

# **MINING EXPERIENCE**

---



# TABLE OF CONTENTS

---

|                                      |            |
|--------------------------------------|------------|
| <b>OUR COMPANY</b>                   | <b>6</b>   |
| <b>BUSINESS AND FINANCIAL REVIEW</b> | <b>20</b>  |
| <b>CSR APPROACH</b>                  | <b>30</b>  |
| <b>OUR PEOPLE</b>                    | <b>49</b>  |
| <b>SOCIAL IMPACT</b>                 | <b>59</b>  |
| <b>ENVIRONMENT</b>                   | <b>80</b>  |
| <b>CSR PERFORMANCE DATA</b>          | <b>100</b> |

|                   |     |
|-------------------|-----|
| About This Report | 151 |
| Contact Us        | 156 |
| Glossary          | 157 |

# MINING EXPERIENCE

Hudbay understands every phase of the mining cycle. Founded in 1927, the Company has benefited from and endured every opportunity and challenge this industry can present. Between 2010 and 2015, we met the test of simultaneously developing what are now three outstanding mines. Today, our low-cost metals production and growth potential position us for continued success as a solid investment and a reliable partner everywhere we operate.

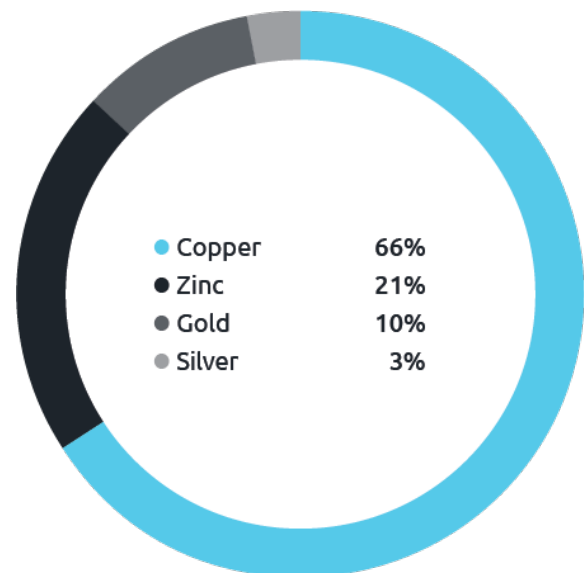
## RECENTLY CELEBRATED

# 100th ANNIVERSARY

of the discovery of the Flin Flon deposit



## REVENUE BY SIGNIFICANT METAL TYPE<sup>1</sup>



1. Based on 2015 annual gross revenue before deduction of treatment and refining charges and pre-production revenue and including unrealized gains and losses related to non-hedge derivative contracts.

## CASE STUDY



### Maintaining Safety and Controlling Costs in Manitoba

In underground mines, like Hudbay's Reed operation in northern Manitoba, wire-mesh screens are bolted to the walls and ceiling to help prevent rock falls and cave-ins. The screens are held in place by plates, attached by lengths of rebar. Mining activities like underground blasting can lead to rocks falling or shifting behind the screens, which causes them to bend outward or "bag". To minimize "bagging" at Reed, the rebar securing the plates is driven into the rock face in a pattern like the "five" side on a die. It's effective, but expensive, with each length of rebar costing approximately C\$14. After thorough research and testing, miners at Reed determined they could use a mechanical bolt instead of a longer piece of rebar for the centre, while still employing the "five" dice pattern that had been so effective. This one change will translate into annual savings of C\$180,000 while maintaining our high safety standards. It's a perfect example of continuous improvement at work, and has since been implemented at Hudbay's 777 mine as well.

Overall, continuous improvement and cost optimization initiatives contributed to more than C\$4 million in savings in 2015, while maintaining or improving our operating standards. Additional savings of C\$15 million in the Manitoba operations are planned in 2016.

## **CASE STUDY**



### **Constancia Expands Transport Fleet in Response to Production Ramp-up and Transportation Challenges**

Through enviable performance, the team at Constancia ramped up to full production far more quickly than anticipated. During the same period, the Peru Ministry of Transportation was carrying out a major construction program that closed off traffic for seven hours per day on a 60-kilometre section of the 470-kilometre route from the mine to the port at Matarani. Consequently, a backlog of copper concentrate built up at the site in the fall of 2015. To reduce the backlog, a much larger fleet of trucks and drivers was needed to get concentrate to the port. Transport companies across Peru were contracted, and a team of contractors and subcontractors was soon assembled. However, it became clear that work needed to be done to ensure that the new drivers understood and acted in accordance with Hubday's safety expectations.

Experienced instructors were hired to provide training, verify skills and periodically assess driver performance. The drivers were educated in the principles of defensive driving, including self-monitoring for fatigue and aggressive driving. We added control points for checking driver compliance and allowing drivers to rest if tired. Trucks were linked to a GPS monitoring system that tracked location as well as driving speed. We also explored alternative routes to bypass road construction, but these secondary roads through the Andes proved unsuitable for the safe operation of transport trucks.

Although Hubday represented less than one-third of the heavy truck traffic on most of the route, more communities took notice of our operations, particularly on the unpaved sections of the route, as the number of trips increased. Constancia's community relations team contacted local leaders, held public meetings, informed people about routes and timing, and explained measures put in place to mitigate the impact of increased traffic (like watering gravel roads to control dust).

To provide further opportunities for local communities to benefit economically from our move into operations, we also worked with committees for development in Uchucarco and Chilloroya to help them purchase 25 trucks, which they could rent to contractors hauling Constanca concentrate to Matarani.

Through our efforts to increase transportation capacity and safety, all of the excess concentrate inventory was moved to port and sold by the end of 2015.

## **CASE STUDY**



### **Arizona Business Unit Builds Ties with the Community**

Hudbay has a lot of experience in building close ties with the communities near our mining operations – we’ve been doing it for almost 100 years. In 2014, we acquired the Rosemont project. Located in Pima County, Arizona, approximately 50 miles (80 kilometres) southwest of Tucson, Rosemont has the potential to be one of the largest copper mines in the US. Soon after the acquisition was completed, the head of our Arizona Business Unit, Pat Merrin, moved to Tucson with his family, and worked to demonstrate that Hudbay is committed to building the right mine, the right way, and that good community relations are an essential part of that vision.

While Rosemont is still in the permitting phase, we’ve had a team on the ground for two years, and have hired local people for a number of key roles. We’ve also put in place a community relations (CR) strategic plan with a stated mission to build meaningful relationships with stakeholders based on integrity and mutual respect. Our efforts in this area range from detailed protocols for CR and government relations; building local relationships through engagement initiatives, such as site tours; implementing a robust corporate contributions program; and doing simple things, like financially supporting and taking part in local events.

We hope to complete permitting in 2016. Once the construction phase of the project is initiated, business unit lead Pat Merrin notes, “we need to build not just a profitable mine, but a good mine... one that people respect, trust and see as a valuable addition to their community.”

# OUR COMPANY

Hudbay is an integrated mining company that produces copper concentrate (containing copper, gold and silver) and zinc metal. We are headquartered in Toronto, Ontario, Canada, and listed on the Toronto Stock Exchange, New York Stock Exchange and Bolsa de Valores de Lima under the symbol “HBM”.

## 1 MANITOBA

### LALOR

- 100% ownership
- Long-life, underground zinc/copper/gold mine
- Stall Lake concentrator processes Lalor ore

### 777

- 100% ownership
- Underground copper/zinc/gold/silver mine
- Flin Flon concentrator
- Hydrometallurgical zinc plant

### REED

- 70% ownership
- Underground copper mine

## 2 ARIZONA

### ROSEMONT

- 92.05% ownership\*
- Open pit copper project

## 3 PERU

### CONSTANCIA

- 100% ownership
- Open pit copper mine and concentrator
- Commercial production achieved in 2015

\* Our ownership in Rosemont is subject to an Earn-In Agreement with United Copper and Moly LLC (UCM) pursuant to which UCM has earned 7.95% interest in the project and may earn up to a 20% interest.



# OUR COMPANY

# **CEO**

# **MESSAGE**

---

2015 was a year of transition and important growth accomplishments for Hudbay. In my first letter as Chief Executive Officer, I'm pleased to report that 2015 was also a year that confirmed the strengths of our strategy and our people.

When Hudbay successfully ramped up to full commercial production at Constanca, it completed the transition from a company that had been focused on development to one focused on optimizing production and processes at operating mines. As we reported early this year, copper sales volumes from our mines – Constanca, Lalor, Reed and 777 – increased 850% year-over-year in the fourth quarter of 2015. This is a remarkable achievement by any measure and in any market conditions.

## **EXPERIENCE MANAGING THE MINING CYCLE**

The impact of this strong performance was in stark contrast to the low price environment that affected the entire commodity market. At the same time, it demonstrated why we focused on bringing Lalor and Constanca, in particular, into production. High-quality, long-life, low-cost mines enable Hudbay to perform even in the tough times, and position us to capitalize on opportunity when, as it always does, the cycle follows its natural path to metal price increases.



**Copper sales volumes from our mines – Constanca, Lalor, Reed and 777 – increased 850% year-over-year in the fourth quarter of 2015. This is a remarkable achievement by any measure and in any market conditions.**

In response to deteriorating commodity prices, we launched an extensive review of all of our operations as part of a company-wide efficiency improvement initiative. This review delivered expected 2016 capital expenditure and operating cost reductions of more than \$100 million, compared to 2016 guidance, with no effect on our production guidance. It is important to make clear that pursuing and implementing these savings had no impact on safety. Safety is never negotiable.

In early 2016, Hudbay also announced amendments to our credit facility. We received commitments from lenders under our two secured credit facilities to consolidate the lender groups and restructure the two facilities with more flexible financial covenants and longer maturity dates. Not only does our success in this renegotiation enhance our liquidity position, but it is also a clear indication that the market recognizes Hudbay's strengths and it leaves us well positioned to respond to the current price environment.

## **MEETING CHALLENGES**

Given the size, location and complexity of the project, the ramp-up to commercial production at Constanca went remarkably smoothly, but inevitably, there were challenges. In fall 2015, driven in part by strong ramp-up performance, we experienced a build-up of copper concentrate inventory at the mine site. In response, a larger fleet was quickly certified, the range of routes to the port at Matarani optimized, and by the end of 2015, the entire excess inventory had been transported to port and sold.

Hudbay Manitoba's collective agreements with the seven unions expired on December 31, 2014. We were unable to establish an agreement with one union, which subsequently went on strike in May 2015. Work proceeded under a contingency plan, and a new three-year collective agreement was finalized in August 2015.

Our acquisition of the New Britannia mine and mill (NBM mill), in May 2015, is an example of imaginative near-term cost control and strategic long-term thinking. Though it is currently on care and maintenance, the NBM mill can be refurbished more quickly and more cost-effectively than building a new concentrator, as was initially planned for Lalor. At the same time, it offers a range of functionality that gives us considerable flexibility in processing copper and gold from Lalor.

## **MINDFUL OF OUR RESPONSIBILITIES**

An organization-wide commitment to corporate social responsibility (CSR) has been essential to the achievements of the last five years, and will help sustain Hudbay through the ups and downs of the commodity cycle. At all times, while taking steps to drive efficiency and optimize performance, we remain mindful of our responsibilities to our employees, our communities and the environment. CSR is very much like safety in this respect.

CSR makes a key contribution to productivity and efficiency at all of our operations, including our 2016 priorities to achieve ISO 14001 (environmental) and OHSAS 18001 (health and safety) certification at Constanca, and to adopt the Mining Association of Canada's Towards Sustainable Mining Initiative, the Voluntary Principles on Security and Human Rights, and other international best practice standards.

This past year, we also strengthened our policies and procedures with respect to anti-corruption, and took measurable steps to ensure they are widely understood throughout Hudbay.

As already mentioned, safety remained our top priority. Our overall lost time accident (LTA) frequency was 0.3 per 200,000 hours worked in 2015. While not on par with our record 2014 performance of 0.1, it was still a strong year for safety.

## **CONNECTED TO COMMUNITIES**

Building strong relationships with the communities near our operations is a defining characteristic of Hudbay, and has been since its founding almost 90 years ago. Local residents must benefit from our activities. This includes hiring people from nearby communities to work at our operations, which can involve helping them upgrade their existing skills or teaching them new ones. At Constanca, Hudbay Peru employed more than 400 local people in 2015, and our Manitoba subsidiary created 160 new jobs, primarily at Lalor.

Along with providing employment, we contribute to local development through the goods and services we purchase from local businesses, and through the taxes and royalties we pay on our activities. This year, Hudbay Peru completed its first project under an innovative program that allows companies to pay up to half their income tax through contributions to public infrastructure projects. These funds financed the building of an irrigation system in the district of Livitaca.

Reflecting our commitment to openness and transparency, we pursued community outreach initiatives at all of our operations and projects, keeping people informed of our activities and helping them understand how they can engage and work with us. This included particular efforts focused on Aboriginal communities near our operations, where we continually work to build new relationships and strengthen existing ties.

We marked our longest-standing community relationship throughout 2015 by commemorating the 100th anniversary of the discovery of the Flin Flon deposit. Please visit the interactive centennial museum on our website for a historic look at this milestone and its impact on our company and the northern Manitoba region.

## **A SUSTAINABLE APPROACH**

Hudbay is committed to mitigating impacts at its operations, while contributing to regional sustainability. Our efforts in Manitoba include an ongoing commitment to boreal woodland caribou conservation, while in Peru they include species rescue and relocation initiatives, revegetation programs using regionally appropriate seedlings grown by local community members, and wetlands management.

Environmental studies at Rosemont in Arizona have been ongoing for the last several years. The data from these studies has been used in developing management and mitigation plans that should help to establish Rosemont as a leader in environmental practice.

## **A STRONG FOUNDATION**

Hudbay is guided by experience, so in the current challenging market, our focus will be on process optimization and cost efficiency. But experience also tells us there are few companies in the sector as strongly positioned as Hudbay to deliver long-term growth in performance and value.

In 2016, Rosemont Copper Company, our Arizona subsidiary, will continue work on the Rosemont permitting process and feasibility study to position it as one of the best shovel-ready projects in the industry, ready to move forward when the economics for development improve. At Constancia, even after its first full year of commercial operation, the potential of this high-value, long-life asset continues to impress.

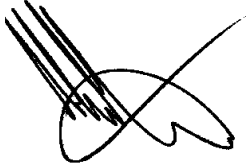
The same is true in Manitoba, where the foundation provided at Lalor ensures that we will continue to operate in the region well beyond the 100th anniversary in 2015 of the discovery of the original Flin Flon deposit. Despite our best efforts, including the exploration of the War Baby claim in 2015, in a matter of years, 777 will reach the end of its life as an operating mine. A priority for Hudbay in 2016 will be working with our colleagues and with the community in Flin Flon to help ensure a smooth and effective social and economic transition. At the same time, I cannot overstate that our commitment to Manitoba remains strong and our connection to Flin Flon will endure.

We intend to grow our company via exploration and development of projects already in our control, like Rosemont, while also keeping an eye on acquisition opportunities that fit our strategic criteria. In order to successfully achieve these initiatives, we recognize the need to have strong operating and management teams, which is why we will continue to develop leadership programs to maintain uniform high leadership capability within Hudbay. Above all, we value the safety and well-being of all our employees and the communities where we operate, and maintaining or improving our safety performance and strong relationships with our local communities will remain top priorities for the Company.

I would like to thank the Board for the confidence they have shown in me, and I want to thank my colleagues throughout Hudbay for the support they have extended to me in my new role. The theme of this year's report is *Mining Experience*, because it captures how Hudbay benefits from a depth of experience and a knowledge of mining that combine to give us a truly unique advantage.

I invite you to review our report and our websites to find out more about Hudbay's achievements in 2015, and our priorities for the years ahead.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Alan Hair  
President and Chief Executive Officer

# OUR COMPANY

# **CORPORATE GOVERNANCE**

---

Hudbay's Board of Directors and management team believe that good governance supports the Company's strong performance and long-term success, providing oversight and accountability, strengthening internal and external processes, and helping secure the confidence and trust of our many stakeholders.

The Board oversees the Company's business and provides guidance to management to help meet corporate objectives and maximize shareholder value. The Board fulfills its responsibilities directly and through its five committees:

- Audit Committee
- Compensation Committee
- Corporate Governance and Nominating Committee
- Environmental, Health, Safety and Sustainability Committee
- Technical Committee

Board members are selected based on criteria that include: judgment, character, expertise, skills and knowledge useful to the oversight of the Company's business; diversity of viewpoints, backgrounds, experiences and other demographics including gender; business or other relevant experience; and the overall composition of the Board.

## BOARD OF DIRECTORS



**W. Warren Holmes\***

---

Chairman  
Corporate  
Governance and  
Nominating  
Committee (Chair)



**Alan Hair**

---

President and Chief  
Executive Officer



**Igor Gonzales\***

---

Technical  
Committee,  
Environmental,  
Health, Safety and  
Sustainability  
Committee



**Tom A. Goodman**

---

Environmental,  
Health, Safety and  
Sustainability  
Committee (Chair),  
Audit Committee



**Alan R. Hibben\***

---

Compensation  
Committee (Chair),  
Corporate  
Governance and  
Nominating  
Committee



**Sarah B. Kavanagh\***

---

Audit Committee  
(Chair), Corporate  
Governance and  
Nominating  
Committee



**Alan J. Lenczner\***

---

Audit Committee,  
Compensation  
Committee



**Kenneth G. Stowe\***

---

Technical Committee  
(Chair),  
Environmental,  
Health, Safety and  
Sustainability  
Committee



**Michael T. Waites\***

---

Audit Committee,  
Technical Committee



**Carin S. Knickel\***

---

Compensation  
Committee,  
Environmental,  
Health, Safety and  
Sustainability  
Committee

\* Independent



# OUR COMPANY

# **BUSINESS CONDUCT**

---

Operating openly, fairly and with integrity is the proper way to run our business and the right way to treat our stakeholders.

Hudbay employees and contractors are expected to uphold high standards of honesty and integrity. Our [Code of Business Conduct and Ethics](#) (the “Code”) and related policies set out principles for directors, officers and employees on matters like compliance with law, conflicts of interest, confidential information, protection and proper use of Hudbay assets, and the reporting of illegal and unethical behaviour. We recognize that bribery and corruption pose risks wherever we operate, and we want to be very clear about our standards and expectations.

On joining the Company, all board members and employees must sign a declaration confirming that they understand and will comply with the Code. The Board requires every director and executive officer to disclose any direct or indirect conflict of interest, and to confirm compliance with the Code annually. Formal, annual confirmation of compliance with the Code is also required from all employees above the manager level and those dealing with money or government officials.

Employees and contractors working at Constanca are also expected to abide by a Code of Conduct and Social Protocol based on the corporate Code and local community commitments. A plain language booklet and a video inform all workers at the site about the obligations under the Constanca Code.

Hudbay’s Legal department is responsible for providing compliance training on the Code of Business Conduct and Ethics and related policies, and on the Canadian *Corruption of Foreign Public Officials Act* (CFPOA) and the US *Foreign Corrupt Practices Act* (FCPA), to specific groups or across the organization as it deems appropriate. The focus on anti-bribery and anti-corruption was expanded in 2015 to include an online training component.

We encourage employees who become aware of a real or potential conflict or departure from the Code to bring it to the attention of a supervisor or department head. The Board has adopted a Whistleblower Policy for employees to report concerns regarding, among other things, violations of the Code or anti-bribery legislation or concerns related to financial statement disclosure issues, accounting, internal accounting controls or auditing matters. Hudbay has a third-party managed ethics hotline that allows individuals to report any concerns about inappropriate business conduct confidentially and anonymously by phone, website (<http://www.clearviewconnects.com>) or mail.

## 2015 PERFORMANCE HIGHLIGHTS

---

- We strengthened our anti-corruption policies and procedures in multiple ways including:
  - Developing a [Statement on Anti-Corruption](#), which is posted to our website;
  - Making a “How to Say No” video training series on bribery and corruption available to all employees through our corporate intranet;
  - Ensuring that select employees complete an online training program on anti-bribery and anti-corruption;
  - Revising all contract templates to prohibit bribery and corrupt activities;
  - Modifying the vendor onboarding process to ensure that employees consider a series of questions related to anti-bribery and anti-corruption and, in certain cases, obtain due diligence reports before engaging vendors; and
  - Broadening the scope of employees across the organization who receive anti-bribery and anti-corruption training.
- Ethics and anti-corruption training:
  - 10 board members (100%) received ethics and anti-corruption training.
  - 360 employees were trained in anti-corruption policies, representing 21% of the workforce and 91% of those who were required to receive training because of their role.
- The majority of complaints received through our third-party whistleblower reporting service involve operational matters and employee relations. Thirty-four incidents were reported in 2015, all of which were investigated and resolved with corrective action where necessary. While none of these incidents involved significant allegations of fraud or violations of our Code of Business Conduct and Ethics, there were issues related to business, health, safety and environmental practices; inappropriate behaviour or violation of a Company policy or procedure; and conflicts of interest.

## TO REPORT AN ISSUE

---

There are a number of avenues available to people who wish to make inquiries on ethical and lawful behaviour, and on matters related to organizational integrity, as well as to register a concern about Hubday’s activities:

- Contact our Board of Directors by mail or email at [chairman@hubday.com](mailto:chairman@hubday.com).

- To make a confidential report to the Chair of Hudbay's Audit Committee about a perceived violation of the Company's internal and accounting controls, auditing matters or violations of the Company's Code of Business Conduct and Ethics, call +1 877 457-7318 or visit [www.clearviewconnects.com](http://www.clearviewconnects.com). Reports are handled under our Whistleblower Policy, and the Chair of the Audit Committee is responsible for ensuring that they are appropriately investigated.
- The Office of the Extractive Sector Corporate Social Responsibility (CSR) Counsellor is a resource available for constructively resolving conflicts between project-affected communities and Canadian extractive sector companies outside of Canada. The CSR Counsellor can be reached by email at [csr-counsellor@international.gc.ca](mailto:csr-counsellor@international.gc.ca) or by telephone at +1 343 203-6735.
- Canada's National Contact Point (NCP) for the Organisation for Economic Co-operation and Development (OECD) provides a forum where multinational enterprises, Canadian businesses, non-governmental organizations and labour organizations can voice their views and concerns. Canada's NCP can be reached by email at [npc.pcn@international.gc.ca](mailto:npc.pcn@international.gc.ca) or by telephone at +1 343 203-2341.
- The majority of complaints received through our third-party whistleblower reporting service involve operational matters and employee relations. Thirty-four incidents were reported in 2015, all of which were investigated and resolved with corrective action where necessary. While none of these incidents involved significant allegations of fraud or violations of our Code of Business Conduct and Ethics, there were issues related to business, health, safety and environmental practices; inappropriate behaviour or violation of a Company policy or procedure; and conflicts of interest.

We also have grievance processes set up at our projects and operating sites to address community concerns. See [Community Relations](#) for details.

# OUR COMPANY **MANAGEMENT TEAM**

Our experienced management team is responsible for establishing and implementing the Company's long-range goals, strategies, plans and policies, subject to the Board's direction and oversight.



