

Antofagasta plc 2018 Statement Modern Slavery Act 2015 (UK)

Introduction

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

The following statement has been prepared in respect of the year ended 31 December 2018 and has been approved by the Antofagasta plc Board.

Structure

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

Mining is the Group’s core business, representing over 96% of Group revenue and EBITDA. The Group operates four copper mines in Chile, two of which produce significant volumes of by-products. Minerals are extracted and processed before being sold worldwide by the sales and marketing team based in Chile. The Group also has a portfolio of growth opportunities located mainly in Chile.

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

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

Supply chain

Suppliers play a critical role in the Group's ability to operate, supplying a broad range of products and services from grinding media to catering at the mine sites. The Group conducted business with over 4,000 suppliers in 2018, 93% of whom were based in Chile. Approximately 70% of the Group's 2018 total expenditure on suppliers related to the supply of services and 30% to the supply of goods.

Chilean Law: Chile has been a member of the International Labour Organization (ILO) since 1919. The country has ratified 63 ILO Conventions, of which 53 are in force, including those that prohibit child and forced labour (C029 – Forced Labour Convention, C105 – Abolition of Forced Labour Convention and C138 – Minimum Age Convention). These Conventions have been incorporated into Chilean law. Under the Global Slavery Index, Chile has one of the lowest vulnerability scores in the Americas. It is estimated that 14,000 people or 0.078% of the total population, are currently living in modern slavery. The GSI response rating for Chile is “BBB”.

The Group maintains open channels of communication with its suppliers and encourages them to raise any issues or concerns that arise in the conduct of their business. Suppliers can raise any concern directly with their contract administrator or through the Group's whistleblowing channels. “Modern slavery” is categorised within the system which allows the risk and compliance team to quickly identify and monitor any case that may arise.

All potential new suppliers are required to certify that they comply with all applicable laws and regulations regarding modern slavery, describe the main actions they take to ensure there are no instances of modern slavery in their organisation and provide copies of the procedures they have in place for the prevention of modern slavery. Contracts with new suppliers also include specific clauses requiring them to comply with the Group's Compliance Model, as described in more detail below, and specifically to avoid any type of modern slavery. Additionally, general managers or legal representatives of the companies must declare that there is no modern slavery in their company.

The Group conducted business with 265 suppliers of goods and services outside Chile in 2018. The United States accounts for the 32%, followed by Canada 14%, UK 7.5%, Argentina 5.7%, Germany 4.5%, Australia 4.5% and Japan 4.2%.

As shown in Table 1, “GSI Statistics for International Supplies by Value”, some 98% of the Group's supply of goods and services came from 13 countries and of those supplies, over 80% were concentrated in five countries: The United States, Japan, Peru, Singapore and Canada.

Of these countries Peru and Singapore have the highest percentage of population in modern slavery, according to the Global Slavery Index 2018 (GSI), and they accounted for 13.5% and 5.8%, respectively, of the Group's

international supply of goods and services. The main supply from Peru is sulfuric acid and the supply from Singapore is shipping services provided by large maritime logistic companies. Due Diligence performed on all suppliers concluded they all have procedures and controls consistent with the Group's Compliance Model and satisfy the Group's assessment criteria.

Country of origin	% of International Expenditure	# Suppliers	GSI % of population in Modern Slavery	Vulnerability score	Government response rating
USA	32.0%	85	0,126%	15,88%	BBB*
Japan	25.9%	11	0,029%	13,81%	CCC
Peru	13.5%	7	0,256%	44,28%	BB
Singapore	5.8%	5	0,343%	13,41%	CCC
Canada	4.6%	37	0,048%	10,20%	BB
Denmark	4.6%	2	0,163%	1,00%	BB
UK	3.1%	20	0,208%	11,13%	BBB*
Germany	3.0%	12	0,204%	10,44%	BB
Korea	1.5%	2	0,195%	29,83%	CC
Hong Kong	1.4%	2	0,140%	24,68%	CC
Switzerland	1.1%	8	0,161%	1,51%	BBB
Austria	0.9%	1	0,174%	3,35%	BBB
Argentina	0.6%	15	0,126%	28,88%	BBB
Australia	0.4%	12	0,065%	4,27%	BBB
China	0.2%	7	0,277%	50,65%	CC
Colombia	0.2%	2	0,273%	51,62%	B
Spain	0.2%	6	0,227%	12,80%	BBB
Netherlands	0.2%	3	0,177%	6,11%	A
New Zealand	0.1%	1	0,064%	1,91%	BB
Brazil	0.1%	4	0,179%	36,38%	BB
Mexico	0.1%	4	0,271%	57,31%	BB
Italy	0.1%	2	0,243%	28,29%	BBB
France	0.1%	4	0,201%	15,25%	BBB
South Africa	0.1%	4	0,280%	53,76%	B
Uruguay	0.0%	1	0,103%	19,66%	BB
Belgium	0.0%	4	0,203%	13,05%	BBB
Israel	0.0%	1	0,386%	36,42%	BB
India	0.0%	1	0,610%	55,49%	B
Bulgaria	0.0%	1	0,446%	31,34%	BB
Czech Republic	0.0%	1	0,288%	19,07%	BB
Total		265			

