined benefit obligation would increase by $6.4 million. If the expected salary growth decreases by 1% the defined benefit obligation would decrease by $5.9 million.
- If the staff turnover increases by 1% the defined benefit obligation would decrease by $2.7 million. If the staff turnover decreases by 1% the defined benefit obligation would increase by $4.1 million.

28 Deferred tax and liabilities

	Accelerated capital allowances $m	Temporary differences on provisions $m	Withholding tax $m	Short-term differences $m	Mining tax (Royalty) $m	Tax losses $m	Disposal $m	Total $m
At 1 January 2019	(1,057.3)	190.2	(11.3)	40.0	(108.2)	0.3	–	(946.3)
(Charge)/credit to income	(87.2)	(34.8)	(27.2)	(4.6)	0.7	1.4	–	(151.7)
Charge deferred in equity	–	0.8	–	–	0.1	–	–	0.9
Reclassification	32.7	(36.2)	–	0.1	–	3.5	–	0.1
At 1 January 2020	**(1,111.8)**	**120.0**	**(38.5)**	**35.5**	**(107.4)**	**5.2**	**–**	**(1,097.0)**
(Charge)/credit to income	**(10.3)**	**2.9**	**(14.3)**	**6.5**	**4.2**	**(0.2)**	**–**	**(11.2)**
Disposal of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Charge deferred in equity	**–**	**2.0**	**–**	**–**	**(0.3)**	**–**		**1.7**
Reclassifications	**–**	**(0.3)**	**–**	**–**	**–**	**0.3**	**–**	**–**
At 31 December 2020	**(1,122.1)**	**124.6**	**(52.8)**	**42.0**	**(103.5)**	**5.3**	**0.1**	**(1,106.4)**

The charge to the income statement of $11.2 million (2019 – $151.7 million) includes a credit for foreign exchange differences of $0.1 million (2019 – includes a credit of $0.1 million).

Certain deferred tax assets and liabilities have been offset. Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balance (after offset):

	2020 $m	2019 $m
Deferred tax assets	**6.4**	8.2
Deferred tax liabilities	**(1,112.8)**	(1,105.2)
Net deferred tax balances	**(1,106.4)**	(1,097.0)

At 31 December 2020, the Group had unused tax losses of $599.4 million (2019 – $438.1 million) available for offset against future profits. A deferred tax asset of $5.3 million has been recognised in respect of $19.6 million of these losses as at 31 December 2020 (31 December 2019 – $5.7 million in respect of $20.7 million of the losses). No deferred tax asset has been recognised in respect of the remaining $579.8 million of tax losses (2019 – $417.4 million of tax losses). These losses may be carried forward indefinitely.

At 31 December 2020 deferred withholding tax liabilities of $52.8 million have been recognised (31 December 2019 $38.5 million) which relate to undistributed earnings of subsidiaries where it is considered likely that the corresponding profits will be distributed in the foreseeable future. The value of the remaining undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, because the Group is in a position to control the timing of the distributions and it is likely that distributions will not be made in the foreseeable future, was $4,810 million (31 December 2019 – $5,065 million).

Temporary differences arising in connection with interests in associates are insignificant.

The deferred tax balance of $1,106.4 million (2019 – $1,097.0 million) includes $1,053.4 million (2019 – $1,039.0 million) due in more than one year. All amounts are shown as non-current on the face of the balance sheet as required by IAS 12 Income Taxes.

29 Decommissioning and restoration provisions

	2020 $m	2019 $m
Balance at the beginning of the year	**(413.2)**	(409.8)
Charge to operating profit in the year	**(45.2)**	2.8
Unwind of discount to net interest in the year	**(11.8)**	(17.8)
Capitalised adjustment to provision	**(59.4)**	(24.8)
Utilised in year	**22.2**	30.9
Foreign currency exchange difference	**(12.8)**	5.5
Balance at the end of the year	**(520.2)**	(413.2)
Short-term provisions	**(22.2)**	(22.0)
Long-term provisions	**(498.0)**	(391.2)
Total	**(520.2)**	(413.2)

Decommissioning and restoration costs relate to the Group's mining operations. Costs are estimated on the basis of a formal closure plan and are subject to regular independent formal review by Sernageomin, the Chilean government agency which regulates the mining industry in Chile. There have not been any significant updates to the mining operations closure plans approved by Sernageomin during the year. During 2019 the Pelambres, Centinela and Zaldivar balances were updated to reflect new plans approved by Sernageomin during that year. The provision balance reflects the present value of the forecast future cash flows expected to be incurred in line with the closure plans, discounted using Chilean real interest rates with durations corresponding with the timings of the closure activities. At 31 December 2020 the real discount rates ranged from 0.5% to 0.9%. It is estimated that the provision will be utilised from 2021 until 2068 based on current mine plans, with approximately 22% of the total provision balance expected to be utilised between 2021 and 2030, approximately 46% between 2031 and 2040, approximately 9% between 2041 and 2050 and approximately 23% between 2051 and 2068.

30 Share capital and other reserves

(I) Share capital

The ordinary share capital of the Company is as follows:

	2020 Number	2019 Number	2020 $m	2019 $m
Authorised				
Ordinary shares of 5p each	**1,300,000,000**	1,300,000,000	**118.9**	118.9

	2020 Number	2019 Number	2020 $m	2019 $m
Issued and fully paid				
Ordinary shares of 5p each	**985,856,695**	985,856,695	**89.8**	89.8

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

There were no changes in the authorised or issued share capital of the Company in either 2019 or 2020. Details of the Company's preference share capital, which is included within borrowings in accordance with IAS 32 Financial Instruments, are given in Note 23A(xiv).

(II) Other reserves and retained earnings

Details of the share premium account, hedging, fair value and translation reserves and retained earnings for both 2020 and 2019 are included within the consolidated statement of changes in equity on page 166.

	2020 $m	2019 $m
Hedging reserves[1]		
At 1 January	**(5.0)**	(1.1)
Parent and subsidiaries net cash flow hedge fair value losses	**(24.2)**	(4.5)
Parent and subsidiaries net cash flow hedge losses/(gains) transferred to the income statement	**3.4**	(0.6)
Tax on the above	**1.9**	1.2
At 31 December	**(23.9)**	(5.0)
Equity investment revaluation reserve[2]		
At 1 January	**(10.8)**	(11.1)
Gains on equity investment	**5.5**	0.3
At 31 December	**(5.3)**	(10.8)
Foreign currency translation reserves[3]		
At 1 January	**(2.3)**	(2.3)
Currency translation adjustment	**0.9**	–
At 31 December	**(1.4)**	(2.3)
Total other reserves per balance sheet	**(30.6)**	(18.1)
Retained earnings		
At 1 January	**7,112.8**	7,084.9
Parent and subsidiaries' profit for the period	**582.1**	477.0
Equity accounted units' (loss)/profit after tax for the period	**(75.7)**	24.4
Actuarial gains/(losses) [4]	**4.1**	(3.2)
Total comprehensive income for the year	**7,623.3**	7,583.1
Dividends paid	**(131.1)**	(470.3)
At 31 December	**7,492.2**	7,112.8

1. The hedging reserve records gains or losses on cash flow hedges that are recognised initially in equity (through other comprehensive income), as described in Note 25.
2. The equity investments revaluation reserves record fair value gains or losses relating to equity investments, as described in Note 19.
3. Exchange differences arising on the translation of the Group's net investment in foreign-controlled companies are taken to the foreign currency translation reserve. The cumulative differences relating to an investment are transferred to the income statement when the investment is disposed of.
4. Actuarial gains or losses relating to long-term employee benefits, as described in Note 27.

31 Non-controlling interests

The non-controlling interests of the Group during 2020 and 2019 are as follows:

	Non-controlling Interest %	Country	At 1 January 2020 $m	Share of profit/(losses) for the financial year $m	Capital Increase[1] $m	Share of dividends $m	Hedging and actuarial gains/(losses) $m	At 31 December 2020 $m
Los Pelambres	40.0	Chile	1,012.4	371.5	–	(280.0)	3.4	1,107.3
Centinela	30.0	Chile	1,103.2	12.9	–	–	(2.4)	1,113.7
Antucoya	30.0	Chile	(98.3)	3.1	210.0	–	(5.3)	109.5
Total			2,017.3	387.5	210.0	(280.0)	(4.3)	2,330.5

1. A capital contribution of $210 million was received from Marubeni, the minority partner at Antucoya, in order to replace part of Antucoya's subordinated debt financing with equity.

	Non-controlling Interest %	Country	At 1 January 2019 $m	Share of profit/(losses) for the financial year $m	Share of dividends $m	Hedging and actuarial gains/(losses) $m	At 31 December 2019 $m
Los Pelambres	40.0	Chile	1,105.9	309.0	(400.0)	(2.5)	1,012.4
Centinela	30.0	Chile	1,034.4	69.4	–	(0.6)	1,103.2
Antucoya	30.0	Chile	(61.6)	(36.7)	–	–	(98.3)
Total			2,078.7	341.7	(400.0)	(3.1)	2,017.3

The proportion of the voting rights is proportional with the economic interest for each of the companies listed above.

Summarised financial position and cash flow information for the years ended 2020 and 2019 is set out below:

	Los Pelambres 2020 $m	Centinela 2020 $m	Antucoya 2020 $m
Non-controlling interest (%)	40.0%	30.0%	30.0%
Cash and cash equivalents	904.8	736.3	143.6
Current assets	1,466.5	1,490.8	324.5
Non-current assets	4,009.4	4,408.0	1,317.0
Current liabilities	(764.6)	(495.5)	(246.4)
Non-current liabilities	(1,935.5)	(1,327.7)	(456.1)
Accumulated non-controlling interest			
Net cash from operating activities	1,196.9	790.8	147.3
Net cash used in investing activities	(776.6)	(460.4)	(41.3)
Net cash used in financing activities	74.8	(88.0)	(75.8)

	Los Pelambres 2019 $m	Centinela 2019 $m	Antucoya 2019 $m
Non-controlling interest (%)	40.0%	30.0%	30.0%
Cash and cash equivalents	405.5	491.6	113.4
Current assets	847.4	1,188.6	288.3
Non-current assets	3,403.8	4,603.6	1,358.8
Current liabilities	(372.7)	(820.1)	(212.4)
Non-current liabilities	(1,324.0)	(969.5)	(720.9)
Accumulated non-controlling interest			
Net cash from operating activities	1,426.6	1,157.7	73.8
Net cash used in investing activities	(490.9)	(510.4)	(49.5)
Net cash used in financing activities	(669.1)	(231.0)	(37.0)

Notes to the summarised financial position and cash flow

(i) The amounts disclosed for each subsidiary are based on the amounts included in the consolidated financial statements (100% of the results and balances of the subsidiary rather than the non-controlling interest proportionate share) before inter-company eliminations.

(ii) Summarised income statement information is shown in the segment information in Note 6.

(iii) There are some subsidiaries with a non controlling interest portion not included in this note where those portions are not material to the Group.