**Alan Hair**

President and Chief Executive Officer



**David Bryson**

Senior Vice President and Chief Financial Officer



**Cashel Meagher**

Senior Vice President and Chief Operating Officer



**Eric Caba**

Vice President, South America Business Unit



**David Clarry**

Vice President, Corporate Social Responsibility



**Patrick Donnelly**

Vice President and General Counsel



**Jon Douglas**

---

Vice President and  
Treasurer



**Elizabeth Gitajn**

---

Vice President, Risk  
Management



**Eugene Lei**

---

Vice President,  
Corporate  
Development



**Terry Linde**

---

Vice President,  
Project and Technical  
Services



**Patrick Merrin**

---

Vice President,  
Arizona Business Unit



**Mary-Lynn Oke**

---

Vice President,  
Finance



**Robert Winton**

---

Vice President,  
Manitoba Business  
Unit

# **BUSINESS AND FINANCIAL REVIEW**

---

In a challenging year for commodities, Hudbay leveraged decades of mining experience to deliver nearly 300% growth in copper production and beat operating costs guidance while carrying out an extraordinarily successful ramp-up of production at Constancia, optimizing the Manitoba operations and advancing the Rosemont project.

## **KEY ACCOMPLISHMENTS**

- Achieved commercial production at Constancia and completed ramp-up – both on budget and on schedule
- Delivered growth in copper production, sales, revenue and operating cash flow compared to previous year
- 2015 production of all key metals was within guidance ranges for both the Manitoba and South America Business Units



## 2015 SUMMARY

### OPERATIONS SUMMARY

| <i>For the years ended December 31</i>              | 2015    | 2014  |
|---|---------|-------|
| <b>Production (contained metal in concentrate)*</b> |         |       |
| Copper (000 tonnes)                                 | 147.3   | 37.6  |
| Zinc (000 tonnes)                                   | 102.9   | 82.5  |
| Gold (000 ounces)                                   | 100.2   | 73.4  |
| Silver (000 ounces)                                 | 2,791.5 | 745.9 |

\* Metal reported in concentrate is prior to refining losses or deductions associated with smelter contract terms.

### FINANCIAL SUMMARY

| <i>Financial condition (in \$000s)</i> | Dec. 31, 2015 | Dec. 31, 2014 |
|--|---------------|---------------|
| Cash and cash equivalents              | \$ 53,852     | \$ 178,668    |
| Working capital                        | 57,613        | 87,166        |
| Total assets                           | 4,479,585     | 4,850,881     |
| Total long-term debt                   | 1,274,880     | 987,067       |
| Equity                                 | 1,787,290     | 2,109,058     |

### Financial performance

| <i>(in \$000s, except per share and cash cost amounts)</i>                        | Dec. 31, 2015 | Dec. 31, 2014 |
|---|---------------|---------------|
| Revenue   | \$ 886,051    | \$ 507,515    |
| (Loss) profit before tax  | (399,041)     | 13,942        |
| Basic and diluted (loss) earnings per share <sup>1</sup>                          | (1.41)        | 0.31          |
| (Loss) profit   | (331,428)     | 65,269        |
| Operating cash flows before stream deposit and change in non-cash working capital | 222,140       | 16,771        |

## Financial performance

(in \$000s, except per share and cash cost amounts)

Dec. 31, 2015

Dec. 31, 2014

---

### Production

Contained metal in concentrate<sup>2</sup>

|                 |           |         |
|-----------------|-----------|---------|
| Copper (tonnes) | 147,280   | 37,644  |
| Gold (ounces)   | 100,177   | 73,377  |
| Silver (ounces) | 2,791,536 | 745,910 |
| Zinc (tonnes)   | 102,919   | 82,542  |

### Metal sold

Payable in metal in concentrate

|                       |           |         |
|-----------------------|-----------|---------|
| Copper (tonnes)       | 134,600   | 31,734  |
| Gold (ounces)         | 93,779    | 63,950  |
| Silver (ounces)       | 1,873,176 | 634,402 |
| Refined zinc (tonnes) | 101,920   | 102,981 |

---

1. Attributable to owners of the Company.

2. Metal reported in concentrate is prior to deductions associated with smelter contract terms.





“Our success in developing a new operation, in a new country, a new language and a new type of mining, helped give us the confidence that we could do it here at Rosemont.”

### **Eugene Lei**

Vice President,  
Corporate  
Development

Before joining Hudbay, Eugene Lei worked as an investment banker focused on mining for over a decade. “I wanted to specialize in something that Canada excelled at, and mining is where Canadian companies are the leaders in the world.” It was the opportunity to “be with companies that are growing, companies that matter” that drew Eugene to Hudbay. In 2014, he played a central role in Hudbay’s acquisition of Rosemont, an asset in Arizona that will position Hudbay among the world’s top copper producers. “We’d been tracking Rosemont before I got here,” notes Eugene, “but part of my experience as an investment banker was helping to identify the right time, the right environment and the right competitive situation for moving on Rosemont.” Hudbay’s experience with Constancia in Peru also made an important contribution to the Rosemont acquisition, says Eugene. “Our success in developing a new operation, in a new country, a new language and a new type of mining, helped give us the confidence that we could do it here at Rosemont. Closer to home, in 2015, Eugene led the acquisition of the New Britannia mine and mill in Snow Lake. Working with the Hudbay technical team, “we identified that the assets could be cost-effectively refurbished to process gold-bearing ore from Lalor. New Britannia was a unique opportunity that provides Hudbay with strategic flexibility to increase both throughput and recoveries, and deliver greater value from Lalor.”



“A big thing for me is feeling that I have made a difference. I have been fortunate. I am really proud to work for this company.”

**Ken Charuk**

Operations  
Foreman, 777 Mine

Like many at Hudbay, Ken Charuk has learned through doing. When he first started working underground in 1988, Ken wasn't surprised to discover that he had a knack for mining. “I was born and raised in the farming industry, so operating heavy equipment, doing all kinds of construction, that came very easy for me.” Over the years, Ken has put his wide range of talents to use in a number of jobs underground, from LHD operator to shaft inspector and timberman. Today, he is an operations foreman at Hudbay's 777 mine – a position that requires as much coaching skill as it does technical expertise. Being able to pass along his decades' worth of knowledge and experiences at Hudbay is one of Ken's greatest rewards: “A big thing for me is feeling that I have made a difference. I have been fortunate. I am really proud to work for this company.”

# BUSINESS AND FINANCIAL REVIEW

## **STRATEGY**

At Hudbay, our mission is to create sustainable value for our stakeholders by acquiring, developing and operating high-quality, long-life deposits with exploration potential in mining-friendly jurisdictions. Over the last five years, we have worked toward this objective, and in 2014 and 2015 our efforts culminated with the successful ramp-up of three new mines: Lalor, Reed and Constanca. This achievement was tempered somewhat in that it occurred during a volatile price environment for commodities.

However, this environment highlighted another defining strength of Hudbay. We have been mining for close to 90 years, and have a remarkable number of highly experienced people in all our jurisdictions and at every level of our operations. We know what it takes to deliver sustainable, sector-leading growth at a low cost.

Our strong asset base, solid financial position and experienced team provide Hudbay with a platform for pursuing and implementing our strategy for growth. We believe that the best way to create stakeholder value in mining is to discover new mineral deposits and to develop facilities to profitably extract ore from those deposits. In 2016 and beyond, we plan to grow Hudbay through exploration and development of properties we already control, such as our Rosemont project in Arizona, and through the acquisition of other properties that meet our strategic criteria. We will also continue to optimize the value of our producing assets through efficient and safe operations.

To help ensure that acquisitions we undertake always create sustainable value, we have a number of criteria for evaluating opportunities:

- Is the acquisition in a politically stable, mining-friendly jurisdiction in the Americas?
- Can we leverage our expertise in the exploration and development of volcanogenic massive sulphide and porphyry mineral deposits?
- Does the asset offer significant potential for exploration, development and optimization?
- At what stage of development is the asset? Because large mergers and acquisitions carry significant risks, we focus on early-stage projects, unless exceptional opportunities present themselves.
- Do we have a clear understanding of how Hudbay can add value to a potential acquisition, through our technical, operational and project execution expertise, or by providing needed financial capital or finding other optimization opportunities?
- Is the acquisition accretive to Hudbay on a per share basis?

- Can we deliver environmental performance and achieve broad social acceptance?

## **FINANCIAL AND BUSINESS OBJECTIVES FOR 2016**

---

- Focus on optimizing production and cost performance at our Constancia and Manitoba operations to ensure they remain cash flow positive.
- Work to advance the permitting process, technical development, and community and government relations at the Rosemont project.
- Complete the planned 11,000-metre underground exploration of gold zones at Lalor, as well as the related trade-off studies for mining and processing this gold mineralization. Phase 1 of a drilling program, which included 14 holes, was completed in 2015, and assay results confirmed a high-grade thick core down the middle of the main zone.
- Maintain sufficient liquidity to ensure Hudbay remains well capitalized in an uncertain price environment.
- Continue to evaluate acquisition opportunities that meet our criteria and pursue those that are in the best interest of Hudbay and our stakeholders.

# BUSINESS AND FINANCIAL REVIEW

## OPERATIONS

2015 was a transitional year for Hudbay. The successful ramp-up of our new mines supported a shift in focus from advancing development to delivering production. Backed by nearly 90 years of experience, we were able to provide sector-leading growth in low-cost copper and zinc production. We also took action to further optimize our mine operations, enhance our liquidity status and achieve sustainable cost reductions. In 2015, our experience, our strategy and the strong performance of our mines combined to ensure that Hudbay is well positioned to weather the current commodity price environment.

### **2015 PERFORMANCE HIGHLIGHTS**

- Launched a Hudbay-wide efficiency improvement initiative. This ongoing review, combined with cost containment efforts, resulted in expected 2016 capital expenditure and operating cost reductions of more than \$100 million, with no impact on our 2016 production expectations.
- Ratified new three-year agreements, which provide enhancements to wage rates, pensions and benefits, with all seven labour unions representing employees at Hudbay's Manitoba Business Unit.
- Resolved an inventory backlog at our Constancia operation by increasing the size of our trucking fleet and expanding and optimizing our routes to the port of Matarani. See the [Constancia case study](#) to learn more.
- Acquired the New Britannia mine and mill (NBM), located in Snow Lake, Manitoba, for approximately \$11 million in net cash consideration, plus a contingent payment of \$5 million. Currently on care and maintenance, the NBM mill, if refurbished, can potentially process approximately 2,000 tonnes per day of gold zone ore from Lalor. A technical study on restarting the NBM mill is currently underway and, as a result of the acquisition, Hudbay no longer anticipates constructing a new concentrator at Lalor.
- Achieved full-year production guidance and met or came in below cost guidance at all operations.

### **Manitoba**

- In 2015, production of all metals increased compared to 2014 as a result of increased production at Lalor and increased copper grades at Reed. Production of all metals and unit operating costs were within our guidance ranges.

- Ore production was 9% higher than in 2014 as a result of increased production at our Lalor and Reed mines, which achieved commercial production in 2014. This was partially offset by lower production at our 777 mine as a result of equipment availability in the second and third quarters of 2015.
- Copper and silver grades were lower than in 2014 by 2% and 10%, respectively, and zinc and gold grades were higher by 11% and 4%, respectively.
- Combined, Hudbay's Manitoba operations produced 41,383 tonnes of copper metal in concentrate, 102,919 tonnes of zinc metal in concentrate and 92,793 ounces of precious metals in concentrate.\*

\* Precious metals production includes gold and silver production on a gold-equivalent basis. Silver is converted to gold at a ratio of 70:1.

## Peru

- Constanca achieved commercial production in the second quarter of 2015, and subsequently ramped up to full production in the latter half of the year. Over the course of the year, the Peru operations produced 105,897 tonnes of copper concentrate and 47,263 ounces of precious metals in concentrate. Production was within our guidance range for 2015.\*
- Throughout 2015, optimization of plant performance was an important focus as on-site teams became increasingly familiar with operating the mine and with varying ore types. A key challenge for the year was managing shipping and inventory issues. In May and June, shipments from the Constanca mine to the port of Matarani were constrained by a number of factors, including truck availability, protests unrelated to Hudbay on portions of the trucking route, and road repair activities that increased cycle times for concentrate trucks. As a result of these constraints and a faster ramp-up to full production than anticipated, an excess inventory of copper concentrate began building up at the mine. Mine management addressed these issues in several ways, including by expanding the size of the mine's trucking fleet. By year-end, inventory was back to normal working levels. See the [Constancia case study](#) to learn more.
- Looking to 2016, expansion of the port of Matarani is near completion, with the new Pier F starting to handle concentrate shipments in February. This new facility is intended to alleviate port congestion as other mines ramp up production.

\* Precious metals production includes gold and silver production on a gold-equivalent basis. Silver is converted to gold at a ratio of 70:1.

# BUSINESS AND FINANCIAL REVIEW

# **FINANCIALS**

---

Notwithstanding a weak metal price environment, Hudbay delivered strong financial results in 2015, reflecting the results of new capital investment and management's focus on cost optimization. Revenue increased by 75% to \$886.1 million. Operating cash flow before stream deposit and change in non-cash working capital increased more than 13-fold, from \$16.8 million to \$222.1 million. Cash cost per pound of copper produced, net of byproduct credits, decreased from \$1.45 per pound to \$1.14 per pound.\*

---

**Consolidated Financial Statements**

[PDF](#) 

---

**Q4 Management's Discussion and Analysis**

[PDF](#) 

---

\* Operating cash flow per share and cash cost per pound of copper produced, net of byproduct credits, are non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under "Non-IFRS Financial Performance Measures" beginning on page 48 of Hudbay's Management's Discussion and Analysis filed February 24, 2016.

# CSR APPROACH

---

Operating sustainably is essential to our success. We have corporate social responsibility policies, systems, plans and practices in place, and commit to them everywhere we operate. It makes us better at what we do – a lesson we've learned through experience.



"Hudbay has always had an effective enterprise risk process and now it is more formalized across the mine site and business unit levels."

## **Elizabeth Gitajn**

---

Vice President, Risk Management

An accountant by training, Liz Gitajn brings experience gained both inside and outside the mining industry to her role. Prior to joining Hudbay in 2015, she worked for close to a decade in the gold sector, including five years with a senior producer that operated 27 mines. She has been actively involved in assessing and managing risk – “operational risk, financial risk, strategic risk and compliance risk” – since 1992. Liz observes that Hudbay has “always had an effective enterprise risk process,” but her background has helped her further formalize that process, and better introduce it to “the mine site level and the business unit level.” By working with people “closest to any given situation,” Liz gets the benefit of “educated, skilled evaluations” that help her develop and implement “effective risk management programs and processes,” as well as mitigation strategies that can have a company-wide impact.







"I pride myself on being able to assemble and manage high-performance teams. That's what projects are all about."

### **Terry Linde**

Vice President,  
Project and  
Technical Services

An engineer by training, Terry Linde has been a leader on many mining initiatives, in many different locations, over the course of his 35 years in the business, including as Director of Projects for Constancia, where he worked from 2011 until 2015. Along with gathering experience, he has developed a global network of connections, which make an essential contribution to his new role. As Terry notes, "I pride myself on being able to assemble and manage high-performance teams. That's what projects are all about." Currently focused on Rosemont, Terry is helping to lay the groundwork for development and making sure that lessons learned at Constancia, another large-scale open pit mine, are applied to the project. More broadly, he's also leading a team focused on extending "a culture of excellence" in terms of executing projects at Hudbay. That effort includes "documenting processes and procedures" that can be used by "future teams for whatever project is on the horizon."

## 2015

### **INDUSTRY RECOGNITION**

Hudbay was named to the second annual Future 40 Responsible Corporate Leaders in Canada by *Corporate Knights* magazine. Focused on Canadian companies with revenues under C\$2 billion, the ranking is based on 12 key performance indicators covering resource, employee and financial management.



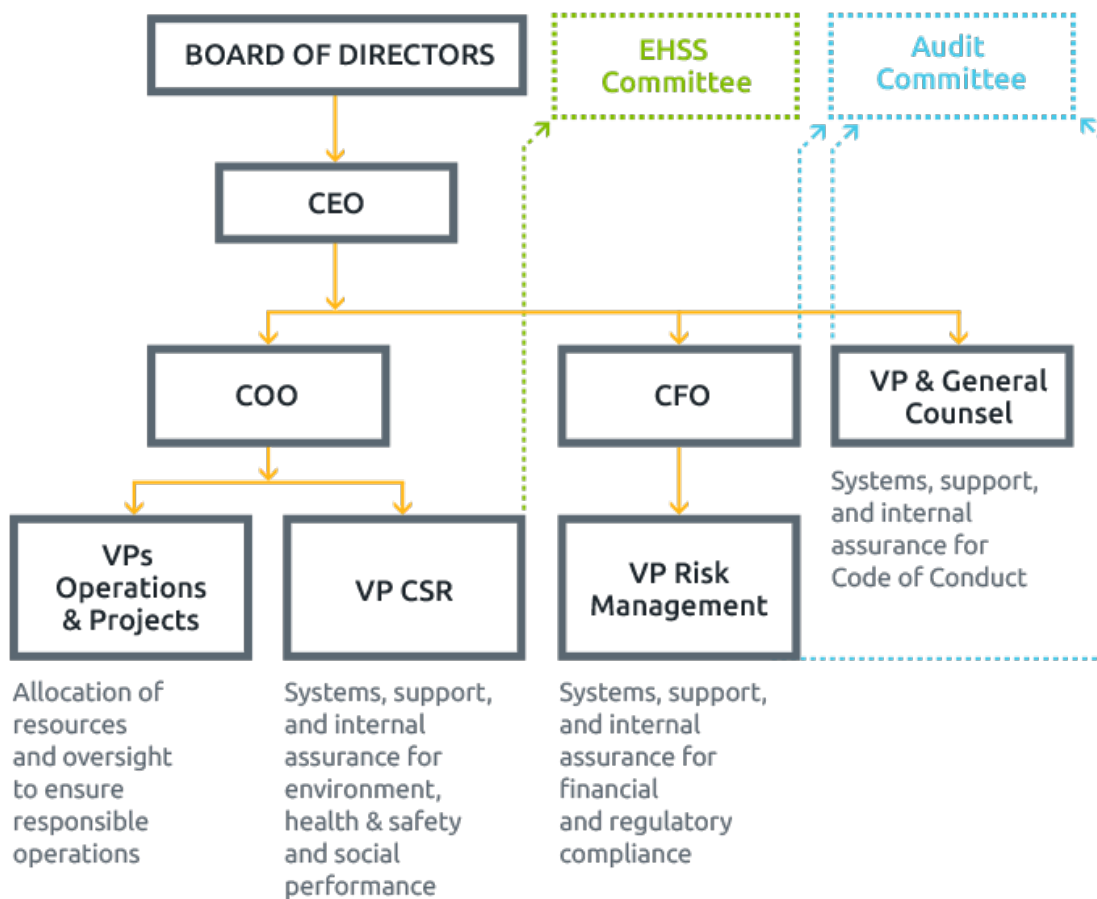
Flin Flon finished second in the 2015 Manitoba Provincial Mine Rescue Competition. Teams are judged on first aid, firefighting, mine rescue procedures, obstacle and recovery, and practical skills.

# CSR APPROACH

# **CSR GOVERNANCE**

The Environmental, Health, Safety and Sustainability (EHSS) Committee of Hudbay's Board of Directors oversees the Company's human rights, environmental, health and safety policies, programs and systems. The Committee meets quarterly to review performance and management of key EHSS risks, such as the health and safety of our workforce and community members, and environmental risks. The Committee also tracks the external ISO 14001 and OHSAS 18001 processes for Hudbay's management systems. Day-to-day management of Hudbay's CSR program is the responsibility of our Vice President, Corporate Social Responsibility, along with line management at each operation.

## CSR GOVERNANCE



## CSR MANAGEMENT FRAMEWORK

Our CSR management framework promotes continuous improvement and common performance standards at all sites. Our approach begins with our [Code of Business Conduct and Ethics](#), [Human Rights Policy](#) and [Environmental Health and Safety Policy](#), which are the highest-level statements of our commitment to corporate social responsibility.

Corporate and site-specific management systems support decision-making and performance. Operating sites are required to maintain certification under the ISO 14001 (environmental) and OHSAS 18001 (health and safety) management standards. New sites are expected to achieve certification within two years of start-up or acquisition by Hudbay.

We implemented the first company-wide integrated management software system for capturing, tracking and reporting health, safety, environment and social data in 2014. This system is now in use at all Hudbay locations. By supporting coordination between locations to spot trends, share best practices and flag potential issues, the system is expected to help us improve performance, mitigate risk and maintain compliance.

## INTERNATIONAL BEST PRACTICE STANDARDS

Hudbay has adopted international best practice standards that we consider particularly vital to our business:

- ISO 14001 environmental management standard
- OHSAS 18001 health and safety management standard
- ISO 9001 quality management standard for the production and supply of cast zinc products
- [Towards Sustainable Mining](#) (TSM) – the Mining Association of Canada’s set of tools and indicators to drive performance and ensure that key mining risks are managed responsibly
- [Voluntary Principles on Security and Human Rights](#) – an operating framework that ensures security practices include respect for human rights
- [Global Reporting Initiative](#) (GRI) – the generally accepted framework for reporting on an organization’s economic, environmental and social performance
- [CDP](#) (formerly called the Carbon Disclosure Project) – thousands of organizations globally measure and disclose their greenhouse gas emissions, water use and climate change strategies through CDP and CDP Water

- [Extractive Industries Transparency Initiative \(EITI\)](#) – Hudbay is an official supporting company of the EITI. Hudbay Peru is a member of the Peruvian Mining Society, which is fully committed to the EITI process in Peru (see [Economic Contributions](#) for details)
- [IFC Performance Standards](#) – Hudbay has committed to following IFC Performance Standards at our Constancia project. Part of the World Bank Group, the International Finance Corporation (IFC) is the largest development institution in the world that is focused exclusively on the private sector in developing countries

## **PRECAUTIONARY APPROACH**

Hudbay operates under the precautionary principle through the life of a mine (that is, the duty to prevent harm, when it is within our power to do so, working with a balance of probabilities if a scientific conclusion is not yet available). We use baseline environmental and social impact studies to evaluate how to avoid, mitigate or control potentially significant impacts; implement appropriate monitoring and management systems; and address the need for mine closure. In all cases, provision is made for public consultation and input.

