

# Remuneration Report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance as set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 ("the Combined Code") relating to Directors' remuneration.

During the year under review, the Company complied with the detailed code provisions set out in Section B of the Combined Code except, as explained on page 58, performance related pay measures did not apply to the Chairman, who was the only Executive Director (provision B.1.1).

The Companies Act 2006 requires the auditors to report to the Company's members on certain parts of this report and to state whether in their opinion those parts have been properly prepared in accordance with the Companies Act 2006. The report has therefore been divided into separate sections for unaudited and audited information.

## Unaudited information

### Remuneration Committee

#### Membership

The Remuneration Committee currently comprises Mr. GS Menéndez (Chairman), Mr. CH Bailey and Mr. DE Yarur, all of whom are considered by the Board to be independent Non-Executive Directors.

#### Responsibilities

The responsibilities of the Remuneration Committee are fully set out in its Terms of Reference which are available from the Company's registered office and may be viewed on the Company's website – [www.antofagasta.co.uk](http://www.antofagasta.co.uk). The Committee is responsible for setting remuneration policy and for reviewing the remuneration of any Executive Directors and, where appropriate, it consults the Chairman, Mr. J-P Luksic. The Committee used benchmarking data from various sources, but did not appoint external consultants to advise on Directors' remuneration during the year. The Remuneration Committee is also responsible for monitoring the level and structure of remuneration of Group senior management and evaluating management performance. The remuneration of Non-Executive Directors is determined by the Board as a whole. No Director participates in the determination of his own remuneration.

### Company policy on Directors' pay and bonuses

The Company's policy is to ensure that Directors are fairly rewarded with regard to responsibilities undertaken, and considers comparable pay levels in the United Kingdom, in Chile, and in the international mining industry. Corporate and individual performance is taken into account in setting the pay level for the Chairman as an Executive Director, and this is reviewed on an annual basis to ensure it remains in line with companies of a similar nature, size and complexity. Remuneration levels for Non-Executive Directors are based on comparable levels for companies of a similar nature, size and complexity, and take into account specific responsibilities undertaken. Remuneration includes fees paid for non-executive directorships of subsidiary companies and joint ventures within the Group. The Board does not consider it appropriate to make regular performance-related pay awards such as bonuses to the only Executive Director, Mr. J-P Luksic, given his role as Chairman of the Board and his interest in the Company's shares both directly and as a member of the Luksic family. The Group has paid Mr. RF Jara for advisory services to the Group. The Board has taken these payments into account in determining his fees as a Non-Executive Director. No Director currently receives pension contributions.

### Non-Executive Directors' fees

The fees payable to Non-Executive Directors in respect of Antofagasta plc were as follows:

	2009 US\$000	2008 US\$000
Base fee	100	100
Audit Committee chairman	20	20
Audit Committee member	10	10
Remuneration Committee chairman	16	16
Remuneration Committee member	10	10
Nomination Committee chairman	10	10
Nomination Committee member	4	4

These fee levels will be unchanged for 2010.

In addition to the above amounts, Non-Executive Directors also receive fees in their capacity as Non-Executive Directors of the principal operating subsidiary companies and joint ventures within the Group. As some of these fees are set in Chilean pesos, the US dollar payments made in respect of such fees may vary depending on the applicable exchange rate from time to time. These additional fees are included within the amounts attributable to the Non-Executive Directors within the table of Directors' remuneration on page 61.

# Remuneration Report

## Service contracts and letters of appointment

Mr. J-P Luksic has a contract for services with both the Antofagasta Railway Company plc and Antofagasta Minerals S.A. Both contracts for services can be terminated by either party on one month's notice. There is also a contract between Antofagasta Minerals S.A. and Asesorías Ramón F Jara Ltda for the provision of advisory services by Mr. R F Jara which can also be terminated on one month's notice. The amounts payable under these contracts for services are denominated in Chilean pesos and as is typical for employment contracts or contracts for services in Chile, are adjusted in line with Chilean inflation, and are also reviewed periodically in line with the Company's policy on Directors' pay although no changes were made in 2009 as compared with previous years. Amounts paid during 2008 and 2009 have been included in the table of Directors' remuneration on page 61.

All Non-Executive Directors have letters of appointment with the Company, for an initial period of three years from the date of their appointment, subject to reappointment at the Annual General Meeting ("AGM"). These letters require the Non-Executive Directors to undertake that they will have sufficient time to discharge their responsibilities. The appointments may be terminated by either party on one month's notice. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to and during the meeting). The service contracts and letters of appointment do not provide for any compensation for loss of office beyond payments in lieu of notice, and therefore the maximum amount payable upon termination of these contracts is limited to one month's payment.