32 Notes to the consolidated cash flow statement

A) Reconciliation of profit before tax to cash flow from continuing operations

	2020 $m	2019 $m
Profit before tax	**1,413.1**	1,349.2
Depreciation and amortisation	**1,048.7**	914.3
Net loss on disposals	**6.3**	12.6
Net finance expense	**103.4**	51.1
Net share of results from associates and joint ventures (exc. exceptional items)	**(5.1)**	(24.3)
Impairment of investment in associate	**80.8**	–
Increase in inventories	**(13.6)**	(7.6)
(Increase)/decrease in debtors	**(259.9)**	211.5
Increase in creditors	**31.0**	88.0
Increase/(decrease) in provisions	**26.4**	(24.1)
Cash flow generated from continuing operations	**2,431.1**	2,570.7

B) Analysis of changes in net debt

	At 1 January 2020 $m	Cash flow $m	Fair value gains $m	New leases $m	Amortisation of finance costs $m	Capitalisation of interest $m	Movement between maturity categories $m	Other $m	Exchange $m	At 31 December 2020 $m
Cash and cash equivalents	**653.7**	**588.3**	**–**	**–**	**–**	**–**	**–**	**–**	**4.8**	**1,246.8**
Liquid investments	**1,539.7**	**887.9**	**(1.6)**	**–**	**–**	**–**	**–**	**–**	**–**	**2,426.0**
Total cash and cash equivalents and liquid investments	**2,193.4**	**1,476.2**	**(1.6)**	**–**	**–**	**–**	**–**	**–**	**4.8**	**3,672.8**
Borrowings due within one year	**(648.4)**	**200.1**	**–**	**–**	**–**	**–**	**(88.8)**	**4.7**	**2.6**	**(529.8)**
Borrowings due after one year	**(1,861.8)**	**(1,204.9)**	**–**	**–**	**(12.5)**	**(23.4)**	**88.8**	**–**	**–**	**(3,013.8)**
Leases due within one year	**(75.6)**	**18.2**	**–**	**–**	**–**	**–**	**(14.1)**	**(2.1)**	**–**	**(73.6)**
Leases due after one year	**(168.4)**	**68.3**	**–**	**(33.5)**	**–**	**–**	**14.1**	**0.3**	**(15.7)**	**(134.9)**
Preference shares	**(2.6)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(2.7)**
Total borrowings	**(2,756.8)**	**(918.3)**	**–**	**(33.5)**	**(12.5)**	**(23.4)**	**–**	**2.9**	**(13.2)**	**(3,754.8)**
Net (debt)/cash	**(563.4)**	**557.9**	**(1.6)**	**(33.5)**	**(12.5)**	**(23.4)**	**–**	**2.9**	**(8.4)**	**(82.0)**

	Adoption of new accounting standards $m	At 1 January 2019 $m	Cash flow $m	Fair value gains $m	New leases $m	Amortisation of finance costs $m	Capitalisation of interest $m	Movement between maturity categories $m	Other $m	Exchange $m	At 31 December 2019 $m
Cash and cash equivalents	–	1,034.4	(375.0)	–	–	–	–	–	–	(5.7)	653.7
Liquid investments	–	863.2	676.5	–	–	–	–	–	–	–	1,539.7
Total cash and cash equivalents and liquid investments	–	1,897.6	301.5	–	–	–	–	–	–	(5.7)	2,193.4
Borrowings due within one year	–	(607.2)	100.0	–	–	–	–	(145.5)	4.3	–	(648.4)
Borrowings due after one year	–	(1,711.9)	(253.3)	–	–	(4.5)	(37.6)	145.5	–	–	(1,861.8)
Leases due within one year	–	(38.8)	30.0	–	–	–	–	(63.5)	(3.3)	–	(75.6)
Leases due after one year	(131.7)	(133.0)	62.5	–	(45.0)	–	–	63.5	3.5	11.8	(168.4)
Preference shares	–	(3.0)	–	–	–	–	–	–	0.1	0.3	(2.6)
Total borrowings	(131.7)	(2,493.9)	(60.8)	–	(45.0)	(4.5)	(37.6)	–	4.6	12.1	(2,756.8)
Net (debt)/cash	(131.7)	(596.3)	240.7	–	(45.0)	(4.5)	(37.6)	–	4.6	6.4	(563.4)

32 Notes to the consolidated cash flow statement continued

C) Net debt

	2020 $m	2019 $m
Cash, cash equivalents and liquid investments	3.672.8	2,193.4
Total borrowings	(3,754.8)	(2,756.8)
	(82.0)	(563.4)

33 Exchange rates

Assets and liabilities denominated in foreign currencies are translated into US dollars and Sterling at the period-end rates of exchange.

Results denominated in foreign currencies have been translated into US dollars at the average rate for each period.

	2020	2019
Year-end rates	$1.3600=£1; $1 = Ch$710.95	$1.2860=£1; $1 = Ch$748.74
Average rates	$1.2820=£1; $1 = Ch$792.07	$1.2760=£1; $1 = Ch$702.82

34 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and joint ventures are disclosed below.

The transactions which Group companies entered into with related parties who are not members of the Group are set out below. There are no guarantees given or received and no provisions for doubtful debts related to the amount of outstanding balances.

A) Quiñenco SA

Quiñenco SA ("Quiñenco") is a Chilean financial and industrial conglomerate, the shares of which are traded on the Santiago Stock Exchange, and in which members of the Luksic family are interested. Two Directors of the Company, Jean-Paul Luksic and Andrónico Luksic, are also directors of Quiñenco.

The following transactions took place between the Group and the Quiñenco group of companies, all of which were on normal commercial terms at market rates:

- the Group made purchases of fuel from ENEX SA, a subsidiary of Quiñenco, of $212.6 million (2019 – $159.3 million). The balance due to ENEX SA at the end of the year was nil (2019 – nil);
- the Group earned interest income of $1.7 million (2019 – $4.0 million) during the year on deposits with Banco de Chile SA, a subsidiary of Quiñenco. Deposit balances at the end of the year were $nil (2019 – $67.9 million);
- the Group earned interest income of $0.3 million (2019 – $0.2 million) during the year on investments with BanChile Administradora General de Fondos SA, a subsidiary of Quiñenco. Investment balances at the end of the year were nil (2019 – $6.0 million).
- the Group purchased shipping services from Hapag Lloyd, an associate of Quiñenco, of $7.0 million (2019 – $1.0 million). The balance due to Hapag Lloyd at the end of the year was nil (2019 – nil).

B) Compañía de Inversiones Adriático SA

In 2020, the Group leased office space on normal commercial terms from Compañía de Inversiones Adriático SA, a company in which members of the Luksic family are interested, at a cost of $0.7 million (2019 –$0.6 million).

C) Antomin 2 Limited and Antomin Investors Limited

The Group holds a 51% interest in Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties. The Group originally acquired its 51% interest in these properties for a nominal consideration from Mineralinvest Establishment, which continues to hold the remaining 49% of Antomin 2 and Antomin Investors. Mineralinvest is owned by the E. Abaroa Foundation, in which members of the Luksic family are interested. During the year ended 31 December 2020 the Group incurred $0.1 million (year ended 31 December 2019 – $0.1 million) of exploration expense at these properties.

D) Tethyan Copper Company Limited

As explained in Note 18 the Group has a 50% interest in Tethyan Copper Company Limited ("Tethyan"), which is a joint venture with Barrick Gold Corporation over Tethyan's mineral interests in Pakistan. During 2020 the Group contributed $7.2 million (2019 – $1.8 million) to Tethyan.

E) Compañia Minera Zaldívar SpA

The Group has a 50% interest in Zaldívar (see Note 18), which is a joint venture with Barrick Gold Corporation. Antofagasta is the operator of Zaldívar. The balance due from Zaldívar to Group companies at the end of the year was $0.5million (2019 – $6.0 million). During 2020 the Group has received dividends of $65.0 million from Minera Zaldívar (2019 – 50.0 million).

F) Inversiones Hornitos SA

As explained in Note 18, the Group has a 40% interest in Inversiones Hornitos SA, which is accounted for as an associate. The Group paid $128.2 million (year ended 31 December 2019 – $187.7 million) to Inversiones Hornitos in relation to the energy supply contract at Centinela. During 2020 the Group has not received dividends from Inversiones Hornitos SA (2019 – $8.0 million).

G) Directors and other key management personnel

Information relating to Directors' remuneration and interests is given in the Remuneration Report on page 139. Information relating to the remuneration of key management personnel including the Directors is given in Note 9.

35 Tethyan arbitration award

In July 2019 the World Bank Group's International Centre for Settlement of Investment Disputes ("ICSID") awarded $5.84 billion in damages (compensation and accumulated interest as at the date of the award) to Tethyan Copper Company Pty Limited ("Tethyan"), the joint venture held equally by the Company and Barrick Gold Corporation, in relation to an arbitration claim filed against the Islamic Republic of Pakistan ("Pakistan") following the unlawful denial of a mining lease for the Reko Diq project in Pakistan in 2011.

Damages include compensation of $4.087 billion by reference to the fair market value of the Reko Diq project at the time of the mining lease denial, and interest until the date of the award of $1.753 billion. The Tribunal also awarded Tethyan just under $62 million in costs incurred in enforcing its rights. Compound interest applies to the compensation and cost awards from 12 July 2019 at a rate of US Prime +1% per annum until the award is paid.

Later in 2019, Pakistan requested ICSID to annul the award, triggering a provisional stay of enforcement of the award under the ICSID Convention. In March 2020, ICSID appointed a committee to consider Pakistan's request for annulment and whether the provisional stay of enforcement should continue for the duration of the annulment proceedings. The Committee issued a decision partially terminating the stay of enforcement in October, permitting Tethyan to enforce 50% of the award plus accrued interest on the condition that any amounts collected through enforcement of the award must be put into escrow and returned if the award is annulled. Tethyan has resumed proceedings to enforce the award in accordance with the conditions set by the Committee. The Committee is expected to issue a decision on Pakistan's annulment application within the next one to two years.

It is expected that the proceeds of the award will only be recognised in Antofagasta's financial statements once they are received by the Company.

36 Litigation and contingent liabilities

The Group is subject from time to time to legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. As a result, the Group may become subject to liabilities that could affect our business, financial position and reputation. Litigation is inherently unpredictable and large judgments may at times occur. The Group may incur, in the future, judgments or enter into settlements of claims that could lead to material cash outflows. The Group considers that no material loss to the Group is expected to result from the legal proceedings, claims, complaints and investigations that the Group is currently subject to. Provision is made for all liabilities that are expected to materialise through legal claims against the Group.

37 Ultimate Parent Company

The immediate parent of the Group is Metalinvest Establishment, which is controlled by the E. Abaroa Foundation, in which members of the Luksic family are interested.

Both Metalinvest Establishment and the E. Abaroa Foundation are domiciled in Liechtenstein. Information relating to the interest of Metalinvest Establishment and the E. Abaroa Foundation is given in the Directors' Report.

38 Antofagasta plc – Balance sheet of the Parent Company and related notes

The Balance Sheet of the Parent Company as at 31 December 2020 and 2019 is as follow:

As at 31 December 2020	Note	2020 $m	2019 $m
Non-current assets			
Investment in subsidiaries	38E	**538.6**	538.6
Other receivables		**485.0**	485.0
Property, plant and equipment		**–**	0.1
		1,023.6	1,023.7
Current assets			
Other receivables	38E	**573.5**	233.0
Liquid investments		**447.2**	15.2
Cash and cash equivalents		**177.7**	39.4
		1,198.4	287.6
Total assets		**2,222.0**	1,311.3
Current liabilities			
Amounts payable to subsidiaries		**(303.8)**	(315.6)
Other payables		**(8.3)**	(7.2)
		(312.0)	(322.8)
Non-current liabilities			
Medium and long-term borrowings	38F	**(994.9)**	(501.8)
		(994.9)	(501.8)
Total liabilities		**(1,307.0)**	(824.6)
Net assets		**915.0**	486.7
Equity			
Share capital		**89.8**	89.8
Share premium		**199.2**	199.2
Retained earnings			
At 1 January		**197.7**	354.6
Profit for the year attributable to the owners		**559.4**	313.4
Other changes in retained earnings		**(131.1)**	(470.3)
At 31 December		**626.0**	197.7
Total equity		**915.0**	486.7

The financial statements on pages 212-215 were approved by the Board of Directors on 15 March 2021 and signed on its behalf by

Jean-Paul Luksic
Chairman

Ollie Oliveira
Senior Independent Director

Parent Company statement of changes in equity

	Share capital $m	Share premium $m	Retained earnings $m	Total equity $m
At 1 January 2019	89.8	199.2	354.6	643.6
Comprehensive income for the year	–	–	313.4	313.4
Dividends	–	–	(470.3)	(470.3)
At 31 December 2019	89.8	199.2	197.7	486.7
Comprehensive income for the year	**–**	**–**	**559.4**	**559.4**
Dividends	**–**	**–**	**(131.1)**	**(131.1)**
At 31 December 2020	**89.8**	**199.2**	**626.0**	**915.0**

The ordinary shares rank after the preference shares in entitlement to dividend and on a winding-up. Each ordinary share carries one vote at any general meeting.