## **INDUSTRY INVOLVEMENT** +

Hudbay participates in industry associations and multi-stakeholder groups through membership, funding, provision of expertise and participation in committees and working groups. Memberships include the following:

- Aboriginal Chamber of Commerce (Manitoba)
- AIME – Society of Mining Engineers
- American Exploration and Mining Association
- Arizona Association of Economic Development
- Arizona Chamber for Commerce and Industry
- Arizona–Mexico Commission
- Arizona Mining Association
- Asociación Vida Perú (non-profit organization that donates medical equipment and medicines)
- Cámara de Comercio Canadá–Perú
- Canadian Aboriginal Minerals Association

- Canadian Arizona Business Council
- Canadian Council for Aboriginal Business
- Canadian Dam Association
- Canadian Institute of Mining, Metallurgy and Petroleum and relevant societies
- Confederación Nacional de Instituciones Empresariales Privadas, CONFIEP (National Confederation of Private Business Institutions in Peru)
- Cusco Chamber of Commerce
- Devonshire Initiative (a Canadian forum for leading international development NGOs and mining companies to engage on mining and community development issues)
- EITI – Extractive Industries Transparency Initiative
- Empresarios por la Educación (a Peruvian private sector organization to promote and develop educational projects)
- Green Valley Sahuarita Chamber of Commerce
- Grupo de Diálogo, Minería y Desarrollo Sostenible (multi-stakeholder group promoting open and transparent dialogue on mining, environmental protection and sustainable development in Peru)
- Iniciativa para la Transparencia de las Industrias Extractivas en Perú, EITI–Perú (Extractive Industries Transparency Initiative, Peru)
- International Zinc Association
- Manitoba Employers Council
- Marana Chamber of Commerce
- Mining Association of Canada
- Mining Association of Manitoba
- Mining Foundation of the Southwest (US)
- National Math and Science Initiative (US)
- Northern Manitoba Sector Council (not-for-profit employer-led network focused on building a skilled workforce for northern Manitoba’s resource-based sector)
- Oro Valley Chamber of Commerce (AZ)

- Perú 2021. A private non-profit organization that promotes social responsibility (SR) as a methodology for business management. It represents the World Business Council for Sustainable Development (WBCSD) and is the only Peruvian organization accredited as a “Certified Training Partner” of the GRI
- Peruvian-Canadian Chamber of Commerce
- Prospectors and Developers Associations (provincial associations)
- Prospectors and Developers Association of Canada
- SARCC (organization of SNMPE member companies providing emergency response services)
- Saskatchewan Mining Association
- SNMPE (national society of mining, oil and energy in Peru)
- Southern Arizona Business Coalition
- Southern Arizona Leadership Council
- Tucson Hispanic Chamber of Commerce
- Tucson Metropolitan Chamber of Commerce

## CSR APPROACH

# HUMAN RIGHTS AND SECURITY

---

Upholding human rights is fundamental to sustainable development – and to the success of our business. Our [Human Rights Policy](#) spells out our commitment to human rights, setting internationally accepted standards for business and labour practices, community participation and security measures.

In keeping with our policy, we also follow the [Voluntary Principles on Security and Human Rights](#), an operating framework that ensures security practices include respect for human rights. Our approach is rooted in the belief that security begins with our relationships with neighbouring communities and the professional conduct of our employees and security contractors.

Our business units train security personnel on the United Nations (UN) Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, particularly in Peru. The training is provided to company employees as well as contractors and public security who are on-site at our request. Security supervisors and the majority of contracted security staff are unarmed except for government-mandated armed security guards at the two explosive storage areas in Peru.

In Peru, we regularly audit security policies and practices, and conduct gap analyses against the Voluntary Principles. Security personnel work closely with Constancia's community relations team to maintain open lines of communication with local communities and mitigate potential issues.

Hudbay is named in three civil lawsuits relating to events prior to 2010 in Guatemala, where the Company once owned a controlling interest in Compañía Guatemalteca de Níquel (CGN) and its Fenix ferro-nickel project. Information about the [litigation](#) is posted to our website.

## 2015 PERFORMANCE HIGHLIGHTS

---

### Peru

- Following the [2014 occupation](#) of the Constancia property by members of a neighbouring community, and its incident-free resolution, we conducted a thorough security review that included interviews with security personnel and community leaders. Findings were shared at employee and security staff workshops so that everyone could learn from the incident and know what is expected of them.

- We also engaged an NGO to audit Constancia's security practices against the Voluntary Principles. The audit revealed opportunities for improvement, and our Peru team is evaluating the follow-up actions to be taken. Two beneficial outcomes of this process have been enhanced social and human rights risk assessment, and expanding engagement on security topics.
- The Constancia community relations and security teams initiated meetings with their peers at other mining companies in the area to collaborate on security approaches and discuss social unrest affecting other mining projects.
- Our Constancia security manager coordinated a series of monthly meetings of mining security managers in southern Peru. The group invited guest speakers from the Peruvian police force and local NGOs to share best practices, including their experiences with the Voluntary Principles on Security and Human Rights.

## Arizona

- The Rosemont property is within 50 miles (80 kilometres) of the Mexican border, and we are in regular communication with various federal, state and local law enforcement agencies including the US Border Patrol, FBI, USDA Forest Service, AZ Department of Safety, Pima County Sheriff and local EMS to ensure adequate protection for Hudbay workers and assets. Three meetings were held in 2015, and the decision was made to hold these meetings monthly in 2016.
- In the fall of 2015, we deemed it necessary to close public access to certain areas of private land on our property because of increasing safety hazards related to shafts and sinkholes from historic mining activities.

## Manitoba

- In addition to increased management oversight, we hired a third-party security management team at our operations during the 118-day labour strike. This was both to protect assets and non-striking workers and to provide a security resource. During this period, employees were required to show their company identification card to access our properties.



# CSR APPROACH

# **STAKEHOLDER ENGAGEMENT**

Stakeholder engagement is about connecting with people and organizations that can impact or be impacted by our business (such as investors, employees, communities and government). We want to listen, communicate and integrate stakeholders' voices into our plans. Each business unit is expected to put in place engagement practices that are consistent with Hudbay's objectives while reflecting the local context.

Our corporate Stakeholder Engagement and Community Response standards and guidance documents provide clear direction on our expectations. By implementing these standards at each site, we aim to build trust, strengthen relationships, reduce social risk and improve opportunities to create value for the Company and stakeholders.

Typical site processes and activities are as follows:

| Step                  | Typical community engagement activities   | In practical terms   |
|-----------------------|---|--|
| Identify stakeholders | <ul style="list-style-type: none"> <li>• Site map</li> <li>• Stakeholder register</li> </ul>  | Getting to know our neighbours and allowing them to know us  |
| Understand            | <ul style="list-style-type: none"> <li>• Stakeholder map and profiles</li> <li>• Socio-economic profile</li> <li>• Risk management framework</li> </ul> | Understanding the culture, concerns and aspirations as well as infrastructure (e.g., locations of nearby schools or hospitals) |
| Plan                  | <ul style="list-style-type: none"> <li>• Stakeholder engagement plan</li> </ul>   | Making decisions and documenting how we will engage with community stakeholders  |
| Engage                | <ul style="list-style-type: none"> <li>• Communication materials</li> <li>• Meeting notes</li> </ul>  | Workshops, meetings, joint committees, visits  |
| Respond               | <ul style="list-style-type: none"> <li>• Stakeholder engagement logbook</li> <li>• Commitments register</li> </ul>                                      | Recording the progress of engagement for future reference  |

## IDENTIFYING STAKEHOLDER INTERESTS

Typical stakeholder priorities and concerns are listed below. Additional information on many of the topics can be accessed by clicking on the relevant links.

| Stakeholder group                    | How we engaged in 2015   | Priorities and concerns   |
|--------------------------------------|--|---|
| Shareholders, investors and analysts | <ul style="list-style-type: none"> <li>• Conferences (11 events)</li> <li>• Investor meetings and conference calls (over 300 events)</li> <li>• Annual General Meeting</li> <li>• Analyst and investor site visits</li> <li>• Meeting between representatives of our Board of Directors and the Canadian Coalition for Good Governance</li> </ul>  | <ul style="list-style-type: none"> <li>• Ramp-up of Constanca</li> <li>• Financial strength</li> <li>• Shareholder returns</li> <li>• Permitting and community relations</li> </ul>   |
| Employees and contractors            | <ul style="list-style-type: none"> <li>• Quarterly company-wide “town hall” meetings via video conference</li> <li>• Orientation and training programs</li> <li>• One-on-one and small group manager/staff meetings</li> <li>• Social events (potlucks, holiday parties, off-site staff luncheons)</li> <li>• Health and wellness activities and committee meetings</li> <li>• Intranet</li> </ul> | <ul style="list-style-type: none"> <li>• <a href="#">Health and safety</a></li> <li>• Work processes</li> <li>• Business performance</li> <li>• Understanding of compensation and benefits</li> <li>• Opportunities for personal development</li> <li>• Environmental requirements</li> <li>• Training for policies, permits or other requirements</li> </ul> |
| Unions                               | <ul style="list-style-type: none"> <li>• Meetings with union leaders on outstanding issues</li> <li>• Frequent meetings to renegotiate collective bargaining agreements</li> </ul>   | <ul style="list-style-type: none"> <li>• Renegotiate collective bargaining agreements with unions</li> <li>• Grievances and grievance processes</li> </ul>  |

| Stakeholder group   | How we engaged in 2015  | Priorities and concerns   |
|---|---|---|
| Local communities and Aboriginal/indigenous groups/Native Americans | <ul style="list-style-type: none"> <li>● Community information and consultation meetings</li> <li>● Community partnerships</li> <li>● Mine tours and open houses</li> <li>● Site grievance/community response processes</li> <li>● Community relations offices</li> <li>● Cultural awareness workshops and other training</li> <li>● Dialogue roundtables and agreements</li> </ul> | <ul style="list-style-type: none"> <li>● Development project updates</li> <li>● Community and area investment</li> <li>● Safety and environmental concerns</li> <li>● Land use</li> <li>● Water use and quality</li> <li>● Cultural protection, awareness and dissemination</li> <li>● Local employment and procurement</li> <li>● Training programs for community members</li> </ul> |
| Government  | <ul style="list-style-type: none"> <li>● Meetings and agreements with local, regional, provincial and federal government officials and regulators</li> <li>● Joint initiatives with government for social investments</li> </ul>  | <ul style="list-style-type: none"> <li>● Permitting</li> <li>● Environmental and legal compliance/mitigation</li> <li>● Aboriginal/indigenous/tribal relations (where applicable)</li> <li>● Economic contributions</li> <li>● Community and workforce development</li> </ul>   |
| Customers   | <ul style="list-style-type: none"> <li>● Direct contact</li> <li>● Industry and business forums</li> </ul>  | <ul style="list-style-type: none"> <li>● Achieving agreed terms of delivery for products</li> <li>● Compliance with environmentally and socially responsible performance and risk management</li> </ul>   |
| Industry associations   | <ul style="list-style-type: none"> <li>● Association meetings</li> <li>● Participation in committees</li> <li>● Joint initiatives</li> <li>● Presentations and letters</li> <li>● Monthly security managers meetings in southern Peru</li> </ul>  | <ul style="list-style-type: none"> <li>● Industry environmental, health, safety and community standards</li> <li>● Legislation</li> <li>● Education</li> <li>● Best practices</li> </ul>  |

| Stakeholder group                     | How we engaged in 2015  | Priorities and concerns  |
|---------------------------------------|---|--|
| Non-governmental organizations (NGOs) | <ul style="list-style-type: none"> <li>● Meetings and written communications</li> <li>● Participating in multi-stakeholder groups (e.g., Devonshire Initiative, Grupo Dialogo Minero)</li> <li>● Multi-stakeholder partnerships (e.g., Asociación Vida Perú [manage donations of medicines and medical equipment])</li> </ul> | <ul style="list-style-type: none"> <li>● Community development and support</li> <li>● Education</li> <li>● Respecting community and human rights</li> </ul>  |
| Media                                 | <ul style="list-style-type: none"> <li>● One-on-one interactions with journalists, press releases</li> <li>● Meetings with editors and directors from key relevant media</li> </ul>   | <ul style="list-style-type: none"> <li>● Transparency and accountability on social and environmental issues</li> <li>● Presentations showing community and social investments and development</li> </ul> |

# CSR APPROACH

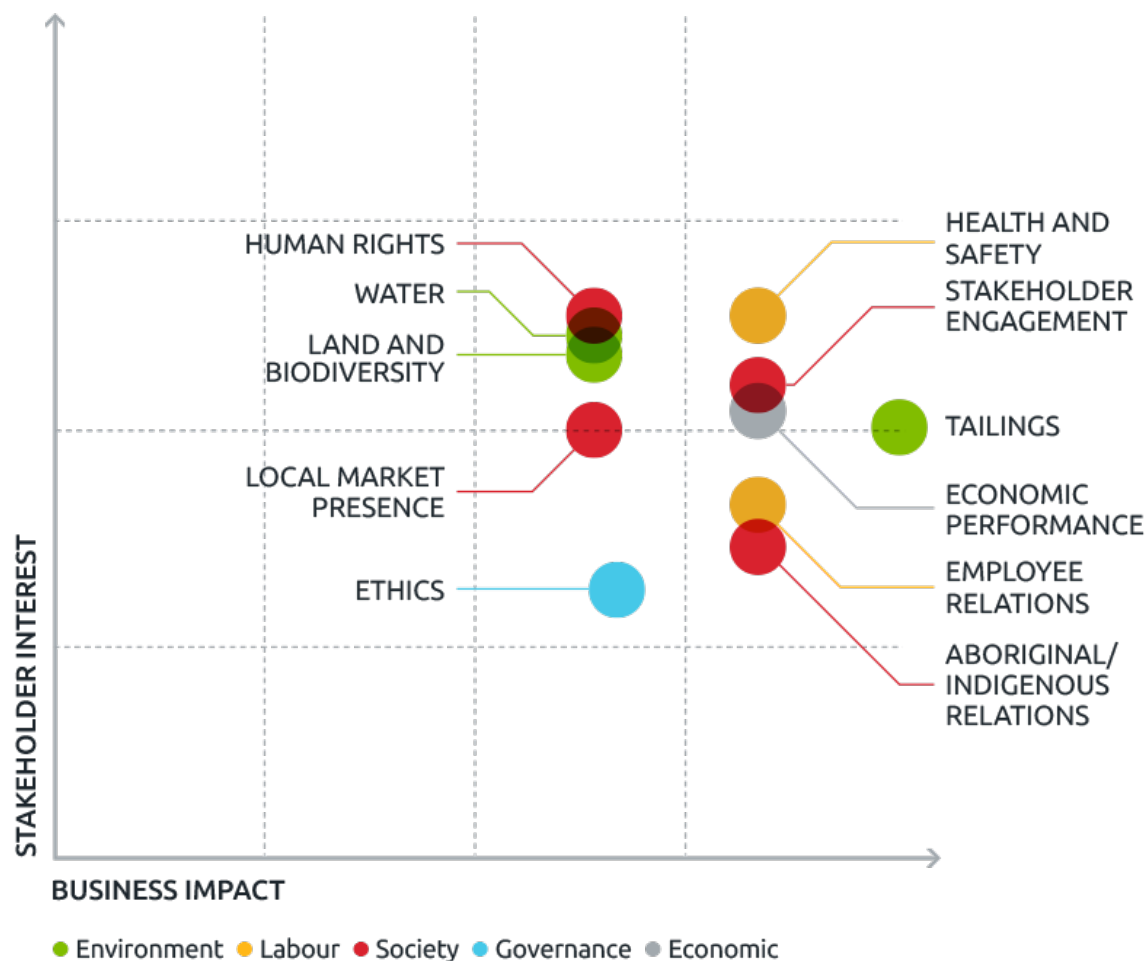
## **MATERIALITY**

Once every three years, we conduct a combined materiality, hazard and aspect assessment to guide our CSR reporting and management priorities. The assessment considers the environment, health, safety and community (EHSC) issues that are most significant to Hudbay in terms of business impact and the degree of stakeholder interest.

Our last assessment was conducted in 2014. Please see our [2014 report](#) to learn more about our process.

### **MATERIALITY MATRIX**

Eleven priority issues were identified during the 2014 materiality assessment. Click on the issue in the diagram below for details on how it is being managed and our 2015 performance.



This table indicates how our priority issues align with the G4 aspects reported in our [GRI index](#):

| Priority issue                  | GRI (G4) aspects  |
|---------------------------------|---|
| Ethics                          | <ul style="list-style-type: none"> <li>• Ethics and integrity</li> <li>• Anti-corruption</li> </ul>   |
| Human rights                    | <ul style="list-style-type: none"> <li>• Security practices</li> <li>• Human rights grievance mechanism</li> </ul>  |
| Stakeholder engagement          | <ul style="list-style-type: none"> <li>• Stakeholder engagement</li> <li>• Environmental grievance mechanisms</li> <li>• Grievance mechanisms for impacts on society</li> </ul> |
| Aboriginal/indigenous relations | <ul style="list-style-type: none"> <li>• Indigenous rights</li> </ul>   |
| Health and safety               | <ul style="list-style-type: none"> <li>• Occupational health and safety</li> </ul>  |
| Employee relations              | <ul style="list-style-type: none"> <li>• Labour/management relations</li> </ul>   |
| Economic performance            | <ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Indirect economic impacts</li> <li>• Procurement practices</li> </ul>                                  |
| Local market presence           | <ul style="list-style-type: none"> <li>• Employment</li> <li>• Closure planning</li> <li>• Resettlement</li> </ul>  |
| Land and biodiversity           | <ul style="list-style-type: none"> <li>• Biodiversity</li> </ul>  |
| Water                           | <ul style="list-style-type: none"> <li>• Water</li> </ul>   |
| Tailings                        | <ul style="list-style-type: none"> <li>• Effluents and waste</li> </ul>   |

## BOUNDARIES

---

The materiality review was conducted on the initial boundary assumption of activities and facilities within Hudbay's management control (as described in the [Our Company](#) section of this report). Participants in the review process were then asked for cases in which boundary limits should be adjusted for specific aspects. The exceptions that were agreed to be appropriate based on stakeholder expectations and business risk are as follows:

- Safety statistics are tracked and reported for all contractor activities that are under Hudbay contracts and supervision;
- Environmental incidents related to transportation between Hudbay locations and local supplier activities are generally tracked and reviewed by Hudbay, but are not included in performance reporting in this report;
- Grievances are accepted and investigated with respect to local contractors, and are included in grievance numbers and characterization in this report; and
- Scope 2 greenhouse gas emissions are calculated and reported.

## CSR APPROACH

# **SUPPLY CHAIN STEWARDSHIP**

Mining is the first stage of a vast supply chain that transforms the Earth's mineral resources into products that meet vital needs in every aspect of life. We focus our supply chain stewardship efforts on the activities where we can have the greatest influence – namely, our own operations, contractors working at our sites, local suppliers and Hudbay products up to the point at which they have been delivered to customers.

## **OPERATIONS**

All employees and contractors working at our sites are expected to meet the Company's environmental, health and safety, and human rights standards, as described throughout this report.

## **SUPPLIERS**

The direct supply chain for our copper concentrate and zinc metal products originates in Hudbay's own mines in northern Manitoba and Peru, with the exception of some purchased zinc concentrate that augments Hudbay's production as feed to our zinc metallurgical facility.<sup>1</sup>

The indirect supply chain for energy, goods and services used in transforming ore and concentrate into products includes thousands of suppliers. This supply chain includes operating supplies, maintenance supplies, energy and fuels as well as capital goods:

- In Peru, our supply chain in 2015 was related to the capital investment and operation of our Constancia project, ranging from engineering and construction services to mine haulage equipment and the grinding mills installed in the process plant. Our top 50 suppliers accounted for 91% of our spending, and 93% of our spending in 2015 was with suppliers based in Peru.
- In Manitoba, our supplier base relates to production operations and capital projects. Our top 50 suppliers represented 75% of our spending in 2015, and 92% of spending was with suppliers in Canada, with another 7% of spending with suppliers based in other Organisation for Economic Co-operation and Development (OECD) countries. These suppliers provided goods and services including engineering services, electricity, spare parts for equipment, and capital equipment such as new underground haul trucks.



The top 10 suppliers and service providers to Hudbay in 2014 were:

|                                |                         |
|--------------------------------|-------------------------|
| Caterpillar Leasing Chile S.A. | Cementation Canada Inc. |
| CN (Cad)                       | Corporacion Primax S.A. |
| Cosapi S.A.                    | Edegel S.A.A.           |
| Glencore Canada Corporation    | Manitoba Hydro          |
| Moly-Cop Adesur S.A.           | Stracon GyM S.A.        |

We believe that our greater stewardship responsibility is at the local supply level, because our influence is much greater with small local suppliers. Our major international suppliers have their own internal requirements and government regulations to comply with, and much of our procurement is in countries with robust environmental, health and safety, and human rights regulation.

We therefore focus our supply chain sustainability efforts on encouraging and supporting local suppliers in fulfilling their social responsibilities, often working with them to establish appropriate health and safety, environmental or quality systems and processes.

## PRODUCTS

Our two main products, copper concentrate and zinc metal, come from our own mines in Canada and Peru, and from purchased zinc concentrate:

- 34% of copper concentrate was sold to smelters in the Americas and Europe, and 66% to smelters in Asia. From there, several stages of melting and purifying the copper content ultimately result in 99.99% pure copper, which provides the building block for many of life's essentials.
- We ship cast zinc metal produced at our Flin Flon zinc plant by rail and truck to industrial customers (primarily galvanizers who use it to protect steel from corrosion) throughout North America.

Hudbay products are conflict-free minerals under applicable regulatory requirements, meaning that they are not produced in regions of armed conflict or human rights abuses.

Copper and zinc products are accompanied by material safety data sheets that provide details on product composition, toxicology, handling, storage and exposure issues. We also meet our product stewardship commitments by collaborating with governments and industry associations such as the [International Zinc Association](#).

The International Maritime Organization (IMO) has established new hazard classification criteria for bulk cargoes. The International Convention for the Prevention of Pollution from Ships (MARPOL) has imposed restrictions on the disposal of bulk cargo residues which have been classified as “harmful to the marine environment” (HME) under the amended Annex V of the MARPOL convention.

Hudbay engaged the European Copper Institute (ECI) to determine the MARPOL classification for Constancia’s copper concentrates, and the ECI has concluded it is not HME. Hudbay intends to have its Flin Flon copper concentrates analyzed and classified in 2016.

1. Purchased concentrate represents 10.5% of the feed to the zinc metallurgical plant and is 100% sourced from Canada.

## MORE ON **SUPPLY CHAIN STEWARDSHIP**

The minerals we mine play a fundamental role in the everyday lives of billions of people around the world. Here are some interesting facts and figures from the [Copper Development Association](#) and the [International Zinc Association](#):

- Copper is the standard benchmark for electrical conductivity. It conducts electrical current better than any other metal except silver.
- Building construction accounts for nearly half of all copper use. About 200 kilograms (439 pounds) of copper is used in the average single-family North American home, primarily for building wire and plumbing tube, fittings and valves.
- About 23 kilograms (50 pounds) of copper and 18 kilograms (39 pounds) of zinc can be found in the average car.
- About 60% of zinc is used for galvanizing to protect steel from corrosion.
- Zinc is called the “great protector” because it is used to protect metals (galvanizing) as well as humans, in products such as sunscreen (zinc oxide), zinc lozenges and vitamins.

# OUR PEOPLE

Across borders, cultures and decades, the people at Hubbay define the Company. Their experience and values – their commitment to safety, to collaboration, to diversity and to performance – enable Hubbay to create opportunities and overcome challenges.

