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Nelson Pizarro Contador
Chief Executive Officer

2015 was an enormously challenging period for Codelco; management underwent significant adjustments and declining commodity prices had an impact on the global market. However, I can confirm we had an exceptional year in management terms. We moved forward with our strategic plan, mainly related to our investment portfolio, but this did not affect key projects under construction; complete cost control – the Company moved from the third to the second quartile, and we achieved record copper production. We also reinforced workplace safety, strengthened teams and incorporated best practices. And significant

progress was made together with employees towards a Strategic Agreement, based on mutual trust and a frank exchange of opinions.

Copper market

This year that ends, similar to the previous year, global copper prices continued their downward trend, together with declining by-product prices. In this difficult world outlook, 2015 was also a challenging year for our Company.

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The average LME copper price was US\$ 249.2 ¢/lb in 2015, down 20% from 2014 when the average price was US\$311.3 US\$/lb. Similarly, molybdenum prices, our main by-product, fell 41%; while gold dropped 8% and silver 18%.

There were several reasons for this trend, especially slower growth forecasts for China, the world's largest copper consumer, in addition to new projects around the world that oversupplied the copper market and other financial factors.

The Company's sales revenue was US\$11.694 billion - this includes toll milling services, own copper and by-product sales, - down US\$2.133 billion from 2014.

These results were offset by the organisation's efforts to increase output, reduce costs and the strong US dollar.

Higher output and lower costs

Codelco produced 1,891,000 tonnes of refined copper in 2015, from Codelco operations, plus its stake in Minera El Abra and Anglo American Sur. This production is 2.8% higher than in 2014, an extraordinary result for the difficult year we had. This performance was largely thanks to increased production at Ministro Hales and El Teniente Divisions, but was counteracted by lower production at Chuquicamata and Radomiro Tomic divisions.

The cost reduction plan had positive results. Our direct cost (C1) for the year was \$138.7 ¢/lb of copper, down 8% from 2014 (US\$150.4 ¢/lb.).

Our goal was to save US\$1 billion, focusing on two points: improve resource efficiency and productivity indicators and maintenance performance, and reduce consulting services, studies, investments and other services; and take advantage of all the opportunities created by lower input prices, especially oil. At the end of the year, we had achieved 120% of this target, saving US\$1.203 billion, this effort allowed Codelco to deliver US\$1.075 billion in pre-tax profits (before extraordinary items).

However, the above sum was down 65% from 2014, when pre-tax profit rose to US\$ 3.046 billion (before extraordinary items). These results were due to a 20% fall in copper prices and weaker subsidiary performance, scenarios that were partially mitigated by the plans and efforts to increase productivity, lower production costs and a strong US dollar.

Impairments

In the case of the copper mining industry the decline in commodity prices resulted in the impairment of mining assets. This is why Codelco, like all global mining companies, reviewed the value of its assets and recorded a decreased book value of its assets and investments (impairment loss)

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in its financial statements, US\$2.431 billion in 2015. After impairment, Codelco's pre-tax profits recognised a book loss of US\$ 1.357 billion, this does not affect cash flow or the resources the Company delivers to the Chilean State.

Improved procurement process

Codelco promotes initiatives to ensure probity and transparency in procurement, tender processes and improving the quality of the information available on the market. We also improved the procurement portal to encourage participation and we developed new suppliers, mainly from China, who participated in more than 100 tender processes conducted by our Company, amounting to over US\$ 40 million.

This year we did business with 3,718 suppliers, 3,483 local and 235 foreign suppliers. The total was US\$6.945 billion; this sum includes long-term energy and fuel supply contracts. The use of goods and services was down 15% compared to 2014, in line with our goal to increase productivity and cut operating costs.

By 2015, Codelco had a portfolio of 35 cluster projects at different development stages, thus contributing to the goal set by the National Mining Programme, to have at least 250 world-class suppliers that can export US\$10 billion in mining-related goods and services by 2035.

Zero fatalities

A goal of our corporate management is the safety of all our employees. For this reason we are proud to announce that for the first time in a calendar year, we achieved zero fatalities, an achievement we aim to repeat.

The total injury frequency rate for our staff and contractors 0.91 per million hours worked in 2015, down 31% from 2014 (1.32).

Over the year we defined and implemented the Occupational Health, Safety and Risk Management System and we officially launched a new policy in order to protect the health and safety of our employees, ensure continuity of related processes and protect the resources entrusted to our management.

Structural projects

Our portfolio of six structural projects forms part of the transformation required to secure Codelco's future. These projects are at different stages of development.

Chuquicamata Underground Mine: currently 25% progress and on schedule.