Antofagasta plc is a company limited by shares, incorporated and domiciled in the United Kingdom at Cleveland House, 33 King Street, London.

38A Basis of preparation of the balance sheet and related notes of the Parent Company

The Antofagasta plc Parent Company balance sheet and related notes have been prepared in accordance with the Companies Act 2006 applicable to companies using FRS 101, which applies the recognition and measurement bases of IFRS with reduced disclosure requirements. The financial information has been prepared on an historical cost basis. The financial statements have been prepared on a going concern basis. The functional currency of the Company and the presentational currency adopted is US dollars.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1, 'Presentation of financial statements'
  - (ii) paragraph 73(e) of IAS 16, 'Property, plant, and equipment'
  - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The profit after tax for the year of the Parent Company amounted to $559.4 million (2019 – $313.4 million).

38 Antofagasta plc – Balance sheet of the Parent Company and related notes continued

38B Significant accounting estimates and judgements

The most significant accounting estimate for the Antofagasta plc Parent Company balance sheet is the carrying value of the investment in subsidiaries and receivables balances, which have a total carrying value as at 31 December 2020 of $1,597.1 million. Over 99% of the value of these balances relates to intercompany balances, primarily with Group holding companies which hold the Group's investments in the operating companies. There is not considered to be any significant risk of a relevant overstatement of these carrying values. In assessing this the Group has considered the overall market capitalisation of the Group, which was $19.4 billion at 31 December 2020, the cash and other assets held by the relevant Group companies and the level of earnings generated by the Group's operations.

38C Principal accounting policies of the Parent Company

A summary of the principal accounting policies is set out below. These accounting policies have been applied consistently, other than where new policies have been adopted.

A) Currency translation

The Company's functional currency is the US dollar. Transactions in currencies other than the functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities, including amounts due from or to subsidiaries, denominated in currencies other than the functional currency are retranslated at year-end exchange rates. Gains and losses on retranslation are included in net profit or loss for the year.

B) Revenue recognition

Dividends proposed by subsidiaries are recognised as income by the Company when they represent a present obligation of the subsidiaries, in the period in which they are formally approved for payment.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

C) Dividends payable

Dividends proposed are recognised when they represent a present obligation, in the period in which they are formally approved for payment. Accordingly, an interim dividend is recognised when paid and a final dividend is recognised when approved by shareholders.

D) Investments in subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries and long-term amounts owed by subsidiaries. Such investments are valued at cost less any impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the investment is the higher of fair value less cost to disposal and value in use. As explained above, amounts owed by subsidiaries due in currencies other than the functional currency are translated at year-end rates of exchange with any exchange differences taken to the profit and loss account.

E) Current asset investments and cash at bank and in hand

Current asset investments comprise highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, typically maturing within 12 months.

Cash at bank and in hand comprise cash in hand and deposits repayable on demand.

F) Borrowings

Interest-bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method.

G) Borrowings – preference shares

The Sterling-denominated preference shares issued by the Company carry a fixed rate of return without the right to participate in any surplus. They are accordingly classified as borrowings and translated into US dollars at year-end rates of exchange. Preference share dividends are included within finance costs.

H) Equity instruments – ordinary share capital and share premium

Equity instruments issued are recorded at the proceeds received, net of direct issue costs. Equity instruments of the Company comprise its Sterling-denominated issued ordinary share capital and related share premium.

As explained above, the presentational and the functional currency of the Company is US dollars, and ordinary share capital and share premium are translated into US dollars at historical rates of exchange based on dates of issue.

38D Employee Benefit Expense

A) Average number of employees

The average monthly number of employees was 4 (2019 – 5), engaged in management and administrative activities.

B) Aggregate remuneration

The aggregate remuneration of the employees mentioned above was as follows:

	2020 $m	2019 $m
Wages and salaries	**1.8**	1.7
Social security costs	**0.2**	0.2
Pension contributions	**0.1**	0.1
	2.1	2.0

The above employee figures exclude Directors who receive Directors' fees from Antofagasta plc. Details of fees payable to Directors are set out in the Remuneration Report.

38E Subsidiaries

A) Investment in subsidiaries

	2020 $m	2019 $m
Shares in subsidiaries at cost	**60.6**	60.6
Amounts owed by subsidiaries due after more than one year	**478.0**	478.0
	538.6	538.6

	Shares $m	Loans $m	Total $m
1 January 2020	60.6	478.0	538.6
31 December 2020	**60.6**	**478.0**	**538.6**

The above amount of $478.0 million (2019 – $478.0 million) in respect of amounts owed by subsidiaries due after more than one year relates to long-term funding balances which form an integral part of the Company's long-term investment in those subsidiary companies.

B) Trade and other receivables – amounts owed by subsidiaries due after one year

At 31 December 2020, an amount of $496.6 million was owed to the Company by an indirect subsidiary, pursuant to a 10-year loan agreement. There have been no impairments recognised in respect of subsidiary receivables as at 31 December 2020.

C) Trade and other receivables – amounts owed by subsidiaries due within one year

At 31 December 2020, amounts owed by subsidiaries due within one year were $568.4 million (2019 – $228.0 million). There have been no impairments recognised in respect of subsidiary receivables as at 31 December 2020.

38F Borrowings – preference shares

The authorised, issued and fully paid preference share capital of the Company comprised 2,000,000 5% cumulative preference shares of £1 each at both 31 December 2020 and 31 December 2019. As explained in Note 23C, the preference shares are recorded in the balance sheet in US dollars at period-end rates of exchange.

The preference shares are non-redeemable and are entitled to a fixed 5% cumulative dividend, payable in equal instalments in June and December of each year. On a winding-up, the preference shares are entitled to repayment and any arrears of dividend in priority to ordinary shareholders, but are not entitled to participate further in any surplus. Each preference share carries 100 votes (see Note 23A (xv)) at any general meeting.

Alternative performance measures (not subject to audit or review)

This Annual Report includes a number of alternative performance measures, in addition to IFRS amounts. These measures are included because they are considered to provide relevant and useful additional information to users of the financial statements. Set out below are definitions of these alternative performance measures, explanations as to why they are considered to be relevant and useful, and reconciliations to the IFRS figures.

A) Underlying earnings per share

Underlying earnings per share is earnings per share from continuing operations, excluding exceptional items. This measure is reconciled to earnings per share from continuing and discontinued operations (including exceptional items) on the face of the income statement. This measure is considered to be useful as it provides an indication of the earnings generated by the ongoing businesses of the Group, excluding the impact of exceptional items which are non-regular or non-operating in nature.

B) EBITDA

EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA is calculated by adding back depreciation, amortisation, profit or loss on disposals and impairment charges to operating profit. This comprises 100% of the EBITDA from the Group´s subsidiaries, and the Group´s proportional share of the EBITDA of its associates and joint ventures.

EBITDA is considered to provide a useful and comparable indication of the current operating earnings performance of the business, excluding the impact of the historical cost of property, plant and equipment or the particular financing structure adopted by the business.

For the year ended 31 December 2020

	Los Pelambres $m	Centinela $m	Antucoya $m	Zaldívar $m	Exploration and evaluation $m	Corporate and other items $m	Mining $m	Transport division $m	Total $m
Operating profit/(loss)	**1,407.9**	**247.0**	**71.2**	**–**	**(85.1)**	**(74.0)**	**1,567.0**	**25.2**	**1,592.2**
Depreciation and amortisation	**252.6**	**662.9**	**94.6**	**–**	**–**	**7.8**	**1,017.9**	**30.8**	**1,048.7**
Gain on disposals	**2.5**	**1.8**	**–**	**–**	**–**	**–**	**4.3**	**2.0**	**6.3**
EBITDA from subsidiaries	**1,663.0**	**911.7**	**165.8**	**–**	**(85.1)**	**(66.2)**	**2,589.2**	**58.0**	**2,647.2**
Proportional share of the EBITDA from associates and JV	**–**	**–**	**–**	**95.5**	**–**	**(6.5)**	**89.0**	**3.0**	**92.0**
EBITDA	**1,663.0**	**911.7**	**165.8**	**95.5**	**(85.1)**	**(72.7)**	**2,678.2**	**61.0**	**2,739.2**

For the year ended 31 December 2019

	Los Pelambres $m	Centinela $m	Antucoya $m	Zaldívar $m	Exploration and evaluation $m	Corporate and other items $m	Mining $m	Transport division $m	Total $m
Operating profit	1,115.1	425.8	(5.9)	–	(111.1)	(78.7)	1,345.2	30.6	1,375.8
Depreciation and amortisation	258.5	532.2	92.2	–	–	7.9	890.8	23.5	914.3
Gain on disposals	10.5	1.5	–	–	–	–	12.0	0.7	12.7
EBITDA from subsidiaries	1,384.1	959.5	86.3	–	(111.1)	(70.8)	2,248.0	54.8	2,302.8
Proportional share of the EBITDA from associates and JV	–	–	–	112.6	–	(2.5)	110.1	26.0	136.1
EBITDA	1,384.1	959.5	86.3	112.6	(111.1)	(73.3)	2,358.1	80.8	2,438.9

C) Cash costs

Cash costs are a measure of the cost of operating production expressed in terms of cents per pound of payable copper produced.

This is considered to be a useful and relevant measure as it is a standard industry measure applied by most major copper mining companies which reflects the direct costs involved in producing each pound of copper. It therefore allows a straightforward comparison of the unit production cost of different mines, and allows an assessment of the position of a mine on the industry cost curve. It also provides a simple indication of the profitability of a mine when compared against the price of copper (per lb).