**\$4** MILLION

in financial benefits derived from continuous improvement initiatives in Manitoba

**400+**

LOCAL PEOPLE

employed at Constanca

**\$189**

MILLION

in wages and benefits paid

**0.3**

LOST TIME

accident frequency

per 200,000 hours worked





“The focus of Hudbay is always on safety.”

### **Walt Ryan**

Health, Safety and  
Training  
Coordinator,  
Manitoba

As Walt Ryan says, when it comes to evaluating situations related to health and safety, or advising his co-workers on the same subject, “I can talk the talk because I walked the walk.” And then some. Walt has been a miner for over 40 years, with most of that time spent with Hudbay. Though he’s been “a jackleg miner”, much of his career has been spent in underground construction and for the last few years he’s been a health, safety and training coordinator, working primarily in the 777 mine in Flin Flon. In reflecting on his experience, Walt notes that “there’s a camaraderie in mining that you don’t see in other industries. You can count on the people you’re working with to keep an eye out.” That culture and those values are represented across Hudbay. “I’ve studied a bit of the Company’s history,” says Walt. “The focus is always on safety – and that impresses me.”



“Part of my job is to share the core values of Hudbay, developed in Flin Flon starting 90 years ago, to the team in Arizona.”

### **Kim Proctor**

Deputy Project  
Director, Rosemont

In a career that spans three decades, 12 different jobs and 10 different mines, one of the things that Kim Proctor finds most rewarding about mining in general – and about working for Hudbay in particular – is the opportunity to learn new things. “Don’t back away from a career challenge,” says Kim. “Face it, own it and use it as an opportunity to shine.” That’s advice she both gives and follows. Before taking on her current role, Kim was the project manager in charge of developing Lalor, a mine in northern Manitoba that was completed with remarkable speed and a remarkable safety record. Today, she is in Arizona working on a proposed open pit project, after 30 years in underground mining. In addition to providing the insights of an expert mine developer, Kim is sharing “the core values of Hudbay, developed in Flin Flon, starting 90 years ago.”

# OUR PEOPLE

# **HEALTH AND SAFETY**

---

A culture of zero harm is our first priority. We consider it essential that employees and contractors at our sites have the knowledge, skills and equipment needed to perform their jobs safely – and the support of management and co-workers to approach each task the right way.

Within two years of start-up, operations are required to be certified to the OHSAS 18001 health and safety management standard. In Manitoba, external evaluators perform semi-annual audits to confirm ongoing compliance. We also follow the Mining Association of Canada's Towards Sustainable Mining (TSM) health and safety protocols at operating sites within and outside of Canada. Internal assessments against the TSM protocols are performed annually and third-party verification takes place once every three years.

An integrated management software system supports the process of recording, investigating and tracking all types of incidents and non-conformances across the Company. Since its implementation in 2014, the system has enabled us to conduct more rigorous reviews of high-potential safety risks and put in place appropriate controls.

The Positive Attitude Safety System (PASS) is an important program for driving performance in Manitoba. PASS is based on facilitated discussions at all levels of the organization, to increase each person's involvement in recognizing and managing workplace risks. PASS includes activities like safety huddles at the start of each shift, "A" logs for recording crews' safety fixes and improvements, the rating of safe days, and monthly PASS newsletters. Its success is due in part to its strong emphasis on positive reinforcement.

At operating sites, we maintain programs aimed at promoting and maintaining employee health and wellness. For example, in Manitoba, the programs include:

- Fibrogenic dust screening conducted at least twice a year;
- Hearing surveillance tested at least annually; and
- Biological monitoring for workers who may be exposed to lead, cadmium or arsenic as part of their work. At the time of obtaining biological monitoring samples, employees are also counselled on proper respirator fit and use, personal hygiene, working and eating habits, smoking, alcohol and drug intake, and potential sources of metals exposures outside of the workplace.

Constancia is a remote site and many workers travel long distances to work eight- or 14-day rotation shifts. They remain on-site during their shift rotation, staying at company-provided accommodation. There are a variety of health and wellness services and amenities available to them at the camp, including a medical centre, a soccer field and a volleyball court. Constancia employees are offered massage therapy and chiropractor services semi-annually. We also host our own “Olympic Games”, which include chess and table tennis competitions.

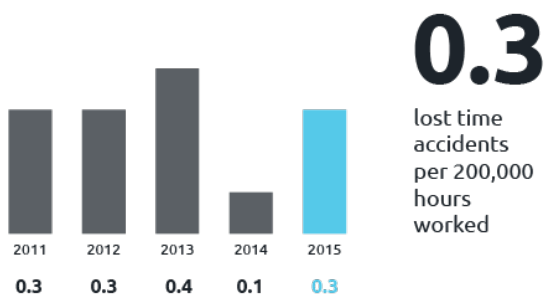
Wellness programs, run by employee wellness committees, have been launched at each location. The programs include *lunch and learns*, walking competitions, newsletter articles and targeted campaigns for common topics like cold and flu, allergy awareness and managing stress. *Your Health Matters Here* is a place on the corporate intranet for employees to share health and wellness information and to propose corporate donations to health-related programs that are meaningful to them.

## 2015 PERFORMANCE HIGHLIGHTS

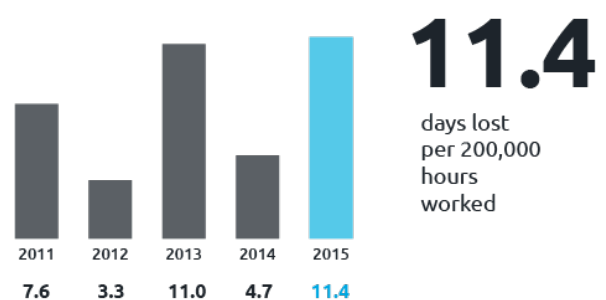
### Corporate

- Our lost time accident (LTA) frequency was 0.3 per 200,000 hours worked, compared to 0.1 in the previous year. Lost time accident severity, which reflects the number of days missed, was 11.4 versus 4.7 in 2014. While performance was not at our record 2014 level, it was still a strong year for safety. The major difference was in the increased number of LTAs in the first half of the year at Constancia, which, combined with fewer hours worked (about half of the previous year), resulted in the significant increase in LTA frequency.

### LOST TIME ACCIDENT FREQUENCY



### LOST TIME ACCIDENT SEVERITY



## Manitoba

- Safety performance was bolstered by a number of new processes and a strong emphasis on potentially serious incidents:
  - We introduced the incident cause analysis method (ICAM) for investigating incidents and near misses. ICAM helps determine root causes so that appropriate action can be taken. Twenty-four ICAM investigators were trained, including management and union members.
  - Department heads held regular “Safety Stand-Downs” with their crews to discuss pressing safety issues (incidents or trends).
  - The metallurgical surface departments introduced the “Take Five” safety card system. In a process similar to the five-point safety card system used in the underground mines, workers identify hazards on a Take Five card before starting a new activity. The system is credited with helping drive noticeable improvement in the safety performance of the zinc plant and Flin Flon mill.

## Peru

- The start of 2015 brought substantial change to the Peru team with the transition from a construction project to operations. Safety performance slipped in the first half of the year, and included two serious close calls, which prompted an increased focus on safety controls, procedures and communications. Through a series of safety talks, we reinforced basics like pre-work job safety analyses. To help nurture a safety culture, the Peru management team also mandated weekly safety audits conducted by department heads and started weekly, one-hour safety chats with supervisors and contractors. These actions contributed to noticeable improvement in the second half of the year.
- We also had to address transportation safety issues related to the large number of trucks hauling concentrate from the mine to the port at Matarani. See the [Constancia case study](#) to learn more.

## Arizona

- Despite the significant drilling campaign, there was only one reportable incident in 2015, related to an ergonomic issue.
- Most of the year was spent preparing health and safety systems and processes to be scaled up for construction. This included:
  - Developing an Environment, Health and Safety Policy based on the Hudbay corporate policy and local health and safety standards;
  - Establishing a joint occupational health and safety committee;

- Introducing the “Take Five” safety card system;
- Establishing safety Golden Rules for high-risk tasks;
- Installing “lone worker” GPS tracking system for remote workers (surveyors, geologists, etc.); and
- Implementing an online material safety datasheet system (now called an SDS system).

## MORE ON **HEALTH AND SAFETY**

One of our summer students in Manitoba developed an innovative Stress Less campaign, meeting with work crews to discuss stress and mental health, and to present wellness and coping strategies. She also ran a Stress Less challenge in which participants completed weekly questionnaires about their physical activity and wellness for a chance to win prizes.

In Peru, we offered a parenting skills course to employees and their spouses. At the end of the session, one-on-one counselling was available free of charge to those who wanted it.



# OUR PEOPLE

# **OUR WORKPLACE**

---

Our business depends on qualified, conscientious people to achieve our goals. With our sites at different stages of operation, we continually evolve our human resources practices in line with local business requirements and the expectations of the people we need to attract, retain and engage.

Our recruitment processes prioritize [hiring locally](#), ensuring job candidates represent diverse backgrounds, and planning for succession to top roles.

We offer safe and meaningful work and competitive pay and benefits wherever we operate. Employees are actively involved in continuous improvement projects aimed at driving operational efficiencies and cost savings. Information sharing and knowledge transfer across our operations is encouraged through short- and long-term international assignments, a vibrant intranet and online tools, and frequent senior management visits and communications.

In accordance with our [Code of Business Conduct and Ethics](#), all individuals are to be treated with respect and dignity. We do not tolerate discrimination on the basis of race, colour, religion, gender, national origin, age, sexual orientation, disability or any other category protected by applicable laws. There is also zero tolerance for fraud or corruption. Violations of the Code are subject to prompt and consistent action, which may include termination. Employees are encouraged to report issues of this nature to a supervisor or department head, or to the confidential whistleblower hotline.

We respect the rights of workers to join unions and engage in collective bargaining without interference or fear of retaliation, and we work to build productive relationships with these unions in order to collaborate on key matters. Approximately 62% of our workforce (1,053 employees) is represented by a union.

To promote diversity and inclusion, we hold Aboriginal cultural awareness workshops for Hudbay employees in Canada. Approximately 13% of our Manitoba workforce self-identifies as Aboriginal, and we want to make sure that our people respect and understand one another.

## **2015 PERFORMANCE HIGHLIGHTS**

---

### **Manitoba**

- Labour negotiations took centre stage. We successfully negotiated new three-year collective agreements with seven bargaining units. While six of the agreements were negotiated without any labour disruption, we experienced a 118-day strike by one bargaining unit. We chose to

operate during this strike and safely achieved our 2015 production guidance. This choice ensured that we upheld our commitments to our communities and other stakeholders.

- We hired 160 people in 2015, primarily at the Lalor mine, while we were still ramping up production. One of our challenges was that the experienced miners, tradespeople and technical support people needed were not available until later in the year.
- The continuous improvement program delivered financial benefits of more than C\$4 million in 2015, for a total of over C\$13.5 million since the program began in August 2013. See the [Manitoba case study](#) to learn more.

## Peru

- Constancia employed more than 400 local people in 2015, mostly from the communities of Uchucarco and Chilloroya. See [Local Hiring and Skills Development](#) to learn more.
- Our human resources team focused on building a OneHudbay culture and making a smooth transition from construction project to permanent workplace through attention to matters like work conditions, pay and benefits, hiring procedures, management of complaints and professional development.
- Employee engagement initiatives included “Rijchariy” (a Quechua word meaning “wake up”), to encourage idea sharing, and “Acerqémonos” (a Spanish word meaning “get closer”) meetings aimed at building team spirit. We also created a telecommunications room with Internet access and phones so that workers can stay in touch with their family and friends while at the mining camp.

## Arizona

- Our workforce increased with the hiring of employees in various functional roles (legal, environment, HR, project management, community relations, government affairs, IT, safety, and accounting). As a result, there was significant time spent educating our workforce on environmental, health and safety policies, Hudbay’s Code of Business Conduct and Ethics, Timely Disclosure Confidentiality and Insider Trading Policy, OneHudbay, and various systems and processes.
- To promote employee well-being, the wellness committee organized physical fitness activities including walks and hikes (many of which supported local charities), along with *lunch and learns* on health topics. To support teamwork and camaraderie, we hosted potlucks and regular “get to know one another” luncheons at local restaurants. At year-end, we relocated to a new office building, combining two former buildings into one large space.

## Corporate

- Joining together to support community projects is a big part of the culture at our Toronto head office. In 2015, the 10-person Hubbay Ride to Conquer Cancer team raised nearly C\$68,000.

### MORE ON **OUR WORKPLACE**

Hubbay has a talented and generous workforce. To recognize their work in local communities, we held our first-ever Hubbay Community Champions event. Employees were invited to nominate colleagues, and more than two dozen nominations were received. Kudos to our winners:

- Fermin Samorano, Arizona, for his support of various youth and education programs in Tucson and his tireless efforts on behalf of the Rosemont Scholarship Program
- Bob Lyons, Manitoba, for his volunteer work in Flin Flon and significant contribution to the environmental sustainability of the city
- Martine Becker, Corporate, for her dedicated efforts on behalf of children's charities and Holocaust awareness in Toronto
- Henry Rojas, Peru, for his extraordinary efforts to build strong relationships between Hubbay and the communities of Chilloroya and Uchucarco

Award winners were recognized at our annual shareholders' meeting, and Hubbay made a \$1,000 donation on behalf of each winner to the charity of his or her choice.

## OUR PEOPLE

# TRAINING AND DEVELOPMENT

---

As a company with distinct locations and diverse needs, Hudbay provides a wide range of formal and informal training and development opportunities to help employees perform their jobs capably and fulfill their career aspirations:

- Many of our people are hired from local communities. We offer a variety of training programs to help them qualify for work at Hudbay and to advance their careers within the Company. See [Local Hiring and Skills Development](#) for current programs.
- As the Company grows, there is increasing emphasis on developing leaders. We introduced leadership training for all managers in Peru and conducted leadership skills seminars in Arizona.
- We encourage knowledge transfer across geographies and have multiple cross-company teams and opportunities for people to take short- or long-term assignments at different locations. Those who take on expatriate roles are expected to transfer their knowledge and skills to the local workforce.
- We provide English and Spanish language training to support communications between individuals across Hudbay.
- In Manitoba, apprenticeship programs cover a wide range of trades including electrician, boilermaker/welder, mechanic, machinist, pipefitter and carpenter.
- In Peru, we have developed several training programs, attended by 522 local participants in total. 173 participants were hired after completing the training sessions successfully. These programs enhanced the capabilities of operators, drivers, mechanics, environmental monitors, and specialists on food preparation and housekeeping.

## MORE ON

### TRAINING AND DEVELOPMENT

---

Our Constanca human resources team introduced a “grow on the job” program that gives employees opportunities to take short-term assignments in different roles, whether by filling in for somebody on vacation or strictly for career development purposes.

# **SOCIAL IMPACT**

For close to 90 years, Hudbay has been part of the positive impact a well-managed mine can have on people, on communities and on entire regions. That experience guides us in building strong relationships and making a valuable contribution wherever we are present.

**\$2.8**

MILLION

in funding to local communities including charitable donations

**\$25.9**

MILLION

in goods and services purchased from local enterprises near Constanca

**\$17.7**

MILLION

in goods and services purchased from suppliers in northern Manitoba and northeast Saskatchewan

**1st** PUBLIC INFRASTRUCTURE PROJECT

completed with funding from Hudbay under the [Peruvian Works for Taxes program](#)





“We’re employing and training people from nearby communities, which provides these people with lifelong benefits.”

### **John Gutierrez**

Mine Manager,  
Peru

“Local workers take ownership. Constancia is ‘our mine and we’ll take care of it.’ That pride, that ownership, is huge for us.” It’s one of the main reasons, notes John Gutierrez, an industry veteran with decades of experience in mining in the US, Chile and Peru, that Hudbay places such importance on hiring people from local communities. Of course, in a remote location, developing a trained workforce requires a long-term commitment. Fortunately, Constancia is a long-life mine. “Right now,” says John, “we’re employing a comparatively small number of people from our two nearest communities, Uchucarco and Chilloroya, in mining operations, but we’re training people – gradually getting them up to the 240-tonne trucks and the bigger shovels.” Drawing from the local labour force simplifies logistics and scheduling, and provides people with lifelong benefits. As John notes, “The skills we give people, they can use anywhere, but they’re excited about working here.”



“Part of my job is helping First Nations groups and others living in mineral-rich areas understand how exploration, and potentially mining, activities can impact their lives.”

### **Craig Taylor**

Exploration  
Manager, Manitoba

Discovering new resources. That’s the name of the game in exploration, and Craig Taylor has found it means both mineral and personal resources. As the exploration manager for the Manitoba Business Unit, Craig has had to develop skills as a presenter and a teacher, because part of his job is helping First Nations groups and others living in mineral-rich areas understand how exploration, and potentially mining, activities can impact their lives. “I like doing it,” says Craig. “Providing straightforward information about what we have planned and how we’re going to go about it.” It’s an approach that’s appreciated. And it’s allowed Craig – and his colleagues – to learn a lot. “You get the First Nations perspective on things. That’s why I try to get junior staff members involved in outreach activities, because I’ve found the band leaders are very good at explaining where they are coming from. And understanding different perspectives is always valuable.”

## SOCIAL IMPACT

# **ECONOMIC CONTRIBUTIONS**

Hudbay strives to create sustainable value for our shareholders while simultaneously contributing to social and economic progress in the regions where we operate.

In 2015, Hudbay provided:

- 1,700 permanent jobs, 200 contractor jobs (full-time equivalent positions based on hours worked) and 57 co-op and summer student jobs
- \$189 million in wages and benefits
- \$6.8 million in municipal taxes and grants
- \$1.5 million in funding to local communities through land use payments (including lump-sum life of mine land acquisition payments), new housing and infrastructure related to resettlements
- \$2.8 million in charitable donations and voluntary community investments

In 2015, our net payment to governments related to our projects and mining operations, other than municipal taxes and grants, was a net credit of \$34.1 million. In both Canada and Peru, government tax policies create incentives for investments in new mines by reducing tax obligations while the capital investment is recovered. As a result of Hudbay's substantial investments in the Constancia, Lalor and Reed mines, as well as lower market prices for the metals we produce, our income and mining tax payments to government are relatively low. In addition, during 2015, we received refunds from the Peruvian government of value-added tax paid on construction expenditures on the Constancia project.

## **PAYMENTS TO GOVERNMENTS**

Hudbay is a supporting company of the Extractive Industries Transparency Initiative (EITI) in its efforts to establish a global standard for transparency regarding the host country governance of natural resources and full disclosure of government revenues from its extractive sector. Our Peruvian subsidiary, Hudbay Peru SAC, as a member of the Peruvian Mining Society, is supporting the EITI process in Peru.

In Canada, the *Extractive Sector Transparency Measures Act* (ESTMA) was proclaimed into force on June 1, 2015, and requires businesses involved in the resource exploration and extractive sector to file reports on certain types of payments to foreign governments. Hudbay was actively involved in the Resource Revenue Transparency Working Group (RRTWG), a collaboration of Canadian



exploration and mining associations and civil society organizations that promoted the need for Canada to adopt such a standard and developed a set of recommendations, to provide Canadian federal and provincial governments with a blueprint for a government payment reporting framework that would serve the needs of both the data's end-users (such as citizens, governments and investors) and the reporting companies. ESTMA is largely consistent with the recommendations of the RRTWG, and in 2015 the industry and civil society members of the group were heavily engaged with the Government of Canada on the development of guidance that will support companies' disclosure obligations.

## SOCIAL IMPACT

# COMMUNITY DEVELOPMENT

Mining done right can be a catalyst for positive change. We make strong efforts to leverage our capabilities and resources to advance the sustainable development of communities near our operations and create conditions in which our business and our neighbours can flourish.

Hudbay's community development efforts focus on:

- Helping communities build capacity to ensure sustained prosperity;
- Supporting community efforts to improve the quality of the natural environment; and
- Contributing to social cohesion and community spirit.

When we enter a region, we engage with the communities to understand their social and economic development needs and priorities. From there, we seek to create employment and business opportunities for local people and we work with the communities to develop programs focused on delivering lasting benefits.

In Peru, we made specific commitments to invest in health, education and social development as part of the land use agreements with the communities of Uchucarco and Chilloroya. Multi-sectorial committees for development (CMD), comprising Hudbay and community representatives, approve and oversee the projects being carried out using the proceeds of the agreements.

In addition, we signed co-operation agreements with communities in our indirect areas of influence, which spell out social development projects that we will work on together within a specified voluntary budget provided by Hudbay. We engage with different levels of government and seek out development projects that can be implemented as public-private partnerships. Our Technical Assistance Office also acts as a lobby group for local municipalities, helping them qualify for public and private funding of public investment projects.

In Canada, Hudbay's first mine gave rise to the towns of Flin Flon and Creighton, and we remain an integral part of the social and economic fabric of the region. Today, we prioritize educational support and training, as a means of strengthening community capacity and building a local talent pool available to Hudbay and other employers. We are a primary supporter of the Northern Manitoba Mining Academy and we have strong affiliations with local universities, colleges and high schools.

While the Lalor mine resources and exploration potential provide a foundation that ensures we will continue to operate in the region well beyond the 100th anniversary of the discovery of the first deposit, in a matter of years 777 will reach the end of its life as an operating mine. While our efforts to find additional resources, including the exploration of the War Baby claim in 2015, have not been

fruitful, we are working to optimize our cost structure in order to maximize the economic life of the known reserves and assessing future options for the Flin Flon metallurgical complex. We have also engaged a community planning consultant to assist us in 2016 in working with our colleagues and with the communities around Flin Flon to help ensure a smooth and effective social and economic transition. Community leaders have noted that opportunities exist and enabling conditions need to be identified for economic diversification, and Hudbay is committed to supporting them in their efforts.

In Arizona, Hudbay supports longstanding commitments related to well owner protection, community water pipeline construction and water replacement mitigation plans. We have also developed new programs and support priorities (see below).

## 2015 PERFORMANCE HIGHLIGHTS

---

### Corporate

- We finalized our Community Giving and Investment Standard and [Local Procurement and Employment Standard](#). The Community Giving and Investment Standard outlines the strategic approach that Hudbay sites are expected to follow for voluntary support, contributions and investments in local communities. It emphasizes community involvement, mutual benefit, partnerships, sustainability and capacity development.

### Arizona

- In keeping with the new corporate standard, we formalized our Arizona contribution policy, establishing clear support priorities: education (in particular, science, technology, engineering, environment, agriculture and mathematics initiatives); social services; military and veterans support; job training, research and development; and infrastructure. Our employees are very active in our community programs and were surveyed on their support preferences as part of the policy development process.
- We introduced an employee giving program, in which the Company matches 50% of employee contributions through United Way of Tucson and Southern Arizona to an annual maximum match of \$1,000 per person.
- Ongoing financial commitments include the following:
  - Three-year, \$10,000 per year commitment to the National Math and Science Initiative earmarked for the Sahuarita School District in Sahuarita, Arizona
  - \$24,000 in scholarships provided to 10 high school students and three military veterans

- Sponsorship of El Tour de Tucson cycling event
- Ongoing partnership with the University of Arizona and Department of Natural Resources to support graduate student research

## Peru

- In addition to fulfilling the annual social development commitments under our land use agreements, we completed our first project under the Peruvian Works for Taxes program. This program allows a company to pay up to half of its income tax through contributions to public infrastructure projects in communities near its operations. Hudbay funds were used to build an irrigation system in the district of Livitaca.
- As a way of supporting the “Sierra Productiva” project for agricultural entrepreneurs, Hudbay co-financed a dairy plant in the district of Velille together with the Ministry of Agriculture.
- The Global Indigenous Development Trust north/south exchange program presented a unique opportunity for local community leaders from Chumbivilcas province to take two trips to Canada to see Canadian best practices in mining and agriculture. With Hudbay’s financial support, participants took part in workshops and hands-on training in Timmins (an Ontario mining community), visited farms, and met with municipal, government and community leaders in Toronto.