Radomiro Tomic Sulphide Mine: Currently in detailed engineering phase.

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Rajo Inca Mine: In prefeasibility study, which has been extended to obtain more geo-mineral-metallurgical data and to complement the mine-plant capability options, for its final recommendation.

Andina New Conveyor System: Currently in implementation phase. This project aims to maintain the current throughput rate and replace the current primary ore crushing and conveyor system that will be affected by the mine expansion.

Andina Future Development: We are looking for a new development option that balances the need to use the large mineral resources we own, with a minor business investment, less construction time and that adapts to the current status of the industry and to environmental issues.

El Teniente New Mine Level: Currently in implementation phase, work has slowed down in order to have a better response to the rocky massif conditions and adjust some aspects related to project engineering.

In addition to these structural developments, we invested in a portfolio of division studies and projects that have to be conducted every year to maintain the assets in operation, ensuring suitable standards and to improve its long-term competitiveness.

In 2015, the portfolio of pre-investment studies and projects cost US\$3.343 billion, similar to the prior year in nominal terms.

Capitalisation and funding activities

At Codelco we have access to North American, Asian and European markets, through bond issues, bilateral loans and syndicated loans. In September 2015, we participated in the international capital market with a record 10-year US\$ 2 billion, 4.5% annual coupon bonds. These resources were used to partially fund investments and refinance liabilities for the period 2015-2016. This bond issue attracted orders from over 260 global investors.

During the course of 2015, in the context of the Codelco multiannual capitalisation law (2014-2018), the Government authorised US\$225 million retained earnings and a US\$ 600 million capital injection.

Exploration in Chile and abroad

Exploration is critical to mining, because it is a means to develop new operations and increase the Company's resources and reserves. Chile concentrates 80% of all our exploration investments, 23% went to La Huifa, an advanced exploration project, close to El Teniente district; the remaining 20%, to international exploration in Ecuador and Brazil.

During the year, we checked 166 sites in different stages of exploration; at 88 sites we did exploration drilling and we drilled a total 75,000 metres in sites with potential resources. At three sites, drilling intersected high-grade zones, which shall be developed in 2016.

Overall we invested US\$73 million in exploration activities during the course of 2015, 32% more than in 2014.

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Innovation and technology

Our objective in 2015 was to develop a business approach for innovation and technology development. For this purpose, we merged two departments and formed the Corporate Business and Innovation Department that will qualify and prioritise innovation initiatives for long-term mining operations.

We are currently designing a more open and interactive innovation management system. The idea is to attract knowledge from different fields, i.e., this implies challenging scientist, entrepreneurs, innovators and engineers to help us build the future, creating a set of advanced technology capabilities, and also new comparative advantages, in different areas such as robotics, communications, logistics, biotechnology and information technology.

In 2015 Codelco and the Centre for Mathematical Modelling (CMM), Universidad de Chile, held the first contest - PiensaCobre - for mining and innovation theses, the idea was to attract disruptive thinking from the academic world.

In numbers, Codelco invested approximately US\$ 60 million in innovation and technology during 2015, especially in our priority areas such as automation of mining processes, large-scale and complex operating data management system (BigData), search for technological breakthroughs in metallurgical processes and technologies that answer the mining business community and environmental sustainability requirements.

We also implemented the Codelco Digital strategy, dedicated to technologies such as teleoperation of mining equipment, automation of production processes and integration of robotic systems, the latter applied to high-risk or physically challenging activities. It is a highly efficient and productive tool for safer mining operations and it is committed to the environment.

Diversity, inclusion and equality

Codelco has a gender diversity strategy. In 2015 we created a department directly under the Vice Presidency of Human Resources, in order to position this issue across the organisational culture, recognising it as essential to our competitiveness.

In fact, diversity, inclusion and fairness were included in the Exclusive Performance Agreement as essential and transversal imperatives, in line with our guiding principles. This strategy aims to institutionalise gender issues within the organisation, through its Gender Policy; in addition to a Gender Diversity Master Plan by 2020, that aims to develop initiatives focused on closing gaps and continuing the certification process for Chilean Standard 3262, after Gabriela Mistral Division succeeded in becoming the first miner in Chile to be awarded the Gender Equality Seal in 2015. While Ventanas Division and Head Office expect to be certified in 2016.

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In numbers, women's participation in our workforce was 8.9%, higher than the industry (7.7%), but it is still not enough, so we shall implement policies to increase our rates.

People management

In 2015, we confronted and positively solved six collective bargaining negotiations at four divisions, despite the decline in copper prices. During this period, we developed a new approach to collective bargaining, in accordance with the times and circumstances of the Company and the mining industry, and we endeavoured to promote productivity-related benefits. In this context, the good news was that, despite several labour conflicts, in 2015 we reduced negative impact on the Company's production to zero.