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

Policies and Governance

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

Along with the Chilean laws that protect human rights, our Compliance Model is designed to address any unethical behaviour, including modern slavery.

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

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

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

Compliance Model

The Group's Compliance Model applies to all employees and suppliers providing goods or services the Group.

The model was updated in 2018 and its new structure helps the Group communicate the importance of ethics and compliance in every activity it undertakes by getting all members of the organisation to support its implementation in their day to day activities. The model was presented to Group's executive team during a special Compliance Day in August, where ethics were discussed and the model was presented to the organisation using audio-visual material.

The Compliance Model is founded on the Group's Code of Ethics and Compliance Risk Assessment procedures, and its three strategic areas of focus are prevention, detection and action, as presented in Figure 1.

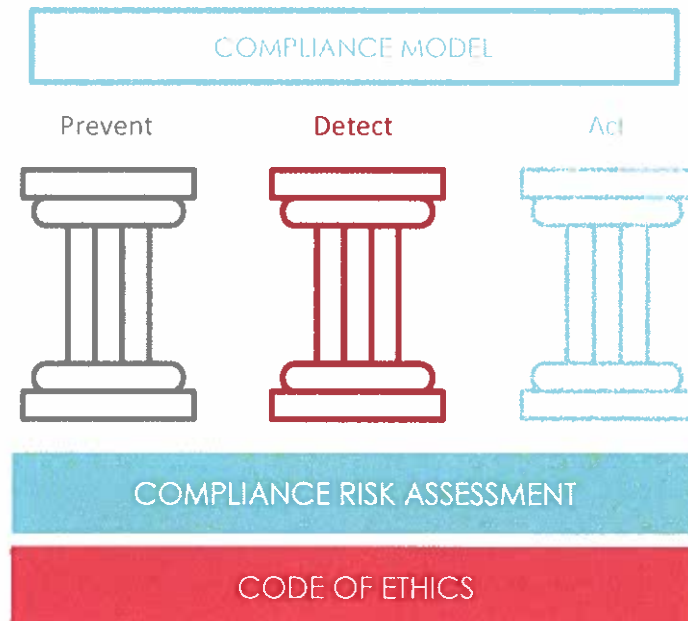


Figure 1: Diagram of Group Compliance Model

Code of Ethics

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

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

The Code of Ethics was last updated in 2016 to specifically prohibit the exercise of any form of exploitation or other behaviours constituting slavery or human trafficking.

Compliance Risk Assessment

The Group operates a centralised risk management and internal control system. This includes conducting risk assessments within each business activity to ensure the early and effective identification, control, mitigation and reporting of relevant risks.

The Group's compliance risk assessment process specifically addresses the risks of modern slavery in particularly exposed areas including procurement, human resources, corporate affairs and marketing. Preventive controls include detailed due diligence of each potential supplier and ongoing monitoring of existing relationships. Within our contracts we require suppliers and contractors to commit to avoiding and addressing all types of modern slavery. Specific declarations are also requested regarding the presence of modern slavery in their companies, including within any operations they may have that are not directly related to the goods or services that are to be provided to the Group.

Prevention

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

Training and communications

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

The Group ensures its Compliance Model and related policies and procedures are implemented and understood across the organisation. This is achieved through induction training for all new employees and contractors, extensive e-learning every two years and special training for the most exposed areas. Compliance model training includes a specific section on modern slavery.