## Manitoba

- We agreed to donate company property to the town of Snow Lake for a new EMS station.
- Hudbay donated C\$206,847 to community initiatives and university research benefiting the Flin Flon/Snow Lake area, primarily in the areas of health, education, environment, culture and sports. Major contributions (\$10,000 or more) included:
  - Flin Flon Community Adult Learning Centre sponsorship
  - United Way of Winnipeg
  - Flin Flon Bombers junior hockey team
  - Green Project – multi-year project aimed at accelerating restoration of forest land around Flin Flon and Creighton

## MORE ON **COMMUNITY DEVELOPMENT**

Our Arizona Business Unit has a program for awarding grants of \$750 to \$5,000 to local public schools. In 2015, Sunnyside School District received a grant to support the Lauffer Middle School Sustainable Garden. The school is in an area where fresh produce is unavailable and/or unaffordable. To teach students lessons in science and nutrition, the school has a functional garden with 17 planting beds and 11 fruit trees. Not only do the students maintain the garden, but they also sell the produce to staff, community and family members. Proceeds go towards purchasing seeds and supplies. Hudbay's \$750 grant was used to buy seedling plants and packets, garden hoses, soil, fertilizer and gloves.

Our \$5,000 grants included a donation to Pima County Joint Technical Education District (JTED) to support development of a joint laboratory for agri-science and vet science in Amphi School District.

## SOCIAL IMPACT

# **LOCAL HIRING AND SKILLS DEVELOPMENT**

Local hiring and skills development can generate significant economic benefits for the communities near our operations and is often identified as a high priority for stakeholders. We know from experience that we benefit too, because it builds our talent pipeline and strengthens community and employee relationships.

In Manitoba, we are a member of the Northern Manitoba Sector Council (NMSC), and we partner with the NMSC, Workplace Education Manitoba (WEM), University College of the North (UCN), Workplace Essential Skills Training (WEST) Centre and First Nations communities on training to support first steps in mining career paths. We recruit local job candidates through community meetings and relationship building, and we provide basic industry and mining skills training so that candidates can succeed in their roles once they join Hudbay. Hudbay is also a strong supporter of the Northern Manitoba Mining Academy.

In Peru, we have hired approximately 2,900 people in total from the surrounding communities, primarily from the rural communities of Uchucarco and Chilloroya. In 2015, local employment was reduced to 400 people as construction ramped down and Hudbay worked with local communities to help people transition to other livelihoods. We continue to prioritize local hiring and look for opportunities to build the talent pool. To this end, we have partnerships with local technical institutes for semi-skilled trades and heavy equipment training. The intent is to help local people acquire skills through Hudbay-sponsored training programs and on-the-job experience so that they can apply for future jobs, with our company or others in the region.

In Arizona, there is a wealth of mining skills in the area near the Rosemont project, which we are drawing on as the project progresses. We also want to help build the local talent pool. We have a longstanding relationship with the Department of Natural Resources at the University of Arizona through funding and a field laboratory that gives students an opportunity to perform work at our on-site test plots. The program has resulted in a number of master's degrees, theses and papers, helping equip students with the credentials they need for their future careers. We are in discussion to create a mining industry channel for high school students through the local Joint Technical Education District (JTED). JTEDs offer career and technical education programs to public high school students up to age 22.

## 2015 PERFORMANCE HIGHLIGHTS

---

### Peru

- Constancia employed more than 400 local people in 2015, mostly from the communities of Uchucarco and Chilloroya. The majority work as general labourers in operations and logistics, and in hospitality jobs at the camp. Forty-three local people completed technical training funded by Hubday and now work in advanced jobs, operating heavy equipment or providing technical assistance in the processing plant.
- As part of our new recent graduate trainee program, 11 engineers and 15 technicians are participating in a rotational program, which gives them the opportunity to work in different parts of the processing plant. During the one-year period, they receive full pay and benefits. We hope to hire them permanently at the end of the year.

### Arizona

- We awarded several grants to local schools for science, technology, engineering, environment, agriculture and mathematics (what we call “STEEAM”) initiatives, including: \$5,000 to The Rising School for a robotics program; \$5,000 to Continental School District for a math intervention program; \$5,000 to Pima County JTED to develop a laboratory for agri-science and vet science; and \$5,000 to Walden Grove High School to install smart boards in advanced placement (AP) math and science classrooms.
- We participated in the 4H Junior Livestock auctions, which provided nearly \$20,000 in scholarship funds to science programs for high school students in two counties near the project site.
- Four interns from San Miguel High School worked at the Hubday Arizona Business Unit offices. The high school is located on Tucson’s economically disadvantaged south side. Students take a full college preparatory course load while simultaneously holding internships in corporations and earning nearly 40% of their school tuition.

## Manitoba

- We revised our First Nations training to employment process to address shortcomings identified in the 2014 program. A joint initiative of Hudbay, local First Nations communities and government agencies, the process is aimed at helping people gain the skills needed for work at Hudbay. Our team is now involved earlier in the process, screening and interviewing candidates *before* they start any of the training programs. We expect this new approach will lead to more people meeting Hudbay's essential skills requirements and being hired once they complete the training.
- Other First Nations employment and training activities included:
  - Presenting Hudbay job opportunities and hiring processes to women at the Saskatchewan Indian Institute of Technologies – Creighton Work Prep Centre. Attendees included Aboriginal women who had just completed a 16-week carpentry course and welding students from Northland College.
  - Participating in the Northern Connections Job Fair sponsored by Flin Flon Aboriginal Friendship Centre and making mining presentations to high schoolers and adults at the Opaskwayak Cree Nation Oscar Lathlin Collegiate Job Fair.
  - Participating in a one-day event at Norway House Cree Nation, where we delivered our Mining 101 presentation and provided an overview of job opportunities for qualified candidates.

### MORE ON **LOCAL HIRING AND SKILLS DEVELOPMENT**

Hudbay has a close working relationship with the Northern Manitoba Mining Academy. In 2015, some of the training needed by the Lalor mine was conducted at the Academy to relieve the workload at the site. In addition, six newly hired general labourers from Flin Flon trained for six weeks at the Academy and the 777 North mine before starting their jobs at Lalor.



## SOCIAL IMPACT

# **LOCAL PURCHASING**

---

Spending on local goods and services is one of the ways in which we contribute to the sustainability of our host communities. It leads to more local jobs and income, transfers skills and technology, and helps create vital domestic business networks. Importantly to us, local purchasing can also lower costs in the long run and contribute to our social licence to operate.

Hudbay's approach to local purchasing is guided by five principles: mutual benefit; fairness, competitiveness and transparency; targeted capacity development; informed and integrated decision-making; and collaboration with community representatives and available supporting organizations.

In Peru, we are honouring commitments to give first consideration to local suppliers for services such as equipment rental and catering, as set out in the life of mine community agreements. We also help them register their business and formalize quality standards and procedures so they can qualify for potential business opportunities with other companies, and we work with them on sales and marketing strategies.

In Manitoba, we have longstanding relationships with local transportation and construction contractors. We work closely with these suppliers, often helping them establish systems and processes to fulfill their social and environmental responsibilities.

## **2015 PERFORMANCE HIGHLIGHTS**

---

### **Corporate**

- We finalized a corporate Local Procurement and Employment (LP&E) Standard aimed at ensuring that, at each site, we actively identify opportunities for supporting and utilizing local workforce skills and business capacity to provide goods and services, include LP&E when negotiating community agreements, and integrate LP&E into ongoing business processes.

### **Manitoba**

- Payments to suppliers located in our region of northern Manitoba and northeast Saskatchewan totaled \$17.7 million in 2015.

- Our Exploration team met with the Opaskwayak Cree Nation (OCN) Nakow Mining and Supply company to discuss possible partnerships in the area of early exploration. This type of partnership has worked for us before, and we presented an overview of geophysical activities, challenges and risks.

## Arizona

- In preparation for when our permits are received, we created an [online contractor and vendor management system](#) accessible from our corporate website. The system allows contractors, vendors and suppliers to identify themselves and their capabilities so they can be considered for future work.
- We also met with local unions, contractor groups and government representatives to inform them of potential future business opportunities.

## Peru

- About 60 of the contractors working at Constancia are from local communities. Most are focused on trucking and hospitality. Total purchases from local enterprises were \$25.9 million.
- In 2015, we worked with the CMDs (community development committees) in Uchucarco and Chilloroya to buy 25 trucks that they could rent to local contractors to transport Constancia concentrate to the port of Matarani.

## MORE ON LOCAL PURCHASING

Founded in 2013, El Nandito is a Chilloroya bakery owned by local entrepreneur Felipe Quispe. One of El Nandito's local customers is Newrest, Hudbay's catering and housing contractor, which buys about 4,000 loaves of bread daily.

# SOCIAL IMPACT

# **COMMUNITY RELATIONS**

---

As with any mining company, Hudbay's presence can create both opportunities and concern for local residents and indigenous people. Engaging with these communities in an open and inclusive way is vital for earning our social licence to operate. We must address their concerns about mining and competing land use priorities, and demonstrate how our operations can provide meaningful, long-term benefits. Above all, we must maintain respect, trust and understanding.

Each business unit conducts its own stakeholder analysis and implements a stakeholder engagement plan to build relationships, understand local concerns, and respond to them. This requirement is documented in our Stakeholder Engagement Standard. We also formalized a company-wide Community Response Standard (also known as a grievance process) to ensure complaints can be signaled and then appropriately documented, investigated and addressed.

## **Manitoba**

In Manitoba, we engage regularly with the Flin Flon and Snow Lake communities. Recent discussions have focused on training and job opportunities for the people of northern Manitoba, the impact of the Lalor mine on the town of Snow Lake, and engagement with First Nations communities.

We place particular emphasis on engagement with First Nations communities locally. The communities nearest Hudbay are Opaskwayak Cree Nation, Mosakahiken Cree Nation and Mathias Colomb Cree Nation in Manitoba and three communities in Saskatchewan that are part of the Peter Ballantyne Cree Nation. Through meetings, school presentations, mine tours, open houses and working together on joint initiatives (usually related to employment), we seek to improve understanding of one another and build constructive relationships. Hudbay's full-time Aboriginal Liaison Officer coordinates our efforts and facilitates dialogue. In addition, the Vice President of our Manitoba Business Unit co-chairs the Minister's Mining Advisory Council, which brings together First Nations leadership, industry representatives and the Government of Manitoba to ensure First Nations communities benefit from the development of new mines.

We have a court injunction preventing members of Mathias Colomb Cree Nation (MCCN) from blocking access to our sites, as a result of blockades they staged at the Lalor site in 2013. Hudbay is only seeking free access for employees and contractors to our sites. The injunction is not a lawsuit and it does not prohibit members of MCCN or other communities or community companies from bidding on Hudbay contracts or seeking employment. We recognize it as an ongoing relationship challenge, which makes it difficult for the community to fully realize the benefits and opportunities that our operations can offer, and we are seeking a path to restore our collaboration with MCCN.

Hudbay is a member of the Canadian Council for Aboriginal Business (CCAB) and participates in its Progressive Aboriginal Relations (PAR) program. We are working to progress from PAR's "committed" category to the bronze certification level. Certification confirms that we have practices in place to be a good business partner and great place to work, and demonstrates our commitment to prosperity in Aboriginal communities.

## Peru

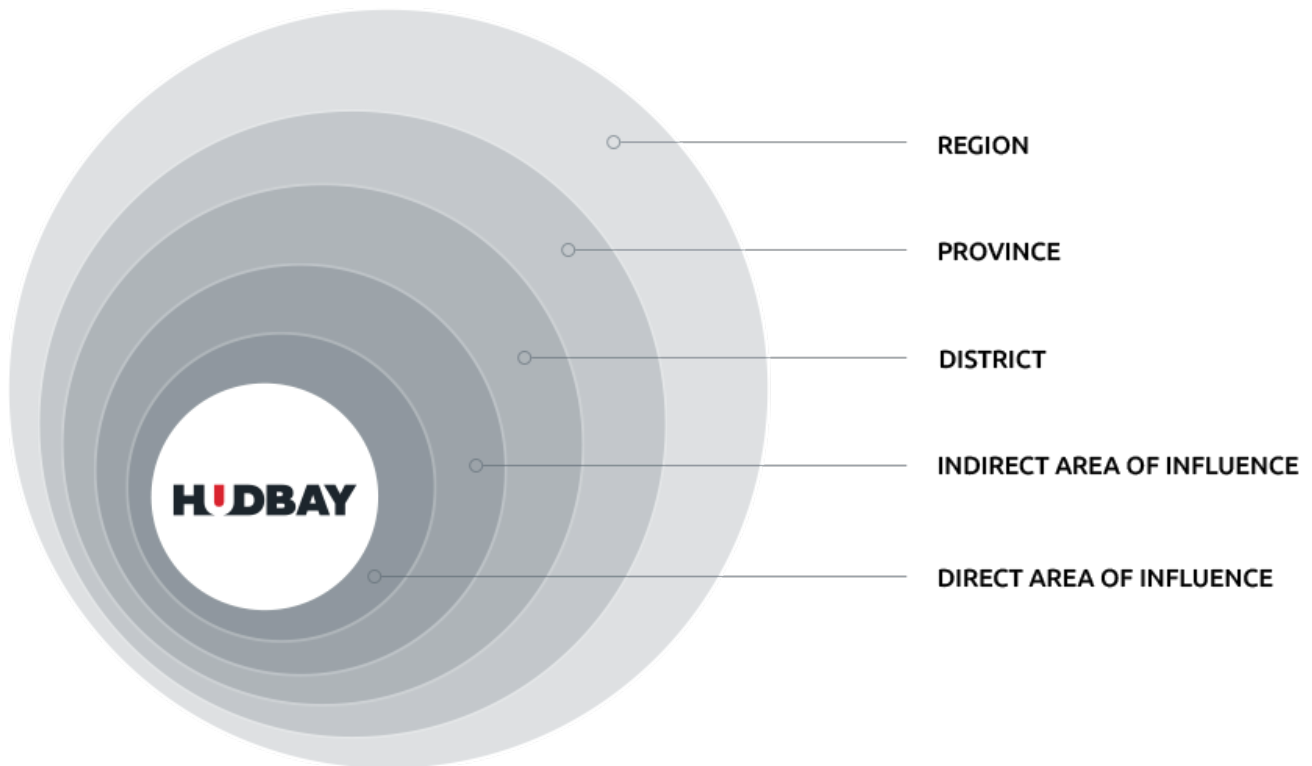
In Peru, there are two communities within our direct area of influence – Uchucarco and Chilloroya. Both signed life of mine land use agreements with Hudbay in exchange for portions of their community-owned land. We maintain community relations offices in both communities and engage frequently with residents on a wide range of topics, most often related to fulfilling commitments under the agreements.

We have signed co-operation agreements with a number of communities within our indirect area of influence. Under these agreements, we commit to working together on social development projects within a specified budget provided by Hudbay. In 2015, we began building relationships with communities along the route from Constancia to the port of Matarani where we transport concentrate. See details [below](#).

## Arizona

The Rosemont site is close to a major urban area. Since acquiring this project in 2014, we have worked to both understand the aggregate views of local stakeholders and engage directly with the individuals and groups most interested in, and connected to, the project. We believe that a robust permitting process contributes to the development of world-class mines, and it is in that spirit that we are engaging in the regulatory process to secure the final permits needed to advance the Rosemont project.

## CIRCLES OF INFLUENCE



## 2015 PERFORMANCE HIGHLIGHTS

### Corporate

- Most of our employees live in the communities where they work. In 2015, we held a Community Champions event that recognized them for their service to the community, through volunteerism or on behalf of Hudbay. See [Our Workplace](#) to learn more.

### Arizona

- We took a number of steps in 2015 to build our relationships with local communities, adopting the approach of small group and one-on-one meetings with government officials, community groups and neighbours to promote dialogue and build trust and understanding. See the [Arizona case study](#) to learn more.
- Our team conducted a focused community relations effort related to the water well drilling and

confirmatory drilling programs taking place at the site. They sent letters to people within two miles of the site, visited the homes of our closest neighbours, spoke to community and government leaders, and gave contact cards to all workers so they could direct any questions to the appropriate Hudbay contacts.

- In developing relationships with Native American tribes in the region, we have sought to share and build on our experiences in relationship building with First Nations in Manitoba. Cultural sensitivity training is included in the Rosemont Environmental Impact Statement, and we will be developing programs to help crews and staff better understand and appreciate Native American culture and people.

## Peru

- Despite social unrest and opposition to certain mining projects in the region near Constancia, we maintained constructive relationships with local communities through regular dialogue and collaboration on community projects.
- Once we started transporting concentrate 468 kilometres to the port at Matarani, we initiated communications with about 14 communities along the route. Our community relations team contacted local authorities and community leaders beforehand. They also organized community meetings where they explained how they would mitigate issues like dust, listened to people's needs and concerns, and offered to help these communities access government funds for their development projects. See the [Constancia case study](#) to learn more.
- With the shift from construction to operations, Constancia's relationships with its communities are evolving and we have begun to look at the long-term role we can play in tackling poverty. We expect to become more involved in helping build business capacity by training entrepreneurs to market and sell their goods.
- There were 57 complaints or concerns registered through the site grievance mechanism in 2015. Of these, 89% related to local supply chain issues, mainly pertaining to vehicle maintenance expenses and payments for services, and pending payments by third-party suppliers; 5% related to labour practices; and 6% related to human rights, and environmental issues and compliance.

## Manitoba

- Among our efforts to strengthen relationships with First Nations communities, we met with members of the Peter Ballantyne Cree Nation to discuss our duty to consult and hiring practices, exploration early notification and environmental concerns. Several Hudbay departments also participated in an information session with Cumberland House Cree Nation to discuss exploration, environment and employment.

- With the planned expansion of the Anderson tailings impoundment area near Snow Lake, we conducted a community information campaign to share plans, answer questions and address concerns. Our team met with the Snow Lake mayor and town council and invited the public to drop-in sessions in Flin Flon and Snow Lake to speak with experts on the topic. We also conducted individual meetings with concerned citizens and solicited input through a community feedback form.
- There were seven complaints registered through our site complaint hotline. The main issues were related to health and safety, and environmental concerns. All were resolved in the reporting year.

## SOCIAL IMPACT

# **RESETTLEMENT AND LAND USE**

---

Mining activities require land, which sometimes competes with land used for livelihoods, households and communities. Recognizing the concerns of local people and the risks to our business, we explore alternatives to minimize disturbances and implement measures to protect human rights and cultural heritage in every region where we wish to mine.

**Resettlement** – When it became clear that the development of Constancia would require the displacement of 36 families from Chilloroya, we established a resettlement negotiation process that adhered to international standards for fairness and transparency (including the IFC performance standards), and committed to providing equal or better housing with improvements like better access to water and roads. The guiding principle for the process was collaboration – with community leaders and government authorities as well as affected individuals.

All but two of the resettlements were completed in 2014. As part of our agreements, we have continued to help the affected families get settled and will do so until 2016. Agreements with the two remaining families were reached in 2015 and they have relocated.

**Small-scale mining** – Small-scale, informal mining occurs in the Pampacancha area of our Constancia mineral claims. Hudbay Peru and the community implemented a five-year agreement that allows mining by a community enterprise, provided that it is restricted to the one area and is brought into legal compliance. The agreement, which helped formalize the activity there and reduce the risk of conflict, expired in June 2015 and we have begun negotiations to renew it.

**Cultural heritage sites** – Peru is a country rich in archeological heritage. Before construction started, we conducted a study to find any archeological sites on the property and obtained a Certificate of Non-Existence of Archeological Remains. The site has an archeological monitoring plan (AMP) to preserve cultural heritage and protect any archeological artifacts that may be found. As part of the plan, we have marked protected areas, have erected signage and continue to recover new artifacts. We also hold weekly cultural heritage and awareness training for project workers and community members. The AMP is regularly audited by the Ministry of Culture and all of our activities to date have received government approval.

The Rosemont Environmental Impact Statement (EIS) recognizes the potential impact of mine operations on historic properties and traditional uses and perceptions of the land for the many communities who have used it over the past centuries. Ancestral human remains and sacred sites are known to exist in the project area, as are traditional resource collecting areas. The USDA Forest



Service developed a historical properties treatment plan in co-operation with the tribes, the state historic preservation office and Rosemont. The plan is aimed at preserving cultural resources by training work crews on identifying potential cultural artifacts and the steps to follow to protect them. Rosemont, in co-operation with the USDA Forest Service, has developed a cultural awareness training video which will be used to train employees and contractors about the requirements at cultural sites.

# ENVIRONMENT

---

From exploration to reclamation, our steps are guided by science, and environmental considerations shape our plans. Drawing on long experience and the latest research, we continually work to minimize our environmental footprint and enhance our contributions to sustainability and biodiversity.

**2,180** KG

of native grass seed was collected by community members and purchased by Constancia for progressive reclamation activities

**7.91%**

OF WATER

used in operations is recycled and reused

**4.0%**

OF THE LAND

we own, lease or manage is used for Hudbay activities; the rest remains in its natural state

**35%**

OF MANITOBA'S TAILINGS

are used as paste backfill to support underground mines





“Hudbay’s commitment to operating in an environmentally responsible and sustainable way has made it a place where I can make a positive difference.”

**Erika Calmell del Solar**

---

Environment  
Superintendent,  
Constancia

When Erika Calmell del Solar announced, after receiving her degree in Environmental Engineering from Universidad Nacional Agraria La Molina, that she was pursuing a career in the mining industry, some of her friends were more than a little surprised. But 12 years later, the last five with Hudbay at Constancia, Erika knows she made the right choice. “I wanted to go where I felt I could do the most good, and that was mining. I also made sure that I worked for companies that wanted to do things the right way – like Hudbay.” Both during the construction phase of Constancia and now that it is a working mine, Erika and her colleagues in the Environment department have always been consulted by the operations team. “They listen to our advice, and they make changes based upon it.” In Erika’s experience, Hudbay’s commitment to operating in an environmentally responsible and sustainable way has made it a place where she “can make a positive difference.”



“I help people understand that Hudbay uses best practices through every stage of mining, from exploration to reclamation, and that environmental management standards have become incorporated into the way we do business.”