## Share options and long-term incentive schemes

No arrangements exist to enable Directors to acquire benefits through the acquisition of shares in the Company or any of its subsidiary undertakings, to benefit through profit-related pay or share option schemes or to participate in any long-term incentive schemes.

## Directors' interests

The Directors' interests in the shares of the Company at the beginning and end of the year were as follows:

	Ordinary shares of 5p each	
	31 December 2009	1 January 2009
J-P Luksic <sup>1</sup>	41,963,110	41,963,110
CH Bailey	32,000	32,000

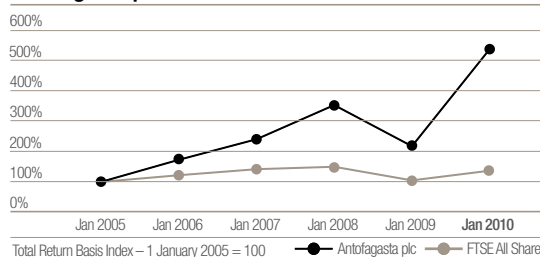
<sup>1</sup> Mr. J-P Luksic's interest relates to shares held by Aureberg Establishment, an entity which he controls.

The Directors had no interests in the shares of the Company during the year other than the interests in the table set out above. No Director had any material interest in any other contract with the Company or its subsidiary undertakings during the year other than in the ordinary course of business. No changes took place in the interests of the Directors between 31 December 2009 and the date of this report.

## Performance graph

The following graph shows the Company's performance compared to the performance of the FTSE All Share Index over a five-year period, measured by total shareholder return (as defined below). The FTSE All Share Index has been selected as an appropriate benchmark as it is the most broadly based index to which the Company belongs and which relates to the London Stock Exchange, the market where the Company's ordinary shares are traded. Total shareholder return is calculated to show a theoretical growth in the value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional shares at the closing price applicable on the ex-dividend date. Total shareholder return for the FTSE All-Share Index is calculated by aggregating the returns of all individual constituents of the FTSE at the end of the five-year period.

### Total Shareholder Return\* – Antofagasta plc vs FTSE All Share Index



\* Total Shareholder Return represents share price growth plus dividends reinvested over the period Total Return Basis Index – 1 January 2005 = 100

Source: Datastream

## Audited Information

### Directors' remuneration

The remuneration of the Directors in the year is set out below in US dollars. Amounts paid in Chilean pesos have been translated at average rates for the relevant year, which are set out in Note 36 to the financial statements.

	Base salary and fees		Benefits		Total remuneration	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Executive Chairman						
J-P Luksic <sup>1</sup>	3,116	3,154	67	77	3,184	3,231
Non-Executive Directors						
CH Bailey	134	131	–	–	134	131
GS Menéndez	320	327	–	–	320	327
RF Jara <sup>2</sup>	770	767	–	–	770	767
DE Yarur	144	142	–	–	144	142
GA Luksic	124	122	–	–	124	122
JW Ambrus <sup>3</sup>	123	146	–	–	123	146
JG Claro	196	134	–	–	196	134
WM Hayes	178	150	–	–	178	150
	5,105	5,073	67	77	5,172	5,150

<sup>1</sup> During 2009, remuneration of US\$1,000,000 (2008 – US\$981,000) for the provision of services by Mr. J-P Luksic was paid to Goldstream Finance Limited. This amount is included in the amounts attributable to Mr. Luksic of US\$3,116,000 (2008 – US\$3,154,000). The benefits expense represents the provision of car usage to Mr. J-P Luksic.

<sup>2</sup> During 2009, remuneration of US\$462,000 (2008 – US\$467,000) for the provision of services by Mr. RF Jara was paid to Asesorías Ramón F Jara Ltda. This amount is included in the amounts attributable to Mr. Jara of US\$770,000 (2008 – US\$767,000).

<sup>3</sup> Mr. JW Ambrus resigned from the Board on 14 October 2009, and the amounts shown above for 2009 represent the fees payable up to this date.

<sup>4</sup> Mr. PJ Adeane retired from the Board in 2006. Following retirement, Mr. PJ Adeane has continued to serve the Board as a Senior Advisor under a contract for services at the rate of £10,000 per annum. This contract can be terminated on one month's notice. Mr. Adeane was paid £10,000 (approximately US\$15,590) under this contract for services during 2009 (2008 – £10,000 (approximately US\$18,400)).

Approved on behalf of the Board



**GS Menéndez**

Chairman of the Remuneration Committee

8 March 2010