	2020 $m	2019 $m
Reconciliation of cash costs excluding tolling charges and by-product revenue:		
Total Group operating cost (Note 6)	**3,537.1**	3,588.7
Zaldívar operating costs	**190.9**	224.3
Less:		
Depreciation and amortisation (Note 6)	**(1,048.7)**	(914.3)
Loss on disposal (Note 6)	**(6.3)**	(12.7)
Elimination of non-mining operations:		
Corporate and other items – Total operating cost (Note 6)	**(64.3)**	(70.8)
Exploration and evaluation – Total operating cost (Note 6)	**(85.1)**	(111.1)
Transport division – Total operating cost (Note 6)	**(91.4)**	(105.7)
Closure provision and other expenses not included within cash costs	**(105.8)**	(81.8)
Inventory variation	**11.1**	3.0
Total cost relevant to the mining operations' cash costs	**2,337.5**	2,519.6
Copper production volumes (tonnes)	**733,920**	769,970
Cash costs excluding tolling charges and by-product revenue ($/tonne)	**3,185**	3,272
Cash costs excluding tolling charges and by-product revenue ($/lb)	**1.43**	1.48
Reconciliation of cash costs before deducting by-product revenue:		
Tolling charges – copper – Los Pelambres (Note 7)	**113.6**	147.5
Tolling charges – copper – Centinela (Note 7)	**68.8**	104.6
Tolling charges – copper – total	**182.4**	252.1
Copper production volumes (tonnes)	**733,920**	769,970
Tolling charges $/tonne	**248.5**	327.4
Tolling charges $/lb	**0.13**	0.17
Cash costs excluding tolling charges and by-product revenue ($/lb)	**1.43**	1.48
Tolling charges ($/lb)	**0.13**	0.17
Cash costs before deducting by-products revenue ($/lb)	**1.56**	1.65

Alternative performance measures continued

C) Cash costs continued

	2020 $m	2019 $m
Reconciliation of cash costs (net of by-product revenue):		
Gold revenue – Los Pelambres (Note 6)	**106.4**	75.2
Gold revenue – Centinela (Note 6)	**251.3**	332.5
Molybdenum revenue – Los Pelambres (Note 6)	**181.8**	248.9
Molybdenum revenue – Centinela (Note 6)	**27.7**	5.7
Silver revenue – Los Pelambres (Note 6)	**43.3**	30.7
Silver revenue – Centinela (Note 6)	**21.2**	27.6
Total by-product revenue	**631.7**	720.6
Copper production volumes (tonnes)	**733,920**	769,970
By-product revenues ($/tonne)	**860.7**	935.9
By-product revenues ($/lb)	**0.42**	0.43
Cash costs before deducting by-product revenue ($/lb)	**1.56**	1.65
By-product revenue ($/lb)	**(0.42)**	(0.43)
Cash costs (net of by-product revenue) ($/lb)	**1.14**	1.22

The totals in the tables above may include some small apparent differences as the specific individual figures have not been rounded.

D) Attributable cash, cash equivalents and liquid investments, borrowings and net debt

Attributable cash, cash equivalents and liquid investments, borrowings and net debt reflects the proportion of those balances which are attributable to the equity holders of the Company, after deducting the proportion attributable to the non-controlling interests in the Group's subsidiaries.

This is considered to be a useful and relevant measure as the majority of the Group's cash tends to be held at the corporate level and therefore 100% attributable to the equity holders of the Company, whereas the majority of the Group's borrowings tends to be at the level of the individual operations, and hence only a proportion is attributable to the equity holders of the Company.

	2020			2019		
	Total amount $m	Attributable share $m	Attributable amount $m	Total amount $m	Attributable share $m	Attributable amount $m
Cash, cash equivalents and liquid investments:						
Los Pelambres	**904.8**	**60%**	**542.9**	405.5	60%	243.3
Centinela	**736.3**	**70%**	**515.4**	491.6	70%	344.1
Antucoya	**143.6**	**70%**	**100.5**	113.4	70%	79.4
Corporate	**1,843.4**	**100%**	**1,843.4**	1,177.2	100%	1,177.2
Railway and other transport services	**44.7**	**100%**	**44.7**	5.7	100%	5.7
Total (Note 22)	**3,672.8**		**3,046.9**	2,193.4		1,849.7
Borrowings:						
Los Pelambres (Note 23)	**(1,379.5)**	**60%**	**(827.7)**	(584.4)	60%	(350.6)
Centinela (Note 23)	**(777.5)**	**70%**	**(544.2)**	(785.7)	70%	(550.0)
Antucoya (Note 23)	**(547.5)**	**70%**	**(383.3)**	(820.0)	70%	(574.0)
Corporate (Note 23)	**(1,013.5)**	**100%**	**(1,013.5)**	(521.1)	100%	(521.1)
Railway and other transport services (Note 23)	**(36.8)**	**100%**	**(36.8)**	(45.6)	100%	(45.6)
Total (Notes 23 and 32)	**(3,754.8)**		**(2,805.5)**	(2,756.8)		(2,041.3)
Net (debt)/cash	**(82.0)**		**241.4**	(563.4)		(191.6)

Five year summary

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Consolidated balance sheet[1]					
Intangible asset	**150.1**	150.1	150.1	150.1	150.1
Property plant and equipment	**9,851.9**	9,556.7	9,184.1	9,064.3	8,737.5
Other non-current assets	**2.6**	2.1	2.6	3.5	2.6
Inventories	**278.1**	208.0	172.7	111.1	157.3
Investment in associates and joint ventures	**914,6**	1,024.8	1,056.1	1,069.7	1,086.6
Trade and other receivables	**55.9**	48.2	56.1	67.0	66.7
Derivative financial instruments	**0.3**	1.7	–	0.2	0.2
Equity investments	**11.1**	5.1	4.7	6.5	4.6
Deferred tax assets	**6.4**	8.2	37.2	69.1	82.8
Non-current assets	**11,271.0**	11,004.9	10,663.6	10,541.5	10,288.4
Current assets	**5,333.3**	3,605.5	3,438.9	3,668.2	3,435.4
Current liabilities	**(1,625.7)**	(1,548.9)	(1,307.1)	(1,562.1)	(1,554.0)
Non-current liabilities	**(4,897.5)**	(3,660.5)	(3,357.3)	(3,506.0)	(3,660.1)
	10,081.1	9,401.0	9,438.1	9,141.6	8,509.7
Share capital	**89.8**	89.8	89.8	89.8	89.8
Share premium	**199.2**	199.2	199.2	199.2	199.2
Reserves (retained earnings and hedging, translation and fair value reserves)	**7,461.6**	7,094.7	7,070.4	7,029.4	6,526.3
Equity attributable to equity holders of the Company	**7,750.6**	7,383.7	7,359.4	7,318.4	6,815.3
Non-controlling interests	**2,330.5**	2,017.3	2,078.7	1,823.2	1,694.4
	10,081.1	9,401.0	9,438.1	9,141.6	8,509.7

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Consolidated income statement[1]					
Group revenue	**5,129.3**	4,964.5	4,733.1	4,749.4	3,621.7
Total profit from operations and associates	**1,516.5**	1,400.2	1,367.2	1,900.8	355.7
Profit before tax	**1,413.1**	1,349.2	1,252.7	1,830.8	284.6
Income tax expense	**(526.5)**	(506.1)	(423.7)	(633.6)	(108.6)
Profit from continuing operations	**886.6**	843.1	829.0	1,197.2	176.0
Profit from discontinued operations	**7.3**	–	51.3	0.5	38.3
Profit for the year	**893.9**	843.1	880.3	1,197.7	214.3
Non-controlling interests	**(387.5)**	(341.7)	(336.6)	(447.1)	(56.3)
Net earnings (profit attributable to equity holders of the Company)	**506.4**	501.4	543.7	750.6	158.0
EBITDA	**2,739.2**	2,438.9	2,228.3	2,586.6	1,626.1

	2020 cents	2019 cents	2018 cents	2017 cents	2016 cents
Earnings per share					
Basic and diluted earnings per share	**51.3**	50.9	55.1	76.2	16.0

1. These numbers have been restated for prior years.

Five year summary continued

	2020 cents	2019 cents	2018 cents	2017 cents	2016 cents
Dividends per share proposed in relation to the year					
Ordinary dividends (interim and final)	**54.7**	34.1	43.8	50.9	18.4
	54.7	34.1	43.8	50.9	18.4
Dividends per share paid in the year and deducted from equity	**13.3**	47.7	47.4	25.6	3.1

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Consolidated cash flow statement					
Cash flow from continuing operations	**2,431.1**	2,570.7	1,877.0	2,495.0	1,457.3
Interest paid	**(52.7)**	(76.3)	(68.2)	(59.1)	(46.3)
Income tax paid	**(319.7)**	(403.6)	(498.0)	(338.4)	(272.6)
Net cash from operating activities	**2,058.7**	2,090.8	1,310.8	(2,097.5)	1,138.4
Investing activities					
Acquisition and disposal of subsidiaries, joint venture and associates	**–**	–	145.2	3.1	30.0
Dividends from associates	**–**	58.0	16.6	81.8	10.2
Equity investments, investing activities and recovery of VAT	**(893.5)**	(678.3)	284.2	115.9	(425.2)
Purchases and disposals of intangible assets, property, plant and equipment	**(1,306.6)**	(1,076.9)	(872.2)	(894.4)	(794.6)
Interest received	**12.6**	41.0	26.4	14.3	14.4
Net cash used in investing activities	**(2,187.5)**	(1,656.2)	(399.8)	(679.3)	(1,165.2)
Financing activities					
Dividends paid to equity holders of the Company	**(131.1)**	(470.3)	(466.9)	(252.3)	(30.6)
Dividends paid to preference holders and non-controlling interests	**(280.1)**	(400.1)	(120.1)	(320.1)	(260.0)
Capital increase from non-controlling interest	**210.0**	–	–	–	–
New borrowings less repayment of borrowings and leases	**918.3**	60.8	(347.1)	(487.0)	214.3
Net cash generated from/(used in) financing activities	**717.1**	(809.6)	(934.1)	(1,059.4)	(76.3)
Net increase/(decrease) in cash and cash equivalents	**588.3**	(375.0)	(23.1)	358.8	(103.1)

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Consolidated net cash					
Cash, cash equivalents and liquid investments	**3,672.8**	2,193.4	1,897.6	2,252.3	2,048.5
Short-term borrowings	**(603.4)**	(723.9)	(646.0)	(753.6)	(836.8)
Medium and long-term borrowings	**(3,151.4)**	(2,032.9)	(1,847.9)	(1,955.1)	(2,283.4)
	(3,754.8)	(2,756.8)	(2,493.9)	(2,708.7)	(3,120.2)
Net (debt)/cash at the year-end	**(82.0)**	(563.4)	(596.3)	(456.4)	(1,071.7)

Production and sales volumes, realised prices and cash costs by mine	Production 2020 '000 tonnes	Production 2019 '000 tonnes	Sales 2020 '000 tonnes	Sales 2019 '000 tonnes	Net cash costs 2020 $/lb	Net cash costs 2019 $/lb	Realised prices 2020 $/lb	Realised prices 2019 $/lb
Copper								
Los Pelambres	**359.6**	363.4	**366.0**	356.1	**0.81**	0.91	**3.02**	2.75
Centinela	**246.8**	276.6	**247.7**	287.8	**1.27**	1.26	**2.95**	2.75
Antucoya	**79.3**	71.9	**76.5**	71.6	**1.82**	2.17	**2.85**	2.74
Zaldívar (attributable basis – 50%)	**48.2**	58.1	**48.3**	56.7	**1.80**	1.75		–
Group total	**733.9**	770.0	**738.5**	772.2				
Group weighted average (net cash costs)					**1.14**	1.22	**2.98**	2.75
Group weighted average (excluding tolling charges and before by-products)					**1.43**	1.48		
Group weighted average (before by-product credits)					**1.57**	1.65		
Cash costs at Los Pelambres comprises								
Cash costs before by-product credits					**1.27**	1.40		
By-product credits (principally molybdenum and gold)					**(0.46)**	(0.49)		
Net cash costs					**0.81**	0.91		
Cash cost at Centinela comprises								
Cash costs before by-product credits					**1.85**	1.83		
By-product credits (principally gold)					**(0.58)**	(0.58)		
Net cash costs					**1.27**	1.26		
LME average							**2.80**	2.72

	Production 2020 '000 ounces	Production 2019 '000 ounces	Sales 2020 '000 ounces	Sales 2019 '000 ounces	Realised prices 2020 $/oz	Realised prices 2019 $/oz
Gold						
Los Pelambres	**60.4**	59.7	**58.4**	52.6	**1,827**	1,434
Centinela Concentrates	**143.7**	222.6	**141.2**	236.2	**1,784**	1,412
Group total	**204.1**	282.3	**199.6**	288.8	**1,797**	1,416
Market average price					**1,770**	1,394

	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes	$/lb	$/lb
Molybdenum						
Los Pelambres	**10.9**	11.2	**10.8**	11.8	**8.8**	10.8
Centinela	**1.7**	0.4	**1.7**	0.3	**8.9**	11.1
Group total/average realised price	**12.6**	11.6	**12.5**	12.1	**8.8**	10.8
Market average price					**8.7**	11.4

Ore reserves and mineral resources estimates

At 31 December 2020

Introduction

The ore reserves and mineral resources estimates presented in this report comply with the requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition (the JORC Code) which has been used by the Group as minimum standard for the preparation and disclosure of the information contained herein. The definitions and categories of ore reserves and mineral resources are set out below.