### **Jay Cooper**

Environment  
Superintendent,  
Manitoba Business  
Unit

Commenting on the ongoing construction and management work at the Flin Flon tailings facilities, Jay Cooper observes, “We are trying to build something as sustainable and long-lasting as the pyramids.” Clearly, as environment superintendent for the Manitoba Business Unit, Jay is comfortable with setting and meeting tough standards. That willingness to take on challenges extends to teaching people outside the industry about responsible mining – what it means and what it requires. “A large portion of the population has a skewed vision of what mining is today. It’s our job to teach people how things have changed and that, as an industry, we are operating responsibly.” Drawing on close to 20 years in mining, Jay helps people understand that Hudbay uses best practices through every stage of mining, from exploration to reclamation, and how environmental management standards, like ISO 14001, have become incorporated into “the way we do business.”

## ENVIRONMENT

# **LAND AND BIODIVERSITY**

At every stage of the mining lifecycle, we strive to understand and actively manage our impacts on biodiversity conservation and ecosystem services. Our efforts help to minimize our environmental footprint and related social and environmental risks, and strengthen Hudbay's reputation and relationships.

While each site develops its own management plans specific to its unique location, they are all expected to apply the biodiversity mitigation hierarchy throughout the mining lifecycle, in accordance with our corporate Biodiversity Conservation Standard. The mitigation hierarchy is a widely accepted set of prioritized steps to alleviate environmental harm as far as possible, first through avoidance of detrimental impacts to biodiversity, and then through mitigation (or reduction) of these impacts and restoration of the area's ecosystem. Biodiversity offsetting is only considered as a last resort.

## **Manitoba**

In Manitoba, land and biodiversity are managed in line with actual operational activities. Once the activities and associated risks are defined during the year, annual biodiversity objectives and plans are set and implemented, within the context of long-term environmental goals.

The Manitoba Business Unit plan includes an ongoing commitment to boreal woodland caribou conservation, financially supporting Manitoba Conservation's caribou research and implementing Manitoba Conservation's postcard system for caribou sightings to aid in its research. Boreal woodland caribou are currently listed as threatened under the federal *Species at Risk Act* and Manitoba's *Endangered Species and Ecosystems Act*. We took specific measures in the design and construction of the Reed mine to reduce and mitigate any potential operational impacts on caribou, which are known to spend most of their time on the west side of Reed Lake, 2.5 kilometres from the mine site, with a highway and forest in between.

## Peru

In Peru, we are committed to ensuring there is no net loss of biodiversity as a result of our activities. We have developed a biodiversity action plan (BAP) in keeping with international standards (Towards Sustainable Mining and IFC) for protecting and conserving biodiversity. To date, the BAP has involved a series of mitigation plans, including:

- **Floral species management plan** – Protected plant species are being managed and monitored. We transplant plants to temporary nursery areas and conduct various germination, propagation and conditioning tests.
- **Revegetation programs** – We plant native seeds and seedlings in degraded areas near the site and as part of our progressive reclamation activities. The seedlings are grown by community members in the Hudbay nursery.
- **Rescue and relocation plan** – After rescuing, captive breeding and relocating species listed as threatened (including reptiles and aquatic frogs) to similar areas off-site, we are now focused on monitoring how well the animals are adapting to their new habitat. The work is done in partnership with neighbouring communities.
- **Wetlands management plan** – Working with community users, we are undertaking measures to promote the conservation and/or restoration of wetlands and very wet grasslands near the site.

## Arizona

Over the past six years, the Arizona team has carried out extensive environmental baseline studies and ongoing monitoring in the Rosemont project area. The data collected has been used, in consultation with stakeholders and regulators, to develop effective management plans and incorporate environmental considerations into project design, so as to minimize potential impacts on the biodiversity of the area.

To conserve water resources and biodiversity, we established the Rosemont Copper Conservation Lands Program, which includes mitigation proposed in the permitting process as well as additional areas that Hudbay has set aside for conservation purposes. Under this initiative, Hudbay Arizona will permanently conserve more than 4,827 acres of open land and allocate more than 1.9 billion gallons per year of private surface water rights to the public. Once finalized, this program will establish secure, sustainable habitat for bats, birds, fish, frogs and other animals, including some endangered species.

Arizona is home to many prominent astronomical observatories that need full darkness for their research, and the state has a number of “Dark Skies” ordinances intended to minimize light pollution. We are working with suppliers to develop modified lighting systems and technologies at our facilities

and on our equipment that will reduce potential impacts far below what the code requires, while meeting the operational safety requirements set by the Federal Mine Safety and Health Administration.

Rosemont also has cowboys on its payroll who tend cattle on the property. Cattle ranching is a traditional land use in the area, and the cattle help maintain ecosystem function and provide a buffer around the proposed mine. Once mining is finished, the area will revert back to ranchland.

## 2015 PERFORMANCE HIGHLIGHTS

---

### Corporate

- We finalized our corporate Biodiversity Conservation Standard, which sets out the minimum requirements for identifying environmental conditions and managing biodiversity conservation and ecosystem services at each site. The standard is consistent with Hudbay's commitment to implement the [Towards Sustainable Mining Biodiversity Conservation Management Framework](#) and [Protocol](#).

### Arizona

- Environmental baseline studies and monitoring programs completed at Rosemont in 2015 included: yellow-billed cuckoo surveys, Chiricahua leopard frog surveys, bat surveys, Cestus skipper surveys, chinchweed surveys, road kill surveys, groundwater level and quality review, stormwater quality sampling as well as ephemeral system measurements, meteorological monitoring, groundwater model updates, review and analysis of possible impacts on surface water and dependent species, and normalized difference vegetation index (NDVI) measurements of riparian areas.
- In late 2015, a draft of a second biological opinion was published by the US Fish and Wildlife Service, based on additional information on new species, to ensure that proper measures are taken at the mine to prevent any negative impacts on endangered species. It is expected that this document will be finished by mid-2016.
- Thirteen drill rigs operating on the east side of the mountain observed Rosemont's Dark Skies lighting plan. Their performance was monitored by consultants, and only one minor incident (an errant light) occurred, which was subsequently corrected.

## Peru

- Implementation of the Constancia biodiversity action plan was assessed against both the IFC mitigation hierarchy and the Towards Sustainable Mining (TSM) standard. The TSM assessment gave it a B level rating and recommended actions needed to bring it to an A level, all of which will be implemented in 2016.
- We implemented a native grass seed collection program in which community members are paid for the seeds they provide, which amounted to 2,180 kilograms in 2015. These seeds, along with native flora seedlings grown in our nursery, were used in progressive reclamation activities in the fourth quarter of 2015.
- Approximately 80 security personnel were trained on environmental procedures and how to respond to wildlife sightings.

## Manitoba

- Manitoba Conservation conducted information sessions for Reed mine employees on caribou research and how to avoid scaring caribou.
- We conducted environmental effects monitoring (EEM) in accordance with Metal Mining Effluent Regulations (MMER). An external consultant performed the required field studies to assess the health of aquatic habitat downstream from Ross Lake, with input from Environment Canada and support from two aquatic biologists from the Institut National de la Recherche Scientifique. The report will be submitted in June 2016.

## MORE ON **LAND AND BIODIVERSITY**

Constantino, the official mascot of the Constancia mine, was welcomed by local school children and communities in 2015. Constantino represents the Andean lizard, one of the species preserved as part of the mine's biodiversity rescue and relocation effort. We bring Constantino with us to community events to promote environmental stewardship.



## ENVIRONMENT

# ENERGY USE AND GREENHOUSE GAS

---

As users of fossil fuels to extract and transport ore, and electricity to run processing plants, Hudbay operations track energy consumption and associated greenhouse gas (GHG) emissions. We strive to reduce our impact by minimizing energy use and, where possible, reducing the carbon intensity of our operations.

In Manitoba, we set annual energy and GHG reduction objectives, which we strive to achieve through energy savings and continuous improvement projects. We also closely monitor the regulatory climate to guide our actions.

With Constancia and Rosemont still in the early stages of the mining lifecycle, the sites are just beginning to develop energy management plans. There is, however, a demonstration solar power site at the Rosemont field office that generates credits under the Tucson Electric Power program. We are testing various solar technologies to determine their viability for our future use and to provide feedback to the technology providers.

Constancia coming into production at the start of 2015 has impacted Hudbay's overall energy and GHG profile in several ways:

- Our production of metal in concentrate more than doubled, and the substantial energy going into construction activities in Peru in 2014 has been replaced by energy going to operations, thereby substantially reducing overall energy intensity per tonne of contained metal in concentrate.
- At the same time, electricity consumption has increased to power the Constancia process plant, and electricity in Peru has a much higher emission factor than the hydro-generated electricity in Manitoba, thereby substantially increasing the indirect GHG emissions and increasing overall GHG intensity per tonne of contained metal.
- GHG emissions related to direct energy have also increased per unit of energy since in Manitoba approximately 50% of direct energy consumption is from combustion of propane while all the direct energy consumption in Peru is from diesel combustion, which has a much higher emission factor than propane.

Hudbay submits an annual climate change report to the CDP (formerly called the Carbon Disclosure Project) that can be accessed from the [CDP website](#).

## 2015 PERFORMANCE HIGHLIGHTS

---

### Manitoba

- Total energy usage declined by 2.9% from 2014, with incremental improvements throughout the operations. Energy intensity, which is a measure of energy used per tonne of metal produced, was down by 4.1% from 2014.

### Peru

- With the rise in copper production, energy consumption and GHG emissions also increased. The site achieved steady-state operation in August 2015, which will enable us to establish a GHG baseline from which we can develop reduction targets.
- Approximately 67% of GHG emissions are indirect emissions associated with the purchase of electricity from the Peruvian electrical network, while the remainder are directly related to fuel consumption at the site.

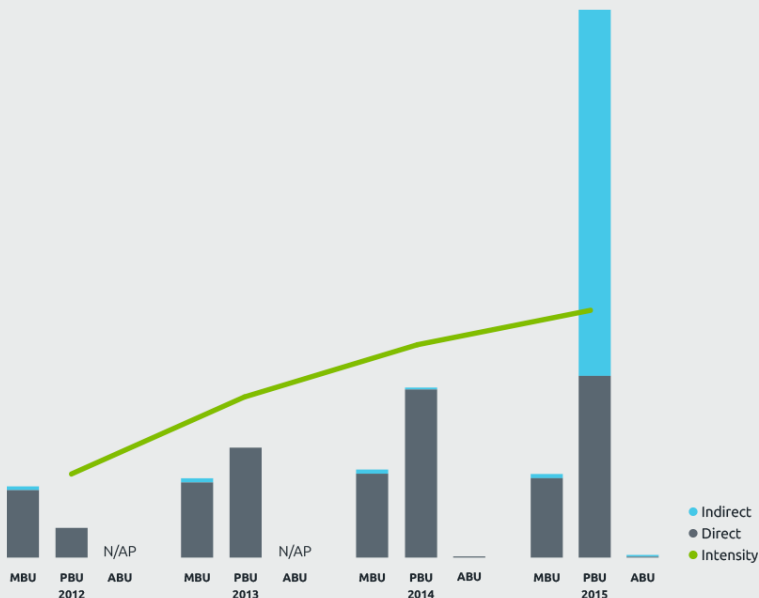
### Arizona

- We have started developing a Rosemont energy management plan, as mitigation measures for GHG emissions are part of the permitting process. Among the proposed measures, the site design will minimize energy requirements and related emissions (for example, through the use of topography to minimize pumping). Currently, enough solar energy is generated on-site to power the administration building.

**DIRECT ENERGY CONSUMPTION**  
(terajoules)

|              | 2015         | 2014         | 2013         |
|--------------|--------------|--------------|--------------|
| Heavy oil    | 0            | 0            | 0            |
| Propane      | 629          | 700          | 580          |
| Natural gas  | 0            | 0            | 0            |
| Diesel       | 2,034        | 1,993        | 1,346        |
| Light oil    | 0            | 4            | 6            |
| Gasoline     | 11           | 12           | 11           |
| Biofuel      | 0            | 0            | 0            |
| Ethanol      | 0            | 0            | 0            |
| Hydrogen     | 0            | 0            | 0            |
| Other        | 1            | 0            | 0            |
| <b>Total</b> | <b>2,675</b> | <b>2,709</b> | <b>1,943</b> |

**TOTAL GREENHOUSE GAS EMISSIONS**  
(kilotonnes of CO<sub>2</sub>-equivalent and intensity)



# ENVIRONMENT

## **AIR**

---

Air quality in and around our sites is important. We monitor and report air emissions to comply with air quality laws and regulations in the countries where we operate.

Air emissions from our Manitoba operations are minor and related to vent and fugitive dust emissions. We have a particulate monitoring program in place to ensure that particulates, which may contain metals, remain below regulatory limits. Readings are reviewed by the government and external compliance auditors.

Each year, a dust management plan is implemented at Flin Flon in line with the annual tailings deposition plan and weather conditions. Water cover on tailings areas is controlled to reduce the potential for dust generation. We use a variety of methods for dust control on active tailings dams, such as creating covers of calcium chloride sand, adding chemical binder on exposed beaches, as well as utilizing a straw covering where possible. To minimize dust generation from vehicles, we have paved about 50% of the main in-plant roads. Road dust calculations for the year were higher than in 2014 due to a reassessment of applicable roadways.

We have a dust management plan at Constancia, which includes the application of a dust suppressant on roads in and around the site. We apply water to temporary and haul roads when dust suppressant cannot be used. Other measures include changing blasting schedules according to wind conditions to minimize dust in nearby communities.

In its Environmental Impact Statement, Rosemont has committed to using numerous mitigation measures to minimize air emissions, including operational and engineering controls for controlling fugitive dust associated with tailings, paving roads within the mine site, using covers to control emissions from mix tanks and settlers, using spray or physical enclosures for low-emission-potential processes, using natural gas-powered buses, and including stockpile and loadout areas within the enclosed stockpile building.

### **2015 PERFORMANCE HIGHLIGHTS**

---

#### **Manitoba**

- In Manitoba, negotiations have been initiated with the federal government on a new performance agreement for air emissions from the zinc plant, as required by Environment Canada for smelters, zinc plants and refineries.

## Peru

- In Peru, air monitoring was carried out monthly in the community of Chilloroya and quarterly in Urasana and Ichuni, and reports were submitted to regulatory authorities. There were no material exceedances of air quality standards during the year.

## Arizona

- Our Rosemont air quality permit is currently in litigation, which is not unusual in the US regulatory system. We are working through this process and do not expect it to delay overall project progress.

# ENVIRONMENT

# **WATER**

---

Astute water management is an essential component of Hudbay's growth strategy and operations. Our success depends on designing water-efficient operations and continuously monitoring our consumption and discharge, while always maintaining our commitments to local users and regulatory agencies within the jurisdictions where we operate.

Each of our sites – and each community in which we operate – has different water needs and challenges depending on the supply, demand and water quality within the watershed.

Prior to developing a project, we assess water quality and availability as part of our feasibility and environmental impact studies. These assessments also consider the water needs of local communities. Mining site designs and management plans incorporate water considerations throughout the entire mine lifecycle. Our operations are subject to extensive regulation by federal, state, provincial and local authorities, and we expect to comply with all applicable laws and regulations. Our commitment to the ISO 14001 management standard requires us to pursue continuous improvement in water management and periodically update our water-related risk assessments.

We committed under our Environment and Social Impact Assessment (ESIA) at Constancia to limit the amount of sediment discharged to the nearby Huayllachane, Soropata and Chilloroya rivers. To address issues during the rainy season, we have put in place a robust sediment management plan and installed structures designed to last for the life of the mine. Controls include barriers like check dams and silt fences, and structures for diverting water to collection and sedimentation ponds. As a final control, the water is treated before being released to the water bodies.

At Constancia, we also have a joint environmental monitoring committee of community members, government authorities and company representatives that monitors impacts resulting from the site. We provide committee members with technical training and support. An important part of the committee's mandate is to track and record surface water quality and flows, and groundwater quality and levels.

In Manitoba, water usage is managed through water rights licences and related reporting as well as annual objectives to reduce the use of fresh water. Discharge is managed at specified discharge points using site-specific water treatment technologies and extensive water quality monitoring. The environment department tracks water quality data and reports to management on an exception basis.

In Arizona, Hudbay plans to implement technologies, such as dry-stack tailings, to minimize water use. We also plan to replace all groundwater pumped with replacement surface waters from the Central Arizona Project (CAP). Our team conducted extensive baseline studies of surface and groundwater conditions in the project area and has incorporated considerations of these conditions into the development of the design as well as future management and mitigation plans for Rosemont.

Hudbay submits an annual water report to the CDP (formerly called the Carbon Disclosure Project), which can be accessed from the [CDP website](#).

## **2015 PERFORMANCE HIGHLIGHTS**

---

### **Corporate**

- Hudbay had no material non-conformances relating to discharges into water in 2015. None of the effluents discharged from Hudbay operations have a significant impact on the receiving streams or water bodies in which they are discharged. Stringent regulatory requirements must be met at the point of effluent discharge.

### **Manitoba**

- Total fresh water consumption rose by 0.9% due to increased production at the Lalor mine and Stall Lake mill, which more than offset reductions at Flin Flon (1%) and Reed (28%). Water usage intensity decreased by 7.8%, confirming that we are using water more efficiently.

### **Arizona**

- Rosemont received its *Clean Water Act* Section 401 certification from the Arizona Department of Environmental Quality, which is required before the Army Corps of Engineers can issue a separate permit for the project under the federal *Clean Water Act*.
- Water impacts were minimal and limited to stormwater runoff from exploration drilling in 2015. Water use was primarily associated with providing drinking water, stock watering, or water for the drilling program. The drilling program used a new mud recycling process to minimize the amount of water used at each drill, which reduced normal water use by an estimated 50%. Stormwater was managed through controls placed on the disturbed areas. Inspections and samples were taken as required, and there was only a minimal amount of runoff during the drilling.

## Peru

- Commitments for surface and groundwater usage, as well as community water supply, were achieved within the respective conditions.
- Effluent releases made in early 2015 from the main sediment pond and non-continuous releases throughout the year from road sediment ponds were within regulatory limits.



# ENVIRONMENT

# **WASTE AND TAILINGS**

---

All Hudbay operations have waste management plans to reduce, reuse, recycle and responsibly dispose of waste. Waste rock from our mines and tailings from processing plants are a particular priority.

Waste rock is the mined rock that does not have economic value. It is managed on-site according to strict and detailed environmental regulations and industry standards. Wherever possible, it is reused as fill in underground operations and site rehabilitation.

Tailings are the finely ground rock, trace metals and process chemicals remaining after ore has been processed. Hudbay adheres to the Mining Association of Canada's highly regarded TSM protocol for managing tailings. Where water is plentiful, tailings have historically been piped into secure engineered impoundments contained by tailings dams. TSM guidelines address best practices for the location, design, construction, operation and closure of tailings facilities so that structures are stable and comply with industry and government standards, and solids and water are properly managed. Independent reviews are conducted on our tailings management design and practices in Saskatchewan and Manitoba and at Constancia, in accordance with the TSM protocol.

Safety measures used at our Flin Flon Tailings Impoundment System (FFTIS) and Constancia Tailings Management Facility (TMF) include the following:

- Frequent inspections by trained Hudbay personnel.
- Comprehensive inspections by third-party geotechnical engineering consultants.
- Deposition plans produced by third-party engineering consultants to manage projected tailings production.
- Detailed geotechnical designs for annual construction on the dams, completed or validated by third-party consultants and approved by regulators.
- An independent quality assurance/control monitoring program is in place during dam construction.
- Upon completion of construction, detailed as-built engineering drawings are produced by the geotechnical engineering consultant, validated and submitted to regulators where required.

In consideration of the environmental conditions in Arizona, Rosemont plans to construct a state-of-the-art, dry-stack tailings facility, which would use significantly less water than traditional facilities, allow for better dust control, be significantly more stable and reduce the potential of environmental impacts to groundwater. The use of dry-stack tailings will also allow more effective and earlier rehabilitation of the tailings area.

## **2015 PERFORMANCE HIGHLIGHTS**

---

### **Corporate**

- Hudbay manages tailings in accordance with the TSM Tailings Management Protocol and guidance documents. The protocol and documents were recently reviewed by an independent task force, and 29 recommendations were brought forward. We are participating in MAC's work to determine how the recommendations will be implemented and how they will affect us.

### **Manitoba**

- We conducted a [community information campaign](#) as part of the Environmental Assessment process for a planned expansion of the Anderson tailings impoundment area (TIA) to accommodate tailings through the life of the Lalor mine. The new infrastructure will include additional water retention dams, a seepage collection system and associated pump houses, and a new spillway to replace the existing one. We must submit an Environmental Assessment (EA) to Manitoba Conservation and Water Stewardship for approval before work can begin. The EA addresses all physical, aquatic, terrestrial and socio-economic factors related to the expansion.

### **Peru**

- Construction of the Constancia Tailings Management Facility (TMF) advanced far enough to permit the storage of the required water inventory for the start of operations and the deposition of tailings in the east TMF impoundment. Construction of east and west embankments will be a feature of ongoing Constancia operations during the life of the mine. Tailings pumping and deposition facilities performed as designed during early production.
- In 2015, we commissioned a third-party engineering consulting firm to conduct a geochemical study of waste deposition. The firm's recommendations, which were subsequently implemented, were to place non-acid generating material in the exterior boundary to minimize the potential for acid rock drainage.

## Arizona

- We plan to use the best available technology applicable to site conditions in the proposed dry-stack tailings facility. In 2015, our study of potential filtering systems included a visit to Australia to see how the technology is being used in mines there.

## MORE ON **WASTE AND TAILINGS**

Backfill is needed at Lalor to support the underground mine. We are studying the potential use of tailings from the Stall Lake mill and/or the Anderson TIA in the generation of paste fill.

## ENVIRONMENT

# **CLOSURE AND RECLAMATION**

All mines have finite lives, and all Hudbay mines and development projects have closure plans that are supported by financial provisions. Once mining is finished, we aim to leave behind land that will support productive uses for future generations.

As a member company of the Mining Association of Canada, Hudbay has committed its new projects and operations to management of mine closure in accordance with the TSM framework on mine closure. The framework consists of eight key elements, ranging from effective and sustainable closure planning, to consultation with communities, continuous improvement, and monitoring of reclamation programs. As part of this commitment, Hudbay identifies opportunities to help communities plan for sustaining economic development and incorporates community issues into long-term closure considerations.

In addition to the TSM framework, Hudbay's mine closure planning in Peru is guided by IFC performance standards, as well as by Peruvian mine closure regulations. In all jurisdictions in which Hudbay operates, mining companies are required to plan for closure before the start of operations and to provide financial assurance to relevant regulatory agencies for proposed mine reclamation activities.

Over the course of our history, we have closed many mine sites, including some in environmentally sensitive areas. In the process, we have developed core competencies in mine closure and reclamation. Our practices include the following:

**Designing for closure from the beginning** – By considering closure from the start of new projects, we can incorporate design features (like buildings that can be easily dismantled) to minimize both our impact on the environment during and after operations and our costs of closure.

**Progressive rehabilitation** – By progressively reclaiming areas once they are no longer needed for mining activities, operations are able to start reclamation sooner and reduce the work to be done when the mine closes. We have an ongoing rehabilitation program at Flin Flon, aimed at restoring the environment in and around the complex and enhancing the visual surroundings. Activities include the removal of old structures and equipment, the reconfiguring and revegetating of tailings sites and the greening of spaces between the community and the operations.