The most recent e-learning training programme was completed in 2017 and the next is scheduled for 2019.

Collaboration between the risk and compliance, human resources, legal and procurement departments is essential for us to continue to improve the controls we have in place to prevent, detect and mitigate the risks of modern slavery occurring in our businesses or supply chain.

Due Diligence and audit process

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

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

The Group's policy is to ensure that wages for services paid to employees and for third-party services is above the legal minimum wage. This minimum wage obligation is mandated during procurement processes and compliance with it is audited periodically following the award of contracts.

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

During 2018, the Group asked the General Managers of all of the Group's contractors to declare that there was no human trafficking or any other modern slavery related activities in their companies. The status of these declarations are also reviewed and periodically audited.

The Group uses specialised external sources of information to conduct due diligence, and the review of suppliers includes identification of negative news and information related to labour conditions and modern slavery.

During 2018, the Group did not identify any issues related to modern slavery or human trafficking in its supply chain.

As part of our expectation to increase supply from China we conduct on-site reviews, including assessing labour conditions, of any potential Chinese supplier. If any potential deviation from safe and ethical labour conditions is identified the company is excluded from our allowed suppliers list. Approximately 400 Chinese companies have already been reviewed.

During 2018, 3,313 third party background checks were conducted in relation to potential suppliers. No cases involving modern slavery or human trafficking were detected.

In preparation for the construction phase of the Los Pelambres Expansion project, the Group has been working closely with local communities to support them in closing any gaps they may have in being able to fully comply with our Compliance Manual, including if necessary improving labour conditions, with a view to enabling local suppliers to supply goods and services required for the project.

Detection

Several internal and external audits are conducted each year to detect any non-compliance with the Compliance Model.

Contracts for the supply of services are audited by an independent third party each month to ensure that legal and contractual labour obligations are being complied with. These include restrictions and obligations relating to child labour, working conditions, minimum wages, wage payment practices and the provision of health insurance, pensions and other statutory benefits.

An additional annual external audit is performed on service suppliers, and includes the review of the status of their modern slavery declarations, minimum ethical wages and insurance.

At the same time, employees and suppliers providing goods or services for or on behalf of the Group are required to report any conduct that is not in accordance with the Code of Ethics through the Group's website, intranet, by email, letter or by using a dedicated whistleblowing hotline. Any reported complaint is thoroughly investigated and the findings are reported to the Ethics Committee which meets regularly and decides what further action, if any, should be taken. The system allows reports to be made anonymously. All complaints are reported to the Audit and Risk Committee at least every quarter. Of the 256 complaints reported through whistleblowing channels in 2018, none related to modern slavery or human trafficking.

Action

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

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

No events of non-compliance relating to modern slavery were detected in 2018.

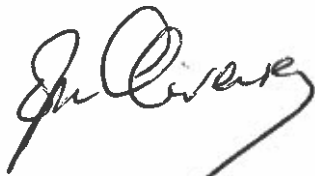
We are committed to the continuous improvement of our controls throughout the organisation, to ensure no modern slavery is present in our supply chain

Next Steps

In 2019 the Group will continue to monitor the effectiveness of the actions it has taken to ensure that slavery and human trafficking are not occurring in the Group or in the Group's supply chain. As part of this process, specific plans are in place to:

- Continue to communicate with, and provide training to, exposed areas within the Group, including procurement and human resources, and to continue with new employee training and induction programmes
- Extend the annual audit to all contractors and increase the number of on-site reviews of suppliers
- Update internal regulations, reinforcing the importance to the Group of eradicating any modern slavery in its supply chain
- Ensure communication with contract administrators regarding the compliance model and modern slavery continues to be effective
- Implement an e-learning training programme

The Group's current procedures, combined with the steps above and the continuous improvement of the Group's Compliance Model, provides the Board with assurance that the likelihood of modern slavery taking place in its first-tier suppliers or any part of its own operations is low and that it took appropriate steps in 2018 to confirm this and extend the scope and effectiveness of its assessment of its suppliers.



Ollie Oliveira
Chairman Audit and Risk Committee
Director Antofagasta plc

For more information please see the Group's annual report and our website at www.antofagasta.co.uk