During this period, we institutionalised the succession management system and model, needed to identify the right people to fill critical positions left vacant in our organisation, and to assess and develop the leadership skills required to assume these challenges. This year 55% of vacant critical positions were filled by these successors.

We designed a leadership model and defined the type of profile required to meet the Company's objectives. We also developed a communication skills and leadership training programme that trained 932 supervisors in charge of professional staff, to align people with our business strategy, develop leadership and communication skills, and facilitate the performance management process.

Strategic agreement

In 2015, a significant achievement was the joint work between management and the Copper Workers' Federation (FTC) in order to sign and implement the Strategic Governance Agreement that will drive the Company's sustainable development and competitiveness.

During most of the year, an ad hoc team focused on validating an agreement that would reflect the interests of both parties and would primarily be a management tool to successfully implement the Company's business strategy.

On 4 November we officially delivered the Strategic Governance Agreement to the President of the Republic, Michelle Bachelet, at the Moneda Palace.

Behaviour, transparency and lobbying

The Company has had a Code of Conduct in place for many years in order to implement the best business practices; it includes a hotline that allows anyone to report, anonymously, safely and confidentially, potential misconducts in the workplace. In 2015, the hotline received 222 reports, of which 142 investigations were completed and 80 are currently underway. 10 completed cases resulted in disciplinary sanctions.

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In 2015, the board of directors also approved standards of transparency, probity and good corporate governance, based on the highest international standards related to all aspects of business conduct, such as trade relations, institutional connections, and people management processes. It should be noted that we imposed a higher lobbying standard than applicable regulations.

Community engagement

In 2015, Codelco continued developing and implementing a new approach for occupational health and safety, environment and community development that looks to achieve the following goals: protect everyone from harm in the workplace, eliminate fatalities and prevent work-related diseases; protect the environment, close the socio-environmental gaps at operations and projects, and develop communities near to our operations, putting into practice a new community engagement model.

In 2015, the Company invested US\$ 479 million in sustainability projects, considerably more than the US\$364 million in 2014. Of this amount, US\$ 184 million went to occupational health and safety initiatives and US\$ 295 million to environmental investments.

In 2015, we specifically focused on the following short-term environmental challenges:

- Capture up to 95% of emissions arising from all divisions (2018-2019), driven by a regulatory change.
- Close gaps or minimise key socio-environmental vulnerabilities identified when internal regulations were updated.
- Prevent moderate and major environmental incidents.
- Consolidate the implementation of the new environmental risk management system, strengthening ongoing improvement of our environmental performance.

In this sense, although Codelco has not had any recent environmental incidents classed as moderate or major incidents; in September 2015 a major incident, based on our internal standards, was recorded at Salvador Division. Apart from this major incident, there were also other minor and moderate incidents, which once again required us to assess our procedures, in order to meet our own goals in this area. In 2016 we working on the measures needed to improve our environmental standards.

In 2015, Codelco consolidated a new approach to community engagement, including our social licence to operate, sustainable and inclusive mining. Our main initiatives focused on creating working groups, implementing investment projects and generating information for the community.

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In 2015 the community investment projects had three investment goals: socioeconomic impact on area of influence, human capital and indigenous peoples, amounting to CLP\$ 5.671 billion.

New copper markets

During the course of 2015, Codelco continued in the International Copper Association (ICA), especially focusing and controlling programmes that have a high impact on copper consumption and are included in the 2014-2016 strategic plan, so as to optimise resources and leverage new initiatives, developments and products.

We primarily focused on programmes that defend the copper market in China, where the power sector is a major copper consumer, but also on promoting and defending other major consumers of copper and on innovation in new uses for copper. In 2017, we hope to validate ICA's goal to increase the global copper demand by one million tonnes of refined copper over 2014 consumption, with more than 100 projects distributed worldwide.

With regard to innovative and new uses for copper, our subsidiary Codelco Lab, which has over 15 projects successfully supported and more than 25 in the current portfolio, continues expanding the value of our key product.

The country's future is impossible without mining. After a year of facing major challenges, this period has also become a great opportunity, and today Codelco is a stronger and better-prepared company. There

will be financial difficulties over the coming years, and we will have to adjust expectations, but at the same time, it will be a period of profound transformation. I am absolutely certain that together with our employees, who understand the challenges we face to build Codelco's future, we shall achieve a renewed Company, a benchmark for sustainable, efficient, diverse, transparent and innovative mining.

Nelson Pizarro Contador
President & CEO