The information on ore reserves and mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The Competent Persons have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. The Competent Persons consent to the inclusion in this report of the matters based on their information in the form and context in which it appears. The Competent Person for Exploration Results and Mineral Resources is Osvaldo Galvez (CP, Chile), Deputy Manager of Mineral Resource Evaluation for Antofagasta Minerals S A. The Competent Person for Ore Reserves is Murray Canfield (P.Eng. Ontario), Technical Manager of Mining for Antofagasta Minerals S A.

The Group's operations and projects are subject to a comprehensive programme of audits aimed at providing assurance in respect of ore reserves and mineral resources estimates. The audits are conducted by suitably qualified Competent Persons from within an operation, another operation of the Company or from independent consultants.

The ore reserves and mineral resources estimates are the total reserves and resources, with the Group's attributable share for each mine shown in the 'Attributable Tonnage' column. The Group's economic interest in each mine is disclosed in the notes following the estimates on pages 230-231. The totals in the table may include some small apparent differences due to rounding.

Definitions and categories of ore reserves and mineral resources

A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Ore reserves estimates

Group Subsidiaries	Tonnage (millions of tonnes) 2020	2019	Copper (%) 2020	2019	Molybdenum (%) 2020	2019	Gold (g/tonne) 2020	2019	Attributable Tonnage (millions of tonnes) 2020	2019
Ore reserves										
Los Pelambres (see note (a))										
Sulphides										
Proved	**678.8**	694.7	**0.60**	0.60	**0.020**	0.020	**0.05**	0.05	**407.3**	416.8
Probable	**331.7**	377.3	**0.58**	0.58	**0.019**	0.018	**0.05**	0.05	**199.0**	226.4
Total	**1,010.5**	1,072.0	**0.59**	0.60	**0.020**	0.020	**0.05**	0.05	**606.3**	643.2
Centinela (see note (b))										
Centinela Cathodes (oxides)										
Proved	**93.3**	119.8	**0.53**	0.54	**–**	–	**–**	–	**65.3**	83.9
Probable	**230.5**	205.7	**0.35**	0.33	**–**	–	**–**	–	**161.4**	144.0
Sub-Total	**323.9**	325.5	**0.40**	0.41	**–**	–	**–**	–	**226.7**	227.9
Centinela Concentrates (sulphides)										
Proved	**571.6**	540.5	**0.46**	0.46	**0.012**	0.012	**0.18**	0.18	**400.2**	378.4
Probable	**1,166.5**	1,288.8	**0.38**	0.40	**0.012**	0.012	**0.12**	0.12	**816.5**	902.2
Sub-Total	**1,738.1**	1,829.4	**0.41**	0.42	**0.012**	0.012	**0.14**	0.14	**1,216.7**	1,280.6
Proved	**665.0**	660.3	**0.47**	0.48	**–**	–	**–**	–	**465.5**	462.2
Probable	**1,397.0**	1,494.5	**0.38**	0.39	**–**	–	**–**	–	**977.9**	1,046.2
Total	**2,062.0**	2,154.9	**0.41**	0.41	**–**	–	**–**	–	**1,443.4**	1,508.4
Antucoya (see note (c))										
Proved	**402.3**	292.5	**0.34**	0.39	**–**	–	**–**	–	**281.6**	204.8
Probable	**308.4**	394.5	**0.30**	0.28	**–**	–	**–**	–	**215.9**	276.1
Total	**710.7**	687.0	**0.32**	0.33	**–**	–	**–**	–	**497.5**	480.9
Total Group Subsidiaries	**3,783.2**	3,913.9	**0.44**	0.45	**–**	–	**–**	–	**2,547.2**	2,632.5

Group Joint Venture	Tonnage (millions of tonnes) 2020	2019	Copper (%) 2020	2019	Molybdenum (%) 2020	2019	Gold (g/tonne) 2020	2019	Attributable Tonnage (millions of tonnes) 2020	2019
Zaldívar (see note (k))										
Proved	**344.2**	430.8	**0.46**	0.43	**–**	–	**–**	–	**172.1**	215.4
Probable	**123.2**	137.7	**0.41**	0.42	**–**	–	**–**	–	**61.6**	68.8
Total Group Joint Venture	**467.5**	568.5	**0.45**	0.43	**–**	–	**–**	–	**233.7**	284.2
Total Group Ore Reserves	**4,250.7**	4,482.4	**0.44**	0.45	**–**	–	**–**	–	**2,780.9**	2,916.8

Ore reserves and mineral resources estimates continued

At 31 December 2020

Mineral Resources Estimates (including ore reserves)

	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/tonne)		Attributable Tonnage (millions of tonnes)	
Group Subsidiaries	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Los Pelambres (see note (a))										
Sulphides										
Measured	**1,165.8**	1,156.9	**0.58**	0.58	**0.020**	0.020	**0.05**	0.05	**699.5**	694.1
Indicated	**2,117.8**	2,069.5	**0.52**	0.52	**0.016**	0.016	**0.05**	0.05	**1,270.7**	1,241.7
Measured + Indicated	**3,283.5**	3,226.4	**0.54**	0.54	**0.018**	0.017	**0.05**	0.05	**1,970.1**	1,935.8
Inferred	**2,762.5**	2,835.1	**0.46**	0.46	**0.016**	0.016	**0.06**	0.06	**1,657.5**	1,701.1
Total	**6,046.1**	6,061.5	**0.50**	0.50	**0.017**	0.017	**0.05**	0.05	**3,627.6**	3,636.9
Los Pelambres Total										
Measured	**1,165.8**	1,156.9	**0.58**	0.58	**0.020**	0.020	**0.05**	0.05	**699.5**	694.1
Indicated	**2,117.8**	2,069.5	**0.52**	0.52	**0.016**	0.016	**0.05**	0.05	**1,270.7**	1,241.7
Measured + Indicated	**3,283.5**	3,226.4	**0.54**	0.54	**0.018**	0.017	**0.05**	0.05	**1,970.1**	1,935.8
Inferred	**2,762.5**	2,835.1	**0.46**	0.46	**0.016**	0.016	**0.06**	0.06	**1,657.5**	1,701.1
Total	**6,046.1**	6,061.5	**0.50**	0.50	**0.017**	0.017	**0.05**	0.05	**3,627.6**	3,636.9
Centinela (see note (b))										
Centinela Cathodes (oxides)										
Measured	**126.7**	180.4	**0.51**	0.50	**–**	–	**–**	–	**88.7**	126.3
Indicated	**329.0**	311.7	**0.33**	0.33	**–**	–	**–**	–	**230.3**	218.2
Measured + Indicated	**455.7**	492.1	**0.38**	0.39	**–**	–	**–**	–	**319.0**	344.5
Inferred	**18.5**	27.0	**0.34**	0.33	**–**	–	**–**	–	**12.9**	18.9
Sub-Total	**474.2**	519.2	**0.37**	0.39	**–**	–	**–**	–	**331.9**	363.4
Centinela Concentrates (sulphides)										
Measured	**980.5**	923.0	**0.49**	0.49	**0.013**	0.013	**0.19**	0.19	**686.4**	646.1
Indicated	**1,917.1**	2,100.4	**0.37**	0.38	**0.013**	0.012	**0.12**	0.12	**1,342.0**	1,470.3
Measured + Indicated	**2,897.6**	3,023.4	**0.41**	0.41	**0.013**	0.013	**0.14**	0.14	**2,028.3**	2,116.4
Inferred	**1,228.4**	1,168.2	**0.31**	0.31	**0.011**	0.011	**0.08**	0.09	**859.9**	817.8
Sub-Total	**4,126.0**	4,191.6	**0.38**	0.38	**0.012**	0.012	**0.13**	0.13	**2,888.2**	2,934.1
Centinela Total										
Measured	**1,107.2**	1,103.4	**0.49**	0.49	**–**	–	**–**	–	**775.0**	772.4
Indicated	**2,246.1**	2,412.1	**0.36**	0.37	**–**	–	**–**	–	**1,572.3**	1,688.5
Measured + Indicated	**3,353.3**	3,515.5	**0.41**	0.41	**–**	–	**–**	–	**2,347.3**	2,460.9
Inferred	**1,246.9**	1,195.3	**0.31**	0.31	**–**	–	**–**	–	**872.8**	836.7
Total	**4,600.2**	4,710.8	**0.38**	0.38	**–**	–	**–**	–	**3,220.1**	3,297.5
Antucoya (see note (c))										
Oxides										
Measured	**427.0**	441.3	**0.33**	0.33		–		–	**298.9**	308.9
Indicated	**390.3**	393.8	**0.30**	0.31		–		–	**273.2**	275.6
Measured + Indicated	**817.3**	835.1	**0.31**	0.32	**–**	–	**–**	–	**572.1**	584.5
Inferred	**418.4**	365.7	**0.26**	0.28		–		–	**292.9**	256.0
Sub-Total	**1,235.8**	1,200.8	**0.30**	0.31					**865.0**	840.6
Antucoya Total										
Measured	**427.0**	441.3	**0.33**	0.33	**–**	–	**–**	–	**298.9**	308.9
Indicated	**390.3**	393.8	**0.30**	0.31	**–**	–	**–**	–	**273.2**	275.6
Measured + Indicated	**817.3**	835.1	**0.31**	0.32	**–**	–	**–**	–	**572.1**	584.5
Inferred	**418.4**	365.7	**0.26**	0.28	**–**	–	**–**	–	**292.9**	256.0
Total	**1,235.8**	1,200.8	**0.30**	0.31	**–**	–	**–**	–	**865.0**	840.6

