

## Antofagasta plc 2017 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.

In 2017, Antofagasta plc published its first statement in respect of the year ended 31 December 2016. The following statement has been prepared in respect of the year ended 31 December 2017 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 an interest in freight transportation. Antofagasta plc and its subsidiaries (the “Group”) creates value for its stakeholders through the discovery, development and operation of copper mines. Mining is the Group’s core business, representing over 96% of Group revenue and EBITDA.

The Group’s business model is described in more detail within the Strategic Report on pages 30 to 37 of the 2016 Antofagasta plc annual report which is available at [www.antofagasta.co.uk](http://www.antofagasta.co.uk).

The Group operates four copper mines in Chile from which minerals are extracted and processed before being sold worldwide by the sales and marketing team based in Chile. The Group also has an important portfolio of growth opportunities, predominantly in Chile. 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 large range of products and services from grinding media to catering at the mine sites. The Group conducted business with approximately 3,000 first tier suppliers in 2017, more than 95% of whom are based in Chile. Approximately two thirds of the Group’s 2017 total expenditure on supplies related to the supply of services and one third to the supply of goods.

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.

All new contracts with suppliers include specific clauses requiring them to comply with the Group’s Compliance Model as described in more detail on pages 2 and 3. Suppliers must also declare that they conduct their business in a manner that is consistent with the Group’s Compliance Model.

As shown in Table 1, “GSI Statistics for the Mining Group’s International Supplies by Value”, in 2017 some 99% of the Mining Group’s supply of goods outside Chile came from 10 countries and of those supplies, 85% were concentrated in three countries: the United States, Peru and Japan.

Of these 10 countries, the Global Slavery Index (GSI) identifies Peru as the country with the greatest percentage of their population in modern slavery followed by South Korea and Japan.

The main supply to the Group from Peru, South Korea and Japan is sulfuric acid which is supplied through major suppliers with procedures and controls that are satisfactory for the Group.

Country of origin	Supplies Distribution	GSI % of Population in Modern Slavery	Vulnerability Score	Government Response Rating
USA	45%	0.018%	27.5%	BBB*
PERU	33%	0.639%	37.7%	B
JAPAN	7%	0.228%	21.4%	CCC
AUSTRIA	3%	0.018%	21.7%	BBB
GERMANY	3%	0.018%	26.3%	BB
SPAIN	3%	0.018%	24.2%	BBB
CANADA	2%	0.018%	23.2%	BB
DENMARK	1%	0.018%	17.3%	BB
AUSTRALIA	1%	0.018%	22.0%	BBB
SOUTH KOREA	1%	0.404%	29.8%	CCC
OTHER COUNTRIES	1%	0.018%	17.3%	BB

Table 1: GSI Statistics for the Mining Group’s International Supplies by Value

The Group has conducted site visits to the suppliers in these countries which, although not specifically for the purposes of auditing working conditions, did not raise any concerns relating to modern slavery or human trafficking.

### Policies and procedures

The Board is collectively responsible for the long-term 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 Group’s Compliance Model applies to all employees and suppliers providing goods or services for or on behalf of the Group and comprises five elements:

1. The Code of Ethics
2. The Crime Prevention Model
3. Whistleblowing
4. Communication and Training Programme
5. Compliance Risks and Control Assessment

The Group’s Compliance Model is more fully described in the Risk Management section on pages 20 to 22 of the 2016 Antofagasta plc annual report.



Figure 1: Diagram of Group Compliance Model

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 was reviewed and updated in 2016 to specifically prohibit the exercise of any form of exploitation or other behaviours constituting slavery or human trafficking.

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 195 complaints reported to the Audit and Risk Committee in 2017, none related to modern slavery or human trafficking.

During 2017 the Group’s Compliance Model was independently reviewed by Feller Rate who certified that the Group’s Crime Prevention Manual is being implemented and complies with the Chilean legislation for OECD requirements on corporate criminal liability.