**Closed mines** – Hudbay’s closed mine site activities are tailored to the applicable jurisdictional regulatory requirements and the specific and unique characteristics of each site. Closed mine site activities can include monitoring activities and adaptive management strategies to ensure the effectiveness of the reclamation activities until such time as reclamation objectives are determined, in consultation with regulators, to be complete.

## **2015 PERFORMANCE HIGHLIGHTS**

---

### **Peru**

- Progressive rehabilitation activities at Constancia included the closure of two redundant waste rock facilities and other smaller areas used during construction. Runoff water and native seeds were used in the reclamation.
- Constancia’s closure plan was updated to incorporate recent studies and technological changes that will reduce costs and financial guarantees that Hudbay must provide annually to the Peruvian government. The updated plan was submitted in 2015 and approved by the Ministry of Energy and Mines in June.

### **Manitoba**

- Progressive rehabilitation activities performed in Flin Flon included tailings covering, seed planting and weed control on surrounding property.

### **Arizona**

- Rosemont supports studies by the University of Arizona’s Department of Natural Resources on reclamation techniques, procedures, and the appropriate vegetation to use. These studies are systematic and sequential, starting with a study of the existing vegetation, moving into greenhouse studies and continuing on to field tests at the Rosemont site. The results will guide the reclamation techniques that will be used and how plants will be managed. We collect data from the six reference plots and have had good success so far on seed mixtures and types of cover. The USDA Forest Service will evaluate the reference areas before issuing its final permit.

# CSR PERFORMANCE DATA

## BASIS OF REPORTING

All financial information is presented in US dollars except where otherwise indicated. All operating data is reported using the metric system. Some metrics are reported on both an absolute basis and an intensity basis against kilotonnes of metal processed. Safety data frequency rates are measured per 200,000 hours worked.

## DATA MEASUREMENT TECHNIQUES

Data is measured or estimated, and operations are asked to explain significant deviations in year-over-year trends. The performance data is reported at a mix of operational and corporate levels. Data is checked and approved at the site level, and also reviewed for consistency by the corporate data collection team.

We provide safety and environmental incident definitions so that all operations report incidents consistently. We calculate greenhouse gas (GHG) emissions using published factors for emissions.

Most of the performance data for water and energy is metered. We purchase most of our electricity from local grids. Utility grid statistics are therefore used to compile purchased electricity-related GHG numbers. We generate electricity at some of our project sites (such as Constancia and Reed) and this energy is reflected in fuel consumption, while GHG numbers are calculated based on conversion factors.

Data for the indicators is collected and compiled using information submitted by each site on a standard template. We provide instruction and criteria for GRI G4 and Towards Sustainable Mining (TSM), and also supply a GHG emissions worksheet (developed by the Mining Association of Canada).



## KEY PERFORMANCE DATA

### ECONOMIC

|   | 2015       | 2014       | 2013       | 2012       |
|---|------------|------------|------------|------------|
| <b>Direct economic value generated and distributed (in \$ millions) (EC1)</b> |            |            |            |            |
| Profit (loss) before tax  | \$ (331.4) | \$ 13.9    | \$ (53.7)  | \$ 48.7    |
| Revenues  | \$ 923.1   | \$ 507.5   | \$ 500.9   | \$ 702.6   |
| <b>Operating costs</b>  |            |            |            |            |
| Canada  | (408.5)    | (428.6)    | (399.7)    | (490.7)    |
| US  | (5.7)      | (7.6)      | (1.8)      | (10.4)     |
| Peru  | (186.0)    | (8.7)      | (9.7)      | (13.0)     |
| Chile   | (0.5)      | (1.9)      | (2.7)      | (7.0)      |
| Colombia  | (0.4)      | (0.8)      | (3.9)      | (4.6)      |
| Total   | \$ (601.1) | \$ (447.6) | \$ (417.8) | \$ (525.7) |
| <b>Employee wages and benefits</b>  |            |            |            |            |
| Canada  | 157.1      | 156.5      | 160.8      | 190.6      |
| US  | 9.3        | 4.6        | 1.1        | 1.9        |
| Peru  | 22.4       | 20.6       | 15.7       | 11.9       |
| Chile   | 0.0        | 0.0        | 1.2        | 1.8        |
| Colombia  | 0.2        | 0.2        | 1.2        | 1.3        |
| Total   | \$ 189.0   | \$ 181.9   | \$ 179.9   | \$ 207.5   |

|                               | 2015           | 2014             | 2013          | 2012           |
|-------------------------------|----------------|------------------|---------------|----------------|
| <b>Payments to government</b> |                |                  |               |                |
| Taxes paid                    |                |                  |               |                |
| Canada                        | 6.1            | (21.1)           | 5.6           | 59.3           |
| US                            | 0.0            | 0.1              | 0.0           | 0.7            |
| Peru                          | 28.0           | 5.8              | 1.5           | 0.0            |
| Chile                         | 0.0            | 0.0              | 0.0           | 0.0            |
| Colombia                      | 0.0            | 0.0              | 0.0           | 0.2            |
| <b>Total</b>                  | <b>\$ 34.1</b> | <b>\$ (15.2)</b> | <b>\$ 7.1</b> | <b>\$ 60.2</b> |
| Municipal taxes and grants    |                |                  |               |                |
| Canada                        | 6.7            | 7.8              | 7.6           | 7.5            |
| US                            | 0.1            | 0.5              | 0.7           | 0.0            |
| Peru                          | 0.0            | 0.0              | 0.0           | 0.0            |
| Chile                         | 0.0            | 0.0              | 0.0           | 0.0            |
| Colombia                      | 0.0            | 0.0              | 0.0           | 0.0            |
| <b>Total</b>                  | <b>\$ 6.8</b>  | <b>\$ 8.3</b>    | <b>\$ 8.3</b> | <b>\$ 7.5</b>  |
| Penalties and interest paid   |                |                  |               |                |
| Canada                        | 0.1            | 0.0              | 0.0           | 0.0            |
| US                            | 0.0            | 0.3              | 0.0           | 0.0            |
| Peru                          | 0.0            | 0.2              | 0.0           | 0.0            |
| Chile                         | 0.0            | 0.0              | 0.0           | 0.0            |
| Colombia                      | 0.0            | 0.0              | 0.0           | 0.0            |
| <b>Total</b>                  | <b>\$ 0.1</b>  | <b>\$ 0.5</b>    | <b>\$ 0.0</b> | <b>\$ 0.0</b>  |



|  | 2015     | 2014       | 2013        | 2012        |
|--|----------|------------|-------------|-------------|
| <b>Payments to providers of capital</b>                      |          |            |             |             |
| Dividends paid   | \$ 3.6   | \$ 3.8     | \$ 18.5     | \$ 34.7     |
| Interest payments made to providers of loans                 | \$ 108.6 | \$ 82.1    | \$ 56.8     | \$ 0.0      |
| <b>Financing fees paid</b>                                   |          |            |             |             |
| Canada   | 1.3      | 0.9        | 2.8         | 6.0         |
| Peru   | 1.2      | 4.6        | 0.0         | 4.6         |
| Total  | \$ 2.5   | \$ 5.5     | \$ 2.8      | \$ 10.6     |
| <b>Other interest paid</b>                                   |          |            |             |             |
| Canada   | 0.0      | 0.0        | 0.0         | 0.1         |
| Peru   | 0.0      | 0.0        | 0.0         | 0.0         |
| Total  | \$ 0.0   | \$ 0.0     | \$ 0.0      | \$ 0.1      |
| Capital expenditures – cash flow basis                       | \$ 490.6 | \$ 890.9   | \$ 878.7    | \$ 510.7    |
| Cash and cash equivalents                                    | \$ 53.9  | \$ 178.7   | \$ 593.7    | \$ 1,343.9  |
| <b>Payments – Local communities for land use (in \$000s)</b> |          |            |             |             |
| Canada   | 0.0      | 0.0        | 0.0         | 0.0         |
| US   | 0.0      | 0.0        | 0.0         | 0.0         |
| Peru   | 579.5    | 1,684.5    | 10,647.1    | 24,437.9    |
| Total land use payments                                      | \$ 579.5 | \$ 1,684.5 | \$ 10,647.1 | \$ 24,437.9 |

|   | 2015       | 2014       | 2013        | 2012       |
|---|------------|------------|-------------|------------|
| <b>Public benefit</b>                                     |            |            |             |            |
| Community investment and charitable donations (in \$000s) |            |            |             |            |
| Canada  | 307.1      | 602.8      | 650.6       | 1,059.2    |
| US  | 63.5       | 212.9      | 48.4        | 60.7       |
| Peru  | 2,435.7    | 3,103.0    | 3,952.0     | 756.2      |
| Chile   | 0.0        | 0.0        | 0.0         | 0.0        |
| Colombia  | 0.0        | 0.0        | 0.0         | 23.5       |
| Total community investments and donations <sup>1</sup>    | \$ 2,806.3 | \$ 3,918.7 | \$ 4,651.0  | \$ 1,899.7 |
| Resettlement investment (Peru) (in \$000s)                | \$ 957.5   | \$ 7,857.0 | \$ 16,429.9 | \$ 8,262.4 |
| <b>Production (contained metal in concentrate)</b>        |            |            |             |            |
| Copper (000 tonnes)                                       | 147.3      | 37.6       | 29.9        | 39.6       |
| Zinc (000 tonnes)   | 102.9      | 82.5       | 86.5        | 80.9       |
| Gold (000 troy ounces)                                    | 100.2      | 73.4       | 79.2        | 86.6       |
| Silver (000 troy ounces)                                  | 2,791.5    | 745.9      | 772.5       | 824.0      |
| <b>Metal production</b>                                   |            |            |             |            |
| Zinc metal (000 tonnes)                                   | 101.9      | 105.1      | 96.3        | 100.7      |

1. Political donations are included in this total; however, in accordance with Hudbay policy, political donations were \$0.

## EMPLOYEES

|                                  | 2015         | 2014  | 2013  | 2012  |
|----------------------------------|--------------|-------|-------|-------|
| <b>Total workforce (G4-10)</b>   |              |       |       |       |
| Number of full-time employees    |              |       |       |       |
| MBU                              | <b>1,399</b> | 1,391 | 1,373 | 1,281 |
| Ontario                          | <b>68</b>    | 61    | 52    | 65    |
| Arizona                          | <b>50</b>    | 34    | N/ap  | N/ap  |
| New York                         | <b>0</b>     | 8     | 8     | 8     |
| Peru                             | <b>183</b>   | 174   | 157   | 131   |
| Colombia                         | <b>0</b>     | 0     | 1     | 15    |
| Chile                            | <b>0</b>     | 0     | 1     | 14    |
| <b>Total full-time employees</b> | <b>1,700</b> | 1,668 | 1,594 | 1,516 |

### Employment<sup>1</sup>

|                                  |          |    |                        |    |
|----------------------------------|----------|----|------------------------|----|
| Number of part-time employees    |          |    |                        |    |
| MBU                              | <b>2</b> | 14 | N/av – See total below |    |
| Ontario                          | <b>0</b> | 0  | N/av – See total below |    |
| Arizona                          | <b>2</b> | 2  | N/av – See total below |    |
| New York                         | <b>0</b> | 2  | N/av – See total below |    |
| Peru                             | <b>0</b> | 0  | N/av – See total below |    |
| Chile                            | <b>0</b> | 0  | N/av – See total below |    |
| <b>Total part-time employees</b> | <b>4</b> | 18 | 52                     | 42 |

|  | 2015         | 2014  | 2013                   | 2012  |
|--|--------------|-------|------------------------|-------|
| <b>Number of contract (term) employees</b>   |              |       |                        |       |
| MBU  | 7            | 18    | N/av – See total below |       |
| Ontario  | 5            | 1     | N/av – See total below |       |
| Arizona  | 0            | 0     | N/av – See total below |       |
| New York   | 0            | 1     | N/av – See total below |       |
| Peru   | 187          | 138   | N/av – See total below |       |
| Chile  | 1            | 0     | N/av – See total below |       |
| <b>Total contract employees</b>  | <b>200</b>   | 158   | 23                     | 34    |
| <b>Number of co-op and summer students hired</b>                                   |              |       |                        |       |
| MBU  | 40           | 41    | N/av – See total below |       |
| Ontario  | 3            | 2     | N/av – See total below |       |
| Arizona  | 2            | 0     | N/av – See total below |       |
| New York   | 0            | 0     | N/av – See total below |       |
| Peru   | 12           | 6     | N/av – See total below |       |
| Chile  | 0            | 0     | N/av – See total below |       |
| <b>Total co-op/summer students</b>   | <b>57</b>    | 49    | 43                     | 39    |
| <b>Number of employees represented by collective bargaining agreements (G4-11)</b> |              |       |                        |       |
|  | <b>1,053</b> | 1,091 | 1,047                  | 961   |
| <b>Percentage of full-time employees represented by trade unions</b>               |              |       |                        |       |
|  | <b>61.9%</b> | 65.4% | 65.7%                  | 63.4% |
| <b>Operational changes (LA4)</b>   |              |       |                        |       |
| <b>Minimum number of weeks provided before operational changes (MBU only)</b>      |              |       |                        |       |
|  | <b>2</b>     | 2     | 2                      | 2     |
| <b>Negotiated into collective agreements (MBU only)</b>                            |              |       |                        |       |
|  | <b>Yes</b>   | Yes   | Yes                    | Yes   |
| <b>Number of strikes or lockouts exceeding one week (MM4)</b>                      |              |       |                        |       |
|  | <b>1</b>     | 0     | 0                      | 0     |

|  | 2015  | 2014  | 2013 | 2012 |
|--|-------|-------|------|------|
| <b>Employee turnover</b>                 |       |       |      |      |
| Region                                   |       |       |      |      |
| MBU                                      | 206   | 118   | N/av | N/av |
| Corporate                                | 5     | 7     | N/av | N/av |
| ABU                                      | 9     | 1     | N/av | N/av |
| Peru                                     | 32    | 53    | N/av | N/av |
| Chile                                    | 0     | 0     | N/av | N/av |
| Total                                    | 252   | 179   | N/av | N/av |
| Age distribution                         |       |       |      |      |
| <30                                      | 23.4% | 18.4% | N/av | N/av |
| 30–50                                    | 40.5% | 50.3% | N/av | N/av |
| >50                                      | 36.1% | 31.8% | N/av | N/av |
| Gender                                   |       |       |      |      |
| Male                                     | 75.4% | 82.7% | N/av | N/av |
| Female                                   | 24.6% | 17.9% | N/av | N/av |
| Voluntary turnover rate (Hudbay total)   | 11.4% | 7.4%  | 4.3% | 5.0% |
| Involuntary turnover rate (Hudbay total) | 3.6%  | 3.4%  | 4.1% | N/av |
| <b>New employee hires<sup>2</sup></b>    |       |       |      |      |
| Region                                   |       |       |      |      |
| MBU                                      | 221   | 155   | N/av | N/av |
| Corporate                                | 12    | 7     | N/av | N/av |
| ABU                                      | 23    | 36    | N/av | N/av |
| Peru                                     | 160   | 183   | N/av | N/av |
| Chile                                    | 0     | 0     | N/av | N/av |
| Total                                    | 416   | 381   | N/av | N/av |
| Age distribution                         |       |       |      |      |
| <30                                      | 40.6% | 22.6% | N/av | N/av |
| 30–50                                    | 47.4% | 64.0% | N/av | N/av |
| >50                                      | 12.0% | 13.6% | N/av | N/av |

|        | 2015  | 2014  | 2013 | 2012 |
|--------|-------|-------|------|------|
| Gender |       |       |      |      |
| Male   | 79.3% | 82.9% | N/av | N/av |
| Female | 20.7% | 17.3% | N/av | N/av |

**Net number of full-time employees added (decreased)**

|              |           |           |           |           |
|--------------|-----------|-----------|-----------|-----------|
| Canada       | 15        | 27        | 79        | 7         |
| US           | 8         | 32        | 0         | (7)       |
| Peru         | 9         | 17        | 26        | 57        |
| Colombia     | 0         | (1)       | (14)      | 15        |
| Chile        | 0         | (1)       | (13)      | 14        |
| <b>Total</b> | <b>32</b> | <b>74</b> | <b>78</b> | <b>86</b> |

**Number of contractor full-time equivalent staff (G4-10)**

|          |                    |       |       |       |
|----------|--------------------|-------|-------|-------|
| Manitoba | 274                | 245   | 316   | 381   |
| Peru     | 4,337 <sup>3</sup> | 9,595 | 6,438 | 2,972 |
| Arizona  | 55                 | N/ap  | N/ap  | N/ap  |
| Other    | 4                  | 54    | 25    | 6     |

**Person-hours of work (including contractors) (LA1)**

|                           |                        |                   |                   |                  |
|---------------------------|------------------------|-------------------|-------------------|------------------|
| North America             | 3,245,882              | 3,359,663         | 3,245,625         | 3,329,467        |
| South America             | 9,907,705 <sup>3</sup> | 20,458,806        | 13,781,606        | 6,459,441        |
| <b>Total person-hours</b> | <b>13,158,587</b>      | <b>23,818,469</b> | <b>17,027,231</b> | <b>9,788,908</b> |

**Employees receiving regular performance and career development reviews (LA11)**

|                                  |     |     |     |      |
|----------------------------------|-----|-----|-----|------|
| Percentage reviewed <sup>4</sup> | 41% | 22% | 26% | N/av |
|----------------------------------|-----|-----|-----|------|

|   | 2015         | 2014  | 2013  | 2012  |
|---|--------------|-------|-------|-------|
| <b>Hudbay total workforce age distribution (LA12)</b> |              |       |       |       |
| <30   | <b>13.0%</b> | 13.8% | 11.4% | 11.1% |
| 30–50   | <b>47.9%</b> | 47.8% | 47.4% | 50.0% |
| >50   | <b>39.6%</b> | 36.6% | 41.2% | 38.9% |

### Composition of governance bodies and breakdown of employees

#### Workforce diversity

##### Female (Hudbay)

|          |             |     |      |      |
|----------|-------------|-----|------|------|
| MBU      | <b>187</b>  | 182 | N/av | N/av |
| Ontario  | <b>32</b>   | 27  | N/av | N/av |
| Arizona  | <b>24</b>   | 15  | N/av | N/av |
| New York | <b>0</b>    | 0   | N/av | N/av |
| Peru     | <b>28</b>   | 35  | N/av | N/av |
| Chile    | <b>N/ap</b> | 0   | N/av | N/av |

#### Percentage of total workforce that is female

|                               |                         |     |     |     |
|-------------------------------|-------------------------|-----|-----|-----|
| Aboriginal (MBU only)         | <b>N/av<sup>5</sup></b> | 14% | 13% | 11% |
| Disabled (MBU only)           | <b>N/av<sup>5</sup></b> | 6%  | 5%  | 6%  |
| Visible minorities (MBU only) | <b>N/av<sup>5</sup></b> | 6%  | 5%  | 6%  |

### Composition of executive management and corporate governance bodies

#### Board of Directors (ratio male to female)

|            |      |     |      |
|------------|------|-----|------|
| <b>4:1</b> | 10:1 | 9:1 | 10:0 |
|------------|------|-----|------|

#### Age distribution

|       |             |     |     |     |
|-------|-------------|-----|-----|-----|
| <30   | <b>0%</b>   | 0%  | 0%  | 0%  |
| 30–50 | <b>0%</b>   | 10% | 10% | 10% |
| >50   | <b>100%</b> | 90% | 90% | 90% |

#### Executive management (ratio male to female)<sup>6</sup>

|              |      |      |      |
|--------------|------|------|------|
| <b>5.5:1</b> | 10:1 | 10:1 | 11:1 |
|--------------|------|------|------|

|   | 2015   | 2014   | 2013   | 2012   |
|---|--------|--------|--------|--------|
| Age distribution  |        |        |        |        |
| <30   | 0%     | 0%     | 0%     | 0%     |
| 30–50   | 64%    | 72%    | 64%    | 58%    |
| >50   | 36%    | 27%    | 36%    | 42%    |
| <b>Ratio of annual compensation of highest paid individual to mean total compensation (G4-54)</b>     |        |        |        |        |
| Canada (Manitoba Business Unit, excluding Corporate office)   | 6.5:1  | 6.1:1  | 8.9:1  | 7.2:1  |
| Canada (including Corporate office)   | 16.4:1 | 29.8:1 | 23.5:1 | 20.0:1 |
| Peru  | 10.0:1 | 9.5:1  | 11.3:1 | 12.8:1 |
| United States (Arizona Business Unit)   | 4.2:1  | 3.1:1  | N/ap   | N/ap   |
| <b>Workforce represented in formal joint management-worker Health and Safety Committees (LA5)</b>     |        |        |        |        |
| Percentage represented  | 100%   | 100%   | 100%   | 100%   |
| <b>Health and safety performance (per 200,000 hours worked, except where noted) (LA6)<sup>7</sup></b> |        |        |        |        |
| Lost time accident frequency (LTA)  |        |        |        |        |
| Manitoba  | 1.0    | 1.0    | 0.7    | N/av   |
| Manitoba contractors  | 0.7    | 0.8    | 0.3    | N/av   |
| Peru  | 0.7    | 0.0    | 0.0    | N/av   |
| Peru contractors  | 0.1    | 0.0    | 0.2    | N/av   |
| Arizona   | 0.0    | N/ap   | N/ap   | N/ap   |
| Arizona contractors   | 0.0    | N/ap   | N/ap   | N/ap   |
| North America (not including MBU and ABU)   | 0.0    | 0.0    | 0.0    | N/av   |
| North America contractors (not including MBU and ABU)   | 0.0    | 0.0    | 0.0    | N/av   |
| South America (not including Peru)  | 0.0    | 0.0    | 0.0    | N/av   |
| South America contractors (not including Peru)  | 0.0    | 0.0    | 44.1   | N/av   |
| Total   | 0.3    | 0.1    | 0.4    | 0.3    |



|   | 2015        | 2014 | 2013  | 2012 |
|---|-------------|------|-------|------|
| <b>Lost time accident severity (SEV)</b>              |             |      |       |      |
| Manitoba  | <b>35.2</b> | 36.0 | 34.4  | N/av |
| Manitoba contractors                                  | <b>14.8</b> | 23.0 | 0.3   | N/av |
| Peru  | <b>22.0</b> | 0.0  | 0.0   | N/av |
| Peru contractors                                      | <b>3.6</b>  | 0.2  | 7.1   | N/av |
| Arizona   | <b>0.0</b>  | N/ap | N/ap  | N/ap |
| Arizona contractors                                   | <b>0.0</b>  | N/ap | N/ap  | N/ap |
| North America (not including MBU and ABU)             | <b>0.0</b>  | 0.0  | 0.0   | N/av |
| North America contractors (not including MBU and ABU) | <b>0.0</b>  | 0.0  | 0.0   | N/av |
| South America (not including Peru)                    | <b>0.0</b>  | 0.0  | 0.0   | N/av |
| South America contractors (not including Peru)        | <b>0.0</b>  | 0.0  | 163.0 | N/av |
| <b>Total</b>  | <b>11.4</b> | 4.7  | 11.0  | 3.3  |