Group Subsidiaries	Tonnage (millions of tonnes) 2020	2019	Copper (%) 2020	2019	Molybdenum (%) 2020	2019	Gold (g/tonne) 2020	2019	Attributable Tonnage (millions of tonnes) 2020	2019
Polo Sur (see note (d))										
Oxides										
Measured	**32.4**	–	**0.49**	–	**–**	–	**–**	–	**32.4**	–
Indicated	**69.5**	86.8	**0.40**	0.43	**–**	–	**–**	–	**69.5**	86.8
Measured + Indicated	**101.9**	86.8	**0.43**	0.43	**–**	–	**–**	–	**101.9**	86.8
Inferred	**6.6**	38.8	**0.41**	0.35	**–**	–	**–**	–	**6.6**	38.8
Sub-Total	**108.5**	125.6	**0.43**	0.40	**–**	–	**–**	–	**108.5**	125.6
Sulphides										
Measured	**281.4**	–	**0.39**	–	**0.007**	–	**0.07**	–	**281.4**	–
Indicated	**654.9**	704.1	**0.34**	0.37	**0.007**	0.007	**0.06**	0.06	**654.9**	704.1
Measured + Indicated	**936.4**	704.1	**0.35**	0.37	**0.007**	0.007	**0.06**	0.06	**936.4**	704.1
Inferred	**612.1**	684.8	**0.27**	0.30	**0.007**	0.007	**0.05**	0.05	**612.1**	684.8
Sub-Total	**1,548.5**	1,388.9	**0.32**	0.34	**0.007**	0.007	**0.05**	0.05	**1,548.5**	1,388.9
Polo Sur Total										
Measured	**313.8**	–	**0.40**	–	**–**	–	**–**	–	**313.8**	–
Indicated	**724.5**	790.9	**0.34**	0.38	**–**	–	**–**	–	**724.5**	790.9
Measured + Indicated	**1,038.3**	790.9	**0.36**	0.38	**–**	–	**–**	–	**1,038.3**	790.9
Inferred	**618.7**	723.6	**0.27**	0.31	**–**	–	**–**	–	**618.7**	723.6
Total	**1,657.0**	1,514.5	**0.33**	0.34	**–**	–	**–**	–	**1,657.0**	1,514.5
Penacho Blanco (see note (e))										
Oxides										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**18.3**	18.3	**0.29**	0.29	**–**	–	**–**	–	**9.3**	9.3
Sub-Total	**18.3**	18.3	**0.29**	0.29	**–**	–	**–**	–	**9.3**	9.3
Sulphides										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**321.9**	321.9	**0.38**	0.38	**–**	–	**0.05**	0.05	**164.2**	164.2
Sub-Total	**321.9**	321.9	**0.38**	0.38	**–**	–	**0.05**	0.05	**164.2**	164.2
Penacho Blanco Total										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**340.2**	340.2	**0.37**	0.37	**–**	–	**–**	–	**173.5**	173.5
Total	**340.2**	340.2	**0.37**	0.37	**–**	–	**–**	-	**173.5**	173.5

Ore reserves and mineral resources estimates continued

At 31 December 2020

Mineral Resources Estimates (including Ore reserves) continued

	Tonnage (millions of tonnes)		Copper (%)		Molybdenum (%)		Gold (g/tonne)		Attributable Tonnage (millions of tonnes)	
Group Subsidiaries	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Mirador (see note (f))										
Oxides										
Measured	**1.7**	1.2	**0.23**	0.23	**–**	–	**–**	–	**1.3**	0.9
Indicated	**20.2**	15.4	**0.27**	0.27	**–**	–	**–**	–	**15.8**	12.0
Measured + Indicated	**21.9**	16.6	**0.27**	0.27	**–**	–	**–**	–	**17.1**	12.9
Inferred	**10.2**	6.1	**0.26**	0.26	**–**	–	**–**	–	**7.9**	4.8
Sub-Total	**32.1**	22.7	**0.27**	0.26	**–**	–	**–**	–	**25.0**	17.7
Sulphides										
Measured	**35.2**	30.6	**0.34**	0.35	**0.006**	0.006	**0.13**	0.13	**35.2**	30.6
Indicated	**20.2**	14.0	**0.28**	0.28	**0.008**	0.008	**0.08**	0.08	**20.2**	14.0
Measured + Indicated	**55.3**	44.6	**0.32**	0.33	**0.007**	0.007	**0.11**	0.11	**55.3**	44.6
Inferred	**4.9**	1.2	**0.26**	0.26	**0.009**	0.009	**0.05**	0.05	**4.9**	1.2
Sub-Total	**60.2**	45.7	**0.31**	0.32	**0.007**	0.007	**0.10**	0.11	**60.2**	45.7
Mirador Total										
Measured	**36.9**	31.8	**0.33**	0.34	**–**	–	**–**	–	**36.5**	31.5
Indicated	**40.4**	29.4	**0.28**	0.27	**–**	–	**–**	–	**35.9**	26.0
Measured + Indicated	**77.2**	61.2	**0.30**	0.31	**–**	–	**–**	–	**72.4**	57.5
Inferred	**15.0**	7.3	**0.26**	0.26	**–**	–	**–**	–	**12.8**	5.9
Total	**92.3**	68.5	**0.30**	0.30	**–**	–	**–**	–	**85.2**	63.5
Los Volcanes (see note (g))										
Oxides										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**30.8**	30.8	**0.31**	0.31	**–**	–	**–**	–	**15.7**	15.7
Sub-Total	**30.8**	30.8	**0.31**	0.31	**–**	–	**–**	–	**15.7**	15.7
Sulphides										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**1,873.4**	1,873.4	**0.50**	0.50	**0.011**	0.011	**0.03**	0.03	**955.4**	955.4
Sub-Total	**1,873.4**	1,873.4	**0.50**	0.50	**0.011**	0.011	**0.03**	0.03	**955.4**	955.4
Los Volcanes Total										
Measured	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Measured + Indicated	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Inferred	**1,904.2**	1,904.2	**0.50**	0.50	**–**	–	**–**	–	**971.1**	971.1
Total	**1,904.2**	1,904.2	**0.50**	0.50	**–**	–	**–**	–	**971.1**	971.1

Group Subsidiaries	Tonnage (millions of tonnes) 2020	2019	Copper (%) 2020	2019	Molybdenum (%) 2020	2019	Gold (g/tonne) 2020	2019	Attributable Tonnage (millions of tonnes) 2020	2019
Brujulina (see note (h))										
Oxides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	87.2	87.2	0.49	0.49	–	–	–	–	44.5	44.5
Total	87.2	87.2	0.49	0.49	–	–	–	–	44.5	44.5
Brujulina Total										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	87.2	87.2	0.49	0.49	–	–	–	–	44.5	44.5
Total	87.2	87.2	0.49	0.49	–	–	–	–	44.5	44.5
Sierra (see note (i))										
Oxides										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	52.0	52.0	0.69	0.69	–	–	–	–	52.0	52.0
Total	52.0	52.0	0.69	0.69	–	–	–	–	52.0	52.0
Sierra Total										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	52.0	52.0	0.69	0.69	–	–	–	–	52.0	52.0
Total	52.0	52.0	0.69	0.69	–	–	–	–	52.0	52.0

Ore reserves and mineral resources estimates continued

At 31 December 2020

Mineral Resources Estimates (including Ore reserves) continued

	Tonnage (millions of tonnes)		Copper (%)		Nickel (%)		TPM (g/tonne Au+Pt+Pd)		Attributable Tonnage (millions of tonnes)	
Group Subsidiaries	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Twin Metals (see note (j))										
Maturi										
Measured	291.4	291.4	0.63	0.63	0.20	0.20	0.57	0.57	224.6	224.6
Indicated	818.3	818.3	0.57	0.57	0.18	0.18	0.57	0.57	771.6	771.6
Measured + Indicated	1,109.7	1,109.7	0.59	0.59	0.19	0.19	0.57	0.57	996.1	996.1
Inferred	534.1	534.1	0.50	0.50	0.16	0.16	0.57	0.57	483.2	483.2
Sub-Total	1,643.8	1,643.8	0.56	0.56	0.18	0.18	0.57	0.57	1,479.3	1,479.3
Maturi South West										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	93.1	93.1	0.48	0.48	0.17	0.17	0.31	0.31	65.2	65.2
Measured + Indicated	93.1	93.1	0.48	0.48	0.17	0.17	0.31	0.31	65.2	65.2
Inferred	29.3	29.3	0.43	0.43	0.15	0.15	0.26	0.26	20.5	20.5
Sub-Total	122.4	122.4	0.47	0.47	0.17	0.17	0.30	0.30	85.7	85.7
Birch Lake										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	90.4	90.4	0.52	0.52	0.16	0.16	0.87	0.87	63.3	63.3
Measured + Indicated	90.4	90.4	0.52	0.52	0.16	0.16	0.87	0.87	63.3	63.3
Inferred	217.0	217.0	0.46	0.46	0.15	0.15	0.64	0.64	151.9	151.9
Sub-Total	307.4	307.4	0.48	0.48	0.15	0.15	0.70	0.70	215.2	215.2
Spruce Road										
Measured	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–
Measured + Indicated	–	–	–	–	–	–	–	–	–	–
Inferred	435.5	435.5	0.43	0.43	0.16	0.16	–	–	304.8	304.8
Sub-Total	435.5	435.5	0.43	0.43	0.16	0.16	–	–	304.8	304.8
Twin Metals Total										
Measured	291.4	291.4	0.63	0.63	0.20	0.20	0.57	0.57	224.6	224.6
Indicated	1,001.8	1,001.8	0.56	0.56	0.18	0.18	0.57	0.57	900.0	900.0
Measured + Indicated	1,293.2	1,293.2	0.57	0.57	0.18	0.18	0.57	0.57	1,124.6	1,124.6
Inferred	1,215.9	1,215.9	0.47	0.47	0.16	0.16	0.37	0.37	960.4	960.4
Total	2,509.1	2,509.1	0.52	0.52	0.17	0.17	0.47	0.47	2,085.0	2,085.0
Group subsidiaries										
Measured + Indicated	9,862.9	9,791.9	0.46	0.47	–	–	–	–	7124.9	6,998.1
Inferred	8,661.1	8,582.7	0.42	0.43	–	–	–	–	5,656.3	5,626.4
Total Group Subsidiaries	18,524.0	18,374.6	0.44	0.45	–	–	–	–	12,781.2	12,624.5

Group Joint Venture	Tonnage (millions of tonnes) 2020	2019	Copper (%) 2020	2019	Molybdenum (%) 2020	2019	Gold (g/tonne) 2020	2019	Attributable Tonnage (millions of tonnes) 2020	2019
Zaldívar (see note (k))										
Oxides & Secondary Sulphides										
Measured	**555.4**	595.7	**0.40**	0.41	**–**	–	**–**	–	**277.7**	297.9
Indicated	**242.3**	249.0	**0.35**	0.37	**–**	–	**–**	–	**121.1**	124.5
Measured + Indicated	**797.7**	844.7	**0.39**	0.40	**–**	–	**–**	–	**398.8**	422.3
Inferred	**33.8**	29.1	**0.43**	0.46	**–**	–	**–**	–	**16.9**	14.5
Sub-Total	**831.5**	873.8	**0.39**	0.40	**–**	–	**–**	–	**415.7**	436.9
Primary Sulphides										
Measured	**104.6**	107.9	**0.40**	0.40	**–**	–	**–**	–	**52.3**	54.0
Indicated	**305.3**	312.2	**0.39**	0.39	**–**	–	**–**	–	**152.7**	156.1
Measured + Indicated	**409.9**	420.1	**0.40**	0.39	**–**	–	**–**	–	**205.0**	210.1
Inferred	**27.4**	29.1	**0.36**	0.36	**–**	–	**–**	–	**13.7**	14.5
Sub-Total	**437.4**	449.2	**0.39**	0.39	**–**	–	**–**	–	**218.7**	224.6
Zaldívar Total										
Measured	**660.0**	703.6	**0.40**	0.41	**–**	–	**–**	–	**330.0**	351.8
Indicated	**547.6**	561.2	**0.38**	0.38	**–**	–	**–**	–	**273.8**	280.6
Measured + Indicated	**1,207.6**	1,264.8	**0.39**	0.40	**–**	–	**–**	–	**603.8**	632.4
Inferred	**61.2**	58.2	**0.40**	0.41	**–**	–	**–**	–	**30.6**	29.1
Total Group Joint Venture	**1,268.8**	1,323.0	**0.39**	0.40	**–**	–	**–**	–	**634.4**	661.5

Total Group	Tonnage (millions of tonnes) 2020	2019	Copper (%) 2020	2019	Molybdenum (%) 2020	2019	Gold (g/tonne) 2020	2019	Attributable Tonnage (millions of tonnes) 2020	2019
Measured + Indicated	**11,070.6**	10,987.0	**0.45**	0.46	**–**	–	**–**	–	**7,728.7**	7,586.6
Inferred	**8,722.3**	8,784.6	**0.42**	0.43	**–**	–	**–**	–	**5,686.9**	5,753.9
Total Group Mineral Resources	**19,792.8**	19,771.6	**0.44**	0.44	**–**	–	**–**	–	**13,415.6**	13,340.5

Ore reserves and mineral resources estimates continued

At 31 December 2020

Notes to ore reserves and mineral resources estimates

The ore reserves mentioned in this report were determined considering specific cut-off grades for each mine and using a long-term copper price of $3.10/lb (unchanged from 2019), $9.50/lb molybdenum (unchanged from 2019) and $1,500/oz gold ($1,300 in 2019), unless otherwise noted. These same values have been used for copper equivalent (CuEq) estimates, where appropriate.