Further information on the Group’s Compliance Model, whistleblowing arrangements and a copy of the Code of Ethics are available on the Group’s website at <http://www.antofagasta.co.uk>.

## Due Diligence and Ongoing Monitoring

As part of the Compliance Model, due diligence is performed on all new suppliers before they are engaged and periodically thereafter. The due diligence process requires suppliers to complete a questionnaire explaining their compliance models, training programs, codes of conduct, processes for receiving and investigating complaints, third party background checks and compliance procedures for the prevention of slavery and human trafficking.

Where potential suppliers are located in countries where the cost of supply is low (for example, China), the Group arranges for local procurement agents to inspect the production facilities of those suppliers and to report those conditions to the Group before they are engaged.

During 2017, 2,198 third party background checks were conducted in relation to potential suppliers. No cases involving modern slavery or human trafficking were detected. All of the Group's international suppliers were also subjected to background checks where again, no cases of modern slavery or human trafficking were detected.

Contracts for the supply of services are audited by an independent third party monthly to ensure that local labour laws are being complied with. These audits include checks relating to child labour, working conditions, minimum wages, wage payment practices and the provision of health insurance, pensions and other statutory benefits.

The Group's policy is to ensure that the minimum wage for services provided by employees and third-party services is 50% above the legal minimum wage.

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 where all local labour obligations have been fulfilled during the term of the contract.

## Risk Assessment, Accountability and Results

The Group operates a centralized 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.

As part of the risk assessment process, all of the Group's suppliers are reviewed based on the outcome of the due diligence analysis and ongoing monitoring described above, the supplier's location and the GSI for the country in which they operate.

During 2017, the Group did not identify any issues related to modern slavery or human trafficking.

**Chilean Law:** Chile has been a member of the International Labour Organization (ILO) since 1919. The country has ratified 62 ILO Conventions, of which 52 are in force, including those that prohibit child and forced labour (C029 – Forced Labour Convention, C105 – Abolition of Forced Labour Convention and the C138 – Minimum Age Convention). These Conventions have been incorporated into Chilean law.

Under the GSI, Chile has one of the lowest vulnerability scores in the Americas. It estimates that 27,700 people or 0.154% of the total population, are currently living in modern slavery. The GSI response rating for Chile is "B".



## Education and Training

The Code of Ethics is distributed to all of 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 Group also provides a comprehensive training programme to ensure that all the components of the Group's Compliance Model are understood and embedded in the Group's culture. This training programme emphasises the right to know and there are measures in place to bolster the skills required to ensure its effective implementation.

During 2017, updates to the new employee induction training programme and the Compliance Model e-Learning training programme for existing employees and contractors were fully implemented to raise awareness and to ensure that slavery and human trafficking are not occurring in the Group or in the Group's supply chains. Specific sections on modern slavery and human trafficking were incorporated across both programmes and during 2017, more than 1,500 employees participated in the employee induction programme and 97% of existing employees and contractors completed the e-learning training programme.

## Next Steps

In 2018 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:

- Develop an internal guideline that specifically addresses Modern Slavery and Human Trafficking in support of the policies of the Group's Ethics Code and the training that is provided to new and existing employees.
- Continue to communicate with, and provide training to, exposed areas within the Group, including supply and human resources and to continue with new employee training and induction programmes.
- Incorporate specific anti-slavery and human trafficking criteria checks to the scope of labour compliance audits.
- Tailor the Group's whistleblowing programme to include "modern slavery" as a category of irregular conduct to allow for the faster identification and monitoring of any cases that may arise.

The Group's current procedures, combined with these steps and the continuous improvement of the Group's Compliance Model, provides the Board with assurance that the likelihood of modern slavery taking place in its first-tier suppliers or any part of its business is low and that it took appropriate steps in 2017 to confirm this and to extend the scope and effectiveness of its assessment of its suppliers.



**Olfe Oliveira**  
Chairman Audit and Risk Committee  
Director Antofagasta plc