In order to ensure that the stated resources represent mineralisation that has "reasonable prospects for eventual economic extraction" (JORC Code) the resources are enclosed within pit shells that were optimised based on measured, indicated and inferred resources and considering a copper price of $3.60/lb (unchanged from 2019). Mineralisation estimated outside these pit shells is not included in the resource figures.

Group policy on auditing of resource and reserve estimates is that prior to first publication, an independent external audit is done. External audits are also done on resources and reserves for any material changes (incorporation of a significant amount of drillhole information, for instance) or every three to five years, whichever comes first. All the resource models that support the reserve estimates and reserves have been audited as per Group policy, with audits carried out during 2020 on the Polo Sur resource model and reserves for the Llano oxide deposit at Centinela. All resource and reserve estimates have been found to comply with the JORC Code (2012).

A) Los Pelambres

Los Pelambres is 60% owned by the Group. The cut-off grade applied to the determination of ore reserves is variable over 0.35% copper, while the cut-off grade applied to mineral resources is 0.35% copper. Ore reserves have decreased 59 million tonnes due to depletion in the period and reflects the remaining capacity of the existing tailing dams, limiting the amount of mineral resource that can be converted into ore reserves. For 2020 the mineral resource model has been updated with 28,078 metres and as a result total resources decreased overall by a net 15 million tonnes, including depletion.

B) Centinela (Concentrates and Cathodes)

Centinela is 70% owned by the Group and consists of Centinela Concentrates (Esperanza + Esperanza Sur and Encuentro Sulphide mostly sulphide porphyry deposits) and Centinela Cathodes (Tesoro Central and Tesoro Sur oxide deposits, including the oxide portion of the Mirador, Encuentro and Llano deposits). The cut-off grade applied to the determination of ore reserves for Centinela Concentrates is 0.15% equivalent copper with 0.15% copper used as a cut-off grade for mineral resources. The cut-off grades used for Centinela Cathodes is 0.20% copper for ore reserves and 0.15% copper for mineral resources.

The Centinela Cathodes ore reserves have decreased marginally due to the incorporation of reserves for the Llano deposit, following completion of external audits during the year, which has largely offset depletion. Centinela Cathodes ore reserves are made up of 207 million tonnes at 0.48% copper of heap leach ore and 117 million tonnes at 0.26% copper of ROM ore. Centinela Concentrates ore reserves decreased by a net 91 million tonnes, with depletion of 35 million tonnes in Esperanza and updates to the geometallurgical and grade models in the Esperanza and Esperanza Sur deposits. For 2020 the mineral resource model in Esperanza y Esperanza Sur has been updated with 35,045 metres and as a result total resources decreased overall by a net 66 million tonnes, including depletion.

C) Antucoya

Antucoya is 70% owned by the Group. The ore reserve cut-off grade is 0.16% copper, while the cut-off grade for mineral resources is 0.15% copper. For 2020 the mineral resource model has been updated with 71 drill holes for a total of 18,000 metres. Ore reserves have increased by a net 24 million tonnes, including a depletion of 28 million tonnes offset by an increase in resources converted to reserves. Mineral resources have increased by a net 34 million tonnes, due to depletion offset by the application of more optimistic modifying factors and economic assumptions in pit optimisation.

D) Polo Sur

Polo Sur is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.20% copper. The 2020 resource model has been updated with 101 drill holes for a total of 16,000 metres. Mineral resources, mostly in hypogene ore, have increased by a net 143 million tonnes, due to the resource model update and the use of more conservative mining and processing costs in pit optimisation.

E) Penacho Blanco

Penacho Blanco is 51% owned by the Group. The cut-off grade applied to the determination of mineral resources for both oxides and sulphides is 0.20% copper. For 2020 the resource model has not been updated.

F) Mirador

Mirador is 100% owned by the Group. A portion of Mirador Oxides is subject to an agreement between the Group and Centinela, whereby Centinela purchased the rights to mine the oxide ore reserves within an identified area. The mineral resources for Mirador Oxides subject to the agreement with Centinela are included in the Centinela Cathodes section. The resources not subject to the agreement are reported in this section. The cut-off grade applied to the determination of mineral resources for oxides is 0.15% copper and for sulphides is 0.20% copper. Mineral resources have increased by a net 24 million tonnes due to lower mining and processing costs, along with an increase in the gold price considered in pit optimisation.

G) Los Volcanes

Los Volcanes is 51% owned by the Group. The cut-off grade applied to the determination of ore reserves and mineral resources is 0.20% copper. For 2020 the mineral resource model has not been updated.

H) Brujulina

Brujulina is 51% owned by the Group. The cut-off grade applied to the determination of mineral resources is 0.30% copper. For 2020 the mineral resource model has not been updated.

I) Sierra
Sierra is 100% owned by the Group. The cut-off grade applied to the determination of mineral resources is 0.30% copper. For 2020 the mineral resource model has not been updated.

J) Twin Metals Minnesota LLC
Twin Metals Minnesota LLC ("Twin Metals") is owned 100% by the Group.

Twin Metals has a 70% interest in the Birch Lake Joint Venture ("BLJV"), which holds the Birch Lake, Spruce Road and Maturi Southwest deposits, as well as a portion of the main Maturi deposit. With these interests taken into consideration, Twin Metals owns 83.1% of the resource. For 2020 the mineral resource model has not been updated.

The cut-off grade applied to the determination of mineral resources is 0.3% copper, which when combined with credits from nickel, platinum, palladium and gold, is deemed appropriate for an underground operation. In the resource table 'TPM' (Total Precious Metals) refers to the sum of platinum, palladium and gold values in grammes per tonne. The TPM value of 0.57 g/tonne for the Maturi resource estimate is made up of 0.15 g/tonne platinum, 0.34 g/tonne palladium and 0.08 g/tonne gold. The TPM value of 0.30 g/tonne for the Maturi Southwest resource estimate is made up of 0.08 g/tonne platinum, 0.17 g/tonne palladium and 0.05 g/tonne gold. The TPM value of 0.70 g/tonne for the Birch Lake resource estimate is made up of 0.19 g/tonne platinum, 0.41 g/tonne palladium and 0.10 g/tonne gold. The Spruce Road resource estimate does not include TPM values as they were not assayed.

K) Zaldívar
Zaldívar is 50% owned by the Group. The cut-off grade applied to the determination of ore reserves for Heap Leach ore is 0.33% copper, while the cut-off grade for Dump Leach material is 0.20% copper. In the case for mineral resources the cut-off grade for Heap Leach ore is 0.16% copper, while the cut-off grade for Dump Leach material is 0.10% copper. These values are applied to the oxide and secondary sulphide mineral resources and ore reserves estimates. The cut-off grade applied to the primary sulphide portion of the mineral resources is 0.30% copper. Ore reserves have decreased 101 million tonnes, due to depletion in the period of 37 million tonnes and a change in the strategy for determining the cut-off grade. The final pit phase in the southern portion of the orebody (Phase 13), which represents approximately 20% of current ore reserves, impacts a portion of Minera Escondida mine property, as well as infrastructure owned by third parties (road, railway, powerline and pipelines). Mining of this pit phase is subject to agreements or easements to access these areas and relocate this infrastructure. For 2020 the resource model has not been updated. Mineral resources have decreased by a net 54 million tonnes, due to depletion and the use of more conservative modifying factors in pit optimisation. The optimisation considers 772 million tonnes of oxides and secondary sulphides plus 432 million tonnes of primary sulphides, with 0.11 g/tonne gold and 0.007 % molybdenum.

M) Antomin 2 and Antomin Investors
The Group has an approximately 51% interest in two indirect subsidiaries, Antomin 2 Limited ("Antomin 2") and Antomin Investors Limited ("Antomin Investors"), which own a number of copper exploration properties in Chile's Antofagasta region and Coquimbo region. These include, among others, Penacho Blanco, Los Volcanes and Brujulina. The remaining approximately 49% of Antomin 2 and Antomin Investors is owned by Mineralinvest Establishment ("Mineralinvest"), a company controlled by E. Abaroa Foundation, in which members of the Luksic family are interested. Further details are set out in Note 34(c) to the financial statements.

Glossary and definitions

Business, financial and accounting

AIFR	All Injury Frequency Rate. The total number of accidents during the year per million hours worked.
AMSA	Antofagasta Minerals S.A., a wholly-owned subsidiary of the Group incorporated in Chile, which acts as the corporate centre for the Mining division.
Annual Report	The Annual Report and Financial Statements of Antofagasta plc.
Antucoya	Minera Antucoya S.A., a 70%-owned subsidiary incorporated in Chile.
Banco de Chile	A commercial bank that is a subsidiary of Quiñenco.
Barrick Gold	Barrick Gold Corporation, incorporated in Canada and our joint venture partner in Zaldívar and Tethyan.
Capex	Capital expenditure.
Cash costs	A measure of the cost of operating production expressed in terms of US dollars per pound of payable copper produced. Cash costs are stated net of by-product credits and include tolling charges for concentrates for Los Pelambres and Centinela. Cash costs exclude depreciation, financial income and expenses, hedging gains and losses, exchange gains and losses, and corporation tax.
CDP	Carbon Disclosure Project.
Centinela	Minera Centinela S.A., a 70%-owned subsidiary incorporated in Chile that holds the Centinela Concentrates and Centinela Cathodes operations.
Centinela Mining District	Copper district located in the Antofagasta region of Chile, where Centinela is located.
CGU	Cash-Generating Unit.
Chilean peso	Chilean currency.
Comex	A commodity exchange that trades metals such as gold, silver, copper and aluminium.
Companies Act 2006	Principal legislation for United Kingdom company law.
Company	Antofagasta plc.
Continental water	Water that comes from the interior of land masses including rain, snow, streams, rivers, lakes and groundwater.
Corporate Governance Code	The UK Corporate Governance Code is a set of principles of good corporate governance, most of which have their own more detailed provisions published by the Financial Reporting Council, most recently updated in 2018 and which applies to accounting periods beginning on or after 1 January 2019.
Directors	The Directors of the Company.
Duluth	Duluth Metals Limited, a wholly-owned subsidiary of Antofagasta plc acquired on 28 January 2015 through which the Group holds the Twin Metals Project.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
EIA	Environmental Impact Assessment.
Encuentro	Copper oxide and sulphide prospect in the Centinela Mining District.
EPS	Earnings per share.
Esperanza Sur	Copper deposit in the Centinela Mining District.
EU	European Union.
FCA	Financial Conduct Authority. UK regulatory body.
FCAB	Ferrocarril de Antofagasta a Bolivia, the corporate name of our Transport division.
FTSE100 Index	A share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation.
FTSE All-Share Index	A market-capitalisation weighted index representing the performance of all eligible companies listed on the London Stock Exchange's main market.
GAAP	Generally Accepted Accounting Practice or Generally Accepted Accounting Principles, a collection of commonly-followed accounting rules and standards for financial reporting.
GHG	Greenhouse Gas.
Government	The Government of the Republic of Chile.
Group	Antofagasta plc and its subsidiary companies and joint ventures.
Hedge accounting	Accounting treatment for derivative financial instruments permitted under IAS 39 "Financial Instruments: Recognition and Measurement", which recognises the offsetting effects on profit or loss of changes in the fair values of a hedging instrument and the hedged item.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
ICMM	International Council on Mining and Metals.
IFRIC	International Financial Reporting Interpretations Committee.
IFRS	International Financial Reporting Standards.
Inversiones Hornitos	Inversiones Hornitos S.A. owns the 150MW Hornitos thermoelectric power plant in Mejillones in Chile's Antofagasta region. The Group entered into an agreement to dispose of its 40% interest in April 2020, effective in 2021.
IVA	Impuesto al Valor Agregado, or Chilean Value Added Tax (Chilean VAT).
KPI	Key performance indicator.
LIBOR	London Inter Bank Offered Rate.
LME	London Metal Exchange.
Los Pelambres	Minera Los Pelambres S.A., a 60%-owned subsidiary incorporated in Chile.
LSE	London Stock Exchange.

LTIFR	Lost Time Injury Frequency Rate. The number of accidents with lost time during the year per million hours worked.
LTIP	Long Term Incentive Plan in which the Group's CEO, Executive Committee members and other senior managers participate.
Marubeni	Marubeni Corporation, the Group's 30% minority partner in Centinela and Antucoya.
Michilla	Minera Michilla S.A., a 99.9%-owned subsidiary incorporated in Chile which was closed at the end of 2015 and sold in November 2016.
PEP	Politically Exposed Person, an individual who holds or has held a prominent public position in a national or international organisation within the last year.
Platts	A provider of energy and metals information and source of benchmark price assessments.
PPA	Power Purchase Agreement.
Provisional pricing	A sales term in several copper and molybdenum concentrate sale agreements and cathodes sale agreements that provides for provisional pricing of sales at the time of shipment, with final pricing being based on the monthly average LME copper price or monthly average molybdenum price for specific future periods, normally ranging from 30 to 180 days after delivery to the customer.
Quiñenco	Quiñenco S.A., a Chilean financial and industrial group listed on the Santiago Stock Exchange and controlled by a foundation in which members of the Luksic family are interested.
Ramsar Convention	International treaty for the conservation and sustainable utilisation of wetlands.
Reko Diq	A copper-gold deposit in Pakistan, previously a subsidiary of Tethyan and now subject to arbitration proceedings.
RCA	Resolución de Calificación Ambiental, Environmental Approval Resolution.
Realised prices	Effective sale price achieved comparing revenues (grossed up for tolling charges for concentrate) with sales volumes.
SERNAGEOMIN	Servicio Nacional de Geología y Minería, a government agency that provides geological and technical advice and regulates the mining industry in Chile.
SHFE	Shanghai Futures Exchange.
SONAMI	Sociedad Nacional de Minería. Institution that represents the mining industry in Chile, for large, medium and small scale, metallic and non-metallic mining companies.
Sterling	Pounds sterling, UK currency.
SVS	Superintendencia de Valores y Seguros de Chile, the Chilean securities regulator.
SDGs	The United Nations' Sustainable Development Goals, which were adopted by all member states in 2015.
TCFD	Task Force on Climate-related Financial Disclosures.
Tethyan	Tethyan Copper Company Limited, a 50-50 joint venture with Barrick Gold incorporated in Australia.
TSR	Total Shareholder Return, being the movement in the Company's share price plus reinvested dividends.
Twin Metals Minnesota Project	A copper, nickel and platinum group metals underground-mining project located in Minnesota, US.
UK	United Kingdom.
UKLA	United Kingdom Listing Authority, part of the FCA.
US	United States.
US dollar	United States currency.
Zaldívar	Compañía Minera Zaldívar SpA, a 50-50 joint venture with Barrick Gold, which operates the Zaldívar copper mine in Chile.

Glossary and definitions continued

Mining industry

Brownfield project	A development or exploration project in the vicinity of an existing operation.
By-products (credits in copper concentrates)	Products obtained as a result of copper processing. Los Pelambres and Centinela Concentrates receive credit for the gold and silver content in the copper concentrate sold. Los Pelambres and Centinela also produce molybdenum concentrate.
Concentrate	The product of a physical concentration process, such as flotation or gravity concentration, which involves separating ore minerals from unwanted waste rock. Concentrates require subsequent processing (such as smelting or leaching) to break down or dissolve the ore minerals and obtain the desired elements, usually metals.
Contained copper	The proportion or quantity of copper contained in a given quantity of ore or concentrate.
Copper cathode	Refined copper produced by electrolytic refining of impure copper by electrowinning.
Cut-off grade	The lowest grade of mineralised material considered economic to process and used in the calculation of ore reserves and mineral resources.
Flotation	A process of separation by which chemicals in solution are added to finely crushed materials, some of which are attracted to bubbles and float, while others sink, which results in the production of concentrate.
Grade A copper cathode	Highest-quality copper cathode, 99.99% pure.
Greenfield project	The development or exploration of a new project at a previously undeveloped site.
Heap-leaching or leaching	A process for the recovery of copper from ore, generally oxides. The crushed material is laid on a slightly sloping, impermeable pad and leached by uniformly trickling (gravity fed) chemical solution through the heaps to collection ponds. The metal is then recovered from the solution through the SX-EW process.
JORC	The Australasian Joint Ore Reserves Committee.
ktpd	Thousand tonnes per day.
Life-of-Mine ("LOM")	The remaining life of a mine expressed in years, calculated by reference to scheduled production rates (ie comparing the rate at which ore is expected to be extracted from the mine to current defined reserves).
Mineral resources	Material of intrinsic economic interest occurring in such form and quantity that there are reasonable prospects for eventual economic extraction. Mineral resources are stated inclusive of ore reserves, as defined by JORC.
MW	Megawatts (one million watts).
Net cash cost	Gross cash costs less by-product credits.
Open pit	Mine working or excavation that is open to the surface.
Ore	Rock from which metal(s) or mineral(s) can be economically and legally extracted.
Ore grade	The relative quantity, or percentage, of metal content in an ore body or quantity of processed ore.
Ore reserves	Part of Mineral Resources for which appropriate assessments have been carried out to demonstrate that at a given date extraction could be reasonably justified. These include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.
Oxide and sulphide ores	Different kinds of ore containing copper. Oxide ore occurs on the weathered surface of ore-rich lodes and normally results in the production of cathode copper through a heap-leaching process. Sulphide ore is an unweathered parent ore normally treated using a flotation process to produce concentrate which then requires smelting and refining to produce cathode copper.
Payable copper	The proportion or quantity of contained copper for which payment is received after metallurgical deduction.
Porphyry	A large body of rock which contains disseminated chalcopyrite and other sulphide minerals. Such a deposit is mined in bulk on a large scale, generally in open pits, for copper and its by-products.
Run-of-Mine ("ROM")	A process for the recovery of copper from ore, typically used for low-grade ores. The mined, uncrushed ore is leached with a chemical solution. The metal is then recovered from the solution through the SX-EW process.
Stockpile	Material extracted and piled for future use.
SX-EW	Solvent extraction and electrowinning. A process for extracting metal from an ore and producing pure metal. First the metal is leached into solution, the resulting solution is then purified in the solvent-extraction process before being treated in an electrochemical process (electrowinning) to recover cathode copper.
Tailings dam or tailings storage facility (TSF)	Construction used to deposit the rock waste which remains as a result of the concentrating process after the recoverable minerals have been extracted in concentrate form.
TC/RCs	Treatment and refining charges, being terms used to set the smelting and refining charge or margin for processing copper concentrate and normally set on either an annual or spot basis.
Tolling charges	Charges or margins for converting concentrate into finished metal. These include TC/RCs, price participation and price sharing for copper concentrate and roasting charges for molybdenum concentrate.
Tonne	Metric tonne.
tpd	Tonnes per day, normally with reference to the quantity of ore processed over a given period of time expressed as a daily average.
Underground mine	Natural or man-made excavation under the surface of the ground.

Currency abbreviations

\$	US dollar
\$000	Thousand US dollars
\$m	Million US dollars
£	Pound sterling
£000	Thousand pounds sterling
£m	Million pounds sterling
p	Pence sterling
C\$	Canadian dollar
C\$m	Million Canadian dollars
Ch\$	Chilean peso
Ch\$000	Thousand Chilean pesos
Ch\$m	Million Chilean pesos
A\$	Australian dollar
A\$000	Thousand Australian dollars
A\$m	Million Australian dollars

Definitions and conversion of weights and measures

lb	Pound
oz	A troy ounce
1 troy ounce	31.1 grammes
’000 m^3	Thousand cubic metres
1 kilogramme	2.2046 pounds
1 tonne	2,204.6 pounds or 1,000 kilogrammes
’000 tonnes	Thousand metric tonnes
1 kilometre	0.6214 miles

Chemical symbols

Cu	Copper
Mo	Molybdenum
Au	Gold
Ag	Silver

Dividends

Details of dividends proposed in relation to the year are given in the Directors’ Report on page 153, and in Note 14 to the Financial Statements.

If approved at the Annual General Meeting, the final dividend of 48.5 cents will be paid on 14 May 2021 to ordinary shareholders that are on the register at the close of business on 22 April 2021. Shareholders can elect (on or before 26 April 2021) to receive this final dividend in US dollars, Sterling or Euro, and the exchange rate, which will be applied to final dividends to be paid in Sterling or Euro, will be set as soon as reasonably practicable after that date, which is currently anticipated to be on 29 April 2021.

Further details of the currency election timing and process (including the default currency of payment) are available on the Antofagasta plc website (www.antofagasta.co.uk) or from the Company’s registrar, Computershare Investor Services PLC on +44 37 0702 0159.

Dividends are paid gross without deduction of United Kingdom income tax. Antofagasta plc is a resident in the United Kingdom for tax purposes.

Annual General Meeting

The Annual General Meeting will be held at Cleveland House, 33 King Street, London SW1Y 6RJ at 2.00 pm on Wednesday 12 May 2021. Given the constantly evolving nature of the ongoing COVID-19 pandemic, it is unlikely that the Company will be able to welcome shareholders to the AGM in the usual way. Please refer to the Notice of the 2021 Annual General Meeting for further information and the resolutions to be proposed at the meeting.

London Stock Exchange listing and share price

The Company’s shares are listed on the London Stock Exchange.

Share capital

Details of the Company’s ordinary share capital are given in Note 30 to the Financial Statements.

Shareholder information continued

Shareholder calendar 2020

20 January 2021	Q4 2020 Production Report
16 March 2021	Full Year 2020 Results Announcement
21 April 2021	Q1 2021 Production Report
22 April 2021	2020 Final Dividend – Ex Dividend date
23 April 2021	2020 Final Dividend – Record date
26 April 2021	2020 Final Dividend – Final date for receipt of Currency Elections
29 April 2021	2020 Final Dividend – Pound sterling/Euro Rate set
12 May 2021	Annual General Meeting
14 May 2021	2020 Final Dividend – Payment date
21 July 2021	Q2 2021 Production Report
19 August 2021	Half Year 2021 Results Announcement
2 September 2021	2021 Interim Dividend – Ex Dividend date
3 September 2021	2021 Interim Dividend – Record date
6 September 2021	2021 Interim Dividend – Final date for receipt of Currency Elections
9 September 2021	2021 Interim Dividend – Pound sterling/Euro Rate set
1 October 2021	2021 Interim Dividend – Payment date
20 October 2021	Q3 2021 Production Report
19 January 2022	Q4 2021 Production Report

Dates are provisional and subject to change.

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Additional information can be found in the Shareholder Information section of the Notice of Annual General Meeting and on our website.

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