|   |            |      |      |      |
|---|------------|------|------|------|
| <b>Restricted work case frequency (RWC)</b>           |            |      |      |      |
| Manitoba  | <b>1.8</b> | 2.2  | 1.6  | N/av |
| Manitoba contractors                                  | <b>0.0</b> | 0.4  | 0.6  | N/av |
| Peru  | <b>0.2</b> | 0.0  | 0.0  | N/av |
| Peru contractors                                      | <b>0.0</b> | 0.0  | 0.4  | N/av |
| Arizona   | <b>0.0</b> | N/ap | N/ap | N/ap |
| Arizona contractors                                   | <b>0.0</b> | N/ap | N/ap | N/ap |
| North America (not including MBU and ABU)             | <b>0.0</b> | 0.0  | 0.0  | N/av |
| North America contractors (not including MBU and ABU) | <b>0.0</b> | 0.0  | 0.0  | N/av |
| South America (not including Peru)                    | <b>0.0</b> | 0.0  | 0.0  | N/av |
| South America contractors (not including Peru)        | <b>0.0</b> | 0.0  | 0.0  | N/av |
| <b>Total</b>  | <b>0.4</b> | 0.3  | 0.6  | 0.8  |

|   | 2015       | 2014       | 2013       | 2012       |
|---|------------|------------|------------|------------|
| <b>Medical aid frequency (MA)</b>                     |            |            |            |            |
| Manitoba  | 11.0       | 12.8       | 12.1       | N/av       |
| Manitoba contractors                                  | 12.3       | 12.9       | 8.8        | N/av       |
| Peru  | 2.3        | 0.0        | 0.6        | N/av       |
| Peru contractors                                      | 0.2        | 0.5        | 0.9        | N/av       |
| Arizona   | 4.9        | N/ap       | N/ap       | N/ap       |
| Arizona contractors                                   | 5.3        | N/ap       | N/ap       | N/ap       |
| North America (not including MBU and ABU)             | 0.0        | 1.2        | 0.0        | N/av       |
| North America contractors (not including MBU and ABU) | 0.0        | 2.1        | 0.0        | N/av       |
| South America (not including Peru)                    | 0.0        | 0.0        | 0.0        | N/av       |
| South America contractors (not including Peru)        | 0.0        | 0.0        | 70.5       | N/av       |
| <b>Total</b>  | <b>3.0</b> | <b>2.1</b> | <b>3.0</b> | <b>4.7</b> |

|   |            |            |            |            |
|---|------------|------------|------------|------------|
| <b>First aid frequency (FA)</b>                       |            |            |            |            |
| Manitoba  | 22.1       | 28.5       | 26.0       | N/av       |
| Manitoba contractors                                  | 6.0        | 8.2        | 3.7        | N/av       |
| Peru  | 4.8        | 0.4        | 1.8        | N/av       |
| Peru contractors                                      | 0.6        | 1.3        | 2.4        | N/av       |
| Arizona   | 17.2       | N/ap       | N/ap       | N/ap       |
| Arizona contractors                                   | 5.3        | N/ap       | N/ap       | N/ap       |
| North America (not including MBU and ABU)             | 0.0        | 3.7        | 0.0        | N/av       |
| North America contractors (not including MBU and ABU) | 0.0        | 8.3        | 0.0        | N/av       |
| South America (not including Peru)                    | 0.0        | 0.0        | 28.1       | N/av       |
| South America contractors (not including Peru)        | 0.0        | 0.0        | 136.6      | N/av       |
| <b>Total</b>  | <b>5.2</b> | <b>4.4</b> | <b>6.2</b> | <b>7.6</b> |

|  | 2015 | 2014 | 2013 | 2012 |
|--|------|------|------|------|
| Fatality (number)  | 0    | 0    | 0    | 0    |
| Absentee rate (as a % of hours scheduled to be worked) <sup>8</sup>  | N/av | N/av | N/av | N/av |
| Reportable occurrences (defined as EHS incidents required by Hudbay policy to be reported to our Board of Directors) | 141  | 81   | 127  | 73   |

## BENEFITS

|  | Corporate |           | MBU             |   |
|--|-----------|-----------|-----------------|---|
|  | Full time | Part time | Full time       | Part time                                       |
| Life insurance                                       | Yes       | No        | Yes             | Members of 9338 when meeting specified criteria |
| Health care  | Yes       | No        | Yes             | Members of 9338 when meeting specified criteria |
| Disability and invalidity coverage                   | Yes       | No        | Yes             | No  |
| Parental leave                                       | Yes       | No        | Yes             | No  |
| Retirement provision                                 | Yes       | No        | Yes             | No  |
| Stock ownership                                      | Yes       | No        | Yes             | No  |
| Other – Critical illness insurance                   | Yes       | No        | Management only | No  |
| Other – Accidental death and dismemberment insurance | Yes       | No        | Yes             | No  |
|  | Peru      |           | ABU             |   |
|  | Full time | Part time | Full time       | Part time                                       |
| Life insurance                                       | Yes       | N/ap      | Yes             | No  |
| Health care  | Yes       | N/ap      | Yes             | No  |
| Disability and invalidity coverage                   | Yes       | N/ap      | Yes             | No  |
| Parental leave                                       | Yes       | N/ap      | 0               | 0   |
| Retirement provision                                 | Yes       | N/ap      | Yes (401k)      | No  |
| Stock ownership                                      | Yes       | N/ap      | Yes             | No  |
| Other – Critical illness insurance                   | Yes       | N/ap      | No              | No  |
| Other – Accidental death and dismemberment insurance | Yes       | N/ap      | Yes             | No  |

1. Separated out to report employment type by region for the last two years; therefore, data for the previous two years is not available (N/av) in this format as only Hudbay totals were reported previously.
2. As per G4-LA1 – Report total number and rate of new employee hires by age, gender and region. LA1 was not broken down into these subsections in reporting years prior to 2014; therefore, data for the two previous years is not available (N/av).
3. Decrease due to reduced construction activities.
4. Note that only full-time staff receive this review.
5. This information is not made available until June; therefore, we are a year behind in our public reporting.
6. VP levels. Corporate data only.
7. LA6 was not broken down into these subsections in reporting years prior to 2013; therefore, data for 2012 is not available (N/av).
8. Concluded that the level of effort required to assemble this data accurately isn't practical at this time.

## SOCIETY

|  | 2015                  | 2014 | 2013             | 2012 |
|--|-----------------------|------|------------------|------|
| <b>Total number of incidents of discrimination (and actions taken) (HR3)</b>                       | <b>0<sup>1</sup></b>  | 0    | 0                | 0    |
| <b>Land use disputes (MM6)</b>   | <b>0</b>              | 0    | 2                | 0    |
| <b>Resettlements (MM9)</b>   |                       |      |                  |      |
| Number of households   | <b>36<sup>2</sup></b> | 36   | 0                | 0    |
| Number of individuals  | <b>150</b>            | 150  | 0                | 0    |
| <b>Employees trained in anti-corruption policies (SO4)</b>   |                       |      |                  |      |
| Number   | <b>360</b>            | 182  | 336              | 261  |
| Percentage of workforce  | <b>21%</b>            | 10%  | 21%              | 17%  |
| Percentage of employees given training based on internal requirement                               | <b>91%</b>            | N/av | N/av             | N/av |
| <b>Employees that anti-corruption policies have been communicated to<sup>3</sup></b>               |                       |      |                  |      |
| Number – management  | <b>229</b>            | 412  | N/av – See above |      |
| Percentage   | <b>98%</b>            | 100% | N/av – See above |      |
| Number – non-management  | <b>560</b>            | 485  | N/av – See above |      |
| Percentage   | <b>100%</b>           | 100% | N/av – See above |      |
| <b>Governance body members that anti-corruption policies have been communicated to<sup>4</sup></b> |                       |      |                  |      |
| Number   | <b>10</b>             | 10   | N/av             | N/av |
| Percentage   | <b>100%</b>           | 100% | N/av             | N/av |
| <b>Governance body members that received training on anti-corruption<sup>4</sup></b>               |                       |      |                  |      |
| Number   | <b>10</b>             | 10   | N/av             | N/av |
| Percentage   | <b>100%</b>           | 100% | N/av             | N/av |

|   | 2015     | 2014             | 2013                           | 2012   |
|---|----------|------------------|--------------------------------|--------|
| <b>Average hours of training<sup>5</sup></b>  |          |                  |                                |        |
| Males in management   | 19.65    | N/av             | N/av                           | N/av   |
| Females in management   | 50.17    | N/av             | N/av                           | N/av   |
| Males in non-management   | 51.86    | N/av             | N/av                           | N/av   |
| Females in non-management   | 36.71    | N/av             | N/av                           | N/av   |
| <b>Security practices (security personnel training) (HR7)</b>                             |          |                  |                                |        |
| Hudbay security personnel trained in human rights policies and procedures                 |          |                  |                                |        |
| Number  | 15       | 15               | N/av – Not previously reported |        |
| Percentage  | 98%      | 100%             | N/av – Not previously reported |        |
| Contractor security personnel trained in Human Rights policies and procedures             |          |                  |                                |        |
| Number  | 175      | 158              | N/av – Not previously reported |        |
| Percentage  | 99%      | 92%              | N/av – Not previously reported |        |
| <b>Value of fines or sanctions for non-compliance with laws and regulations (SO8)</b>     |          |                  |                                |        |
|   | \$ 5,000 | \$ 3,352         | \$ 1,277                       | \$ 900 |
| <b>Grievances about impacts on society (SO11)</b>   |          |                  |                                |        |
| Number filed through formal grievance mechanisms  | 67       | 78               | 110                            | N/av   |
| Number addressed during reporting period  | 67       | 78               | 110                            | N/av   |
| Number resolved during reporting period   | 65       | 67               | 103                            | N/av   |
| Number filed prior to the reporting period that were resolved during the reporting period | 6        | 32               | N/av                           | N/av   |
| Number of other concerns <sup>6</sup>   |          | 78               | 704                            | 109    |
| Environment (EN34)  | 4        | N/av – See above |                                |        |

|   | 2015              | 2014       | 2013             | 2012       |
|---|-------------------|------------|------------------|------------|
| Labour and commercial practices (LA16) <sup>7</sup>   | 54                |            | N/av – See above |            |
| Resettlement/livelihood   | 2                 |            | N/av – See above |            |
| Human rights  | 1                 |            | N/av – See above |            |
| Other   | 6                 |            | N/av – See above |            |
| <b>Closure plans (MM10)</b>   |                   |            |                  |            |
| Total number of operations  | 7                 | 8          | N/av             | N/av       |
| Number of company operations that have closure plans  | 10 <sup>8</sup>   | 10         | 6                | 7          |
| Percentage of total operations that have closure plans  | 125% <sup>9</sup> | 125%       | 100%             | 100%       |
| Number of advanced exploration projects that have closure plans   | 0                 | 1          | 4                | 3          |
| Percentage of advanced exploration projects that have closure plans   | N/ap              | 100%       | 100%             | 100%       |
| Overall financial provision representing the present value of future cash flows relating to estimated closure costs per Canadian generally accepted accounting principles (in \$000s) | \$ 147,027        | \$ 185,395 | \$ 141,566       | \$ 157,675 |

1. An employee in Manitoba filed a harassment complaint against a co-worker. Hudbay and the Mines Inspector investigated and the complaint was not substantiated. The complainant subsequently filed a Human Rights Complaint and it is still going through the process. This number may be revised pending the outcome of that process.

2. Same numbers as last year because this is a multi-year process. These are the same 36 households/150 people as we reported last year; some were resettled during the 2014 calendar year, some during the 2015 calendar year.

3. Added to reflect G4 reporting guidelines. SO4 was not broken down into these subsections in reporting years prior to 2014; therefore, data for the two previous years is not available (N/av).

4. Governance bodies (Board of Directors) are only in Toronto, Canada, and therefore other regions were excluded.

5. Our largest employee-based location did not provide details, so this information applies only to Peru and Arizona.

6. This line is the formal complaints from communities; allows transparency of concerns raised which are outside of the definition of "grievance".

7. Filed through a community grievance process; does not include grievances covered under a collective bargaining agreement.

8. Three "extra" because TL, Chisel and Britannia (MBU) are closed but infrastructure continues to be used at these sites.

9. Over 100% because there are three additional closure plans for non-operating sites at our Manitoba Business Unit where infrastructure continues to be used.



## ENVIRONMENT

|  | 2015         | 2014         | 2013         | 2012         |
|--|--------------|--------------|--------------|--------------|
| <b>Direct energy consumption by primary energy source (terajoules) (EN3)</b> |              |              |              |              |
| Heavy oil  | 0            | 0            | 0            | 0            |
| Propane  | 629          | 700          | 580          | 578          |
| Natural gas  | 0            | 0            | 0            | 0            |
| Diesel   | 2,034        | 1,993        | 1,346        | 475          |
| Light oil  | 0            | 4            | 6            | 5            |
| Gasoline   | 11           | 12           | 11           | 9            |
| Biofuel  | 0            | 0            | 0            | 0            |
| Ethanol  | 0            | 0            | 0            | 0            |
| Hydrogen   | 0            | 0            | 0            | 0            |
| Other  | 1            | 0            | 0            | 0            |
| <b>Total</b>   | <b>2,675</b> | <b>2,709</b> | <b>1,943</b> | <b>1,067</b> |
| <b>Indirect energy consumption by primary energy source (terajoules)</b>     |              |              |              |              |
| Total electricity consumed   | 4,936        | 3,322        | 3,048        | 3,127        |
| <b>Indirect energy sold/credit (terajoules)</b>                              |              |              |              |              |
| Electricity  | 0.4          | N/av         | N/av         | N/av         |
| <b>Total indirect energy consumed by organization (terajoules)</b>           | <b>4,936</b> | <b>N/av</b>  | <b>N/av</b>  | <b>N/av</b>  |

|  | 2015                     | 2014   | 2013   | 2012   |
|--|--------------------------|--------|--------|--------|
| <b>Energy intensity (terajoules per kilotonne of metal in concentrate) (EN5)</b>                             | <b>30.9</b>              | 50.2   | 42.9   | 34.8   |
| <b>Total direct and indirect greenhouse gas emissions (kilotonnes of CO<sub>2</sub>-equivalent)</b>          |                          |        |        |        |
| Direct carbon dioxide emissions (EN15)   | <b>188.08</b>            | 182.28 | 133.26 | 71.52  |
| Indirect carbon dioxide emissions (EN16)   | <b>267.22</b>            | 6.91   | 4.84   | 4.60   |
| <b>Total</b>   | <b>455.30</b>            | 189.19 | 138.10 | 76.12  |
| <b>GHG intensity (EN18)</b>  | <b>1.82</b>              | 1.57   | 1.19   | 0.63   |
| Emissions of ozone-depleting substances (kg) (EN20)  | <b>0.0</b>               | 0.0    | 0.0    | 850.5  |
| <b>NO<sub>x</sub>, SO<sub>x</sub> and other significant air emissions (in kilotonnes)<sup>1</sup> (EN21)</b> |                          |        |        |        |
| Sulphur dioxide emissions  | <b>0.0</b>               | 0.0    | 0.0    | 0.00   |
| Particulate  | <b>0.16<sup>2</sup></b>  | 0.17   | 0.16   | 0.04   |
| <b>Total water withdrawal (000 cubic metres) (EN8)</b>   |                          |        |        |        |
| Surface water  | <b>11,549</b>            | 11,287 | 10,789 | 10,687 |
| Ground water   | <b>2,698<sup>3</sup></b> | 930    | 441    | 367    |
| Rainwater collected directly and stored by the organization  | <b>7,168<sup>4</sup></b> | 4,048  | N/av   | N/av   |
| Waste water from another organization  | <b>0</b>                 | N/av   | N/av   | N/av   |
| Municipal water supplies   | <b>0</b>                 | 1      | 0.01   | 0.06   |
| <b>Total water withdrawal</b>  | <b>21,415</b>            | 16,266 | 11,230 | 11,054 |

|   | 2015                 | 2014   | 2013   | 2012    |
|---|----------------------|--------|--------|---------|
| <b>Percentage and total volume of water recycled and reused (EN10)</b>                                |                      |        |        |         |
| Total volume (megalitres)   | 16,944.37            | N/av   | N/av   | N/av    |
| Percentage  | 7.91%                | N/av   | N/av   | N/av    |
| <b>Total water discharged (000 cubic metres) (EN22)<sup>5</sup></b>                                   |                      |        |        |         |
| To Flin Flon Creek/Ross Lake/Schist Lake  | 10,546               | 10,819 | 12,418 | 12,906  |
| To Anderson Creek/Wekusko Lake  | 4,594                | 3,939  | 4,180  | 3,626   |
| To Woosey Creek/Morgan Lake   | 1,106                | 1,184  | 1,123  | 1,368   |
| Town of Snow Lake Sewer <sup>6</sup>  | 0                    | 8      | N/ap   | N/ap    |
| To ground   | 217                  | 187    | 35     | N/ap    |
| To Oswegatchie River in New York  | N/ap                 | 3,013  | 1,972  | 1,777   |
| To land (irrigation using treated water in Peru)  | 0                    | 0      | 139    | 10      |
| To Chilloroya River (Peru)  | 2,623                | 737    | N/ap   | N/ap    |
| Water treated (000 cubic metres)  | 19,086               | 19,887 | 19,867 | 19,687  |
| <b>Total number of significant spills (EN24)</b>  |                      |        |        |         |
|   | 9                    | 12     | 5      | 3       |
| Volume (m <sup>3</sup> )  | 382.0                | 103.0  | 3.8    | 1.5     |
| <b>Hazardous waste disposed of at external facility (tonnes) (EN25)</b>                               |                      |        |        |         |
|   | 1,508.5 <sup>7</sup> | 658.5  | 522.3  | 2,763.0 |
| <b>Total waste (tonnes) (MM3)</b>   |                      |        |        |         |
| Overburden  | N/av                 | N/av   | N/av   | N/av    |
| Waste rock  | 42,764,760.0         | N/av   | N/av   | N/av    |
| Tailings  | 24,780,081.6         | N/av   | N/av   | N/av    |
| <b>Number of fines or sanctions for non-compliance with environmental laws and regulations (EN29)</b> |                      |        |        |         |
|   | 0                    | 0      | 0      | 0       |

|  | 2015             | 2014      | 2013      | 2012      |
|--|------------------|-----------|-----------|-----------|
| <b>Land use (hectares) – Mineral tenure (controlled) (MM1)</b> |                  |           |           |           |
| Manitoba   | <b>137,832.4</b> | 135,068.4 | 226,679.4 | 219,386.4 |
| Saskatchewan   | <b>135,352.1</b> | 139,316.2 | 136,887.5 | 145,757.5 |
| Ontario  | <b>0.0</b>       | 0.0       | 0.0       | 0.0       |
| Yukon  | <b>5,823.4</b>   | 5,823.4   | 5,823.4   | 5,823.4   |
| Nunavut  | <b>21.0</b>      | 21.0      | 21.0      | 21.0      |
| <b>Total Canada</b>  | <b>279,028.9</b> | 280,229.0 | 369,411.2 | 370,988.3 |
| New York   | <b>0.0</b>       | 31,532.3  | 31,570.2  | 31,590.4  |
| Michigan   | <b>0.0</b>       | 0.0       | 3,161.8   | 3,141.1   |
| Arizona  | <b>7,284.0</b>   | 0.0       | N/ap      | N/ap      |
| <b>Total USA</b>   | <b>7,284.0</b>   | 31,532.3  | 34,732.0  | 34,731.5  |
| Chile  | <b>1,531.0</b>   | 1,531.0   | 1,531.0   | 1,531.0   |
| Colombia   | <b>0.0</b>       | 0.0       | 5,210.8   | 5,210.8   |
| Peru   | <b>43,669.5</b>  | 32,369.5  | 26,932.5  | 22,532.5  |
| <b>Total South/Central America</b>                             | <b>45,200.5</b>  | 33,900.5  | 33,674.3  | 29,274.3  |
| <b>Total</b>   | <b>331,513.3</b> | 345,661.8 | 437,817.5 | 434,994.1 |

**Land use (hectares) – Surface tenure (disturbed)**

|                     |                |         |         |         |
|---------------------|----------------|---------|---------|---------|
| Manitoba            | <b>7,314.1</b> | 6,130.3 | 6,115.8 | 6,083.0 |
| Saskatchewan        | <b>535.2</b>   | 744.5   | 744.5   | 928.7   |
| Ontario             | <b>0.0</b>     | 0.0     | 0.0     | 0.0     |
| Yukon               | <b>120.7</b>   | 120.7   | 120.7   | 120.7   |
| Nunavut             | <b>0.0</b>     | 0.0     | 0.0     | 0.0     |
| <b>Total Canada</b> | <b>7,969.9</b> | 6,995.5 | 6,981.0 | 7,132.4 |
| New York            | <b>0.0</b>     | 57.7    | 57.7    | 57.7    |
| Michigan            | <b>0.0</b>     | 0.0     | 571.0   | 550.3   |
| Arizona             | <b>0.0</b>     | 0.0     | N/ap    | N/ap    |

|  | 2015       | 2014    | 2013     | 2012     |
|--|------------|---------|----------|----------|
| Total USA  | 0.0        | 57.7    | 628.7    | 608.0    |
| Chile  | 0.0        | 0.0     | 0.0      | 0.0      |
| Colombia   | 0.0        | 0.0     | 0.0      | 0.0      |
| Peru   | 5,187.0    | 5,187.0 | 4,225.8  | 3,774.2  |
| Total South/Central America  | 5,187.0    | 5,187.0 | 4,225.8  | 3,774.2  |
| Total  | 13,156.9   | 7,053.2 | 11,835.5 | 11,514.6 |
| Percent land used vs. controlled   | 4.0%       | 2.3%    | 2.7%     | 2.6%     |
| <b>Sites requiring biodiversity management plans (MM2/EN12)</b>            |            |         |          |          |
| Number of sites legally requiring plans                                    | 1          | 0       | 0        | N/av     |
| Percentage of sites with plans in place                                    | 100%       | N/ap    | N/ap     | N/av     |
| Number of sites with voluntary plans in place                              | 1          | 1       | 2        | N/av     |
| <b>Habitats protected or restored (hectares) (EN13)</b>                    |            |         |          |          |
| Protected  | 0          | 0       | 0        | 0        |
| Restored   | 0.62       | 2       | 22.8     | 11.5     |
| Partnerships exist   | Yes        | N/av    | N/av     | N/av     |
| Status at close of reporting period  | Monitoring | N/av    | N/av     | N/av     |
| <b>IUCN Red List species and National Conservation List species (EN14)</b> |            |         |          |          |
| Critically endangered  | 3          | N/av    | N/av     | N/av     |
| Endangered   | 8          | N/av    | N/av     | N/av     |
| Vulnerable   | 14         | N/av    | N/av     | N/av     |
| Near threatened  | 9          | N/av    | N/av     | N/av     |
| Least concern  | 6          | N/av    | N/av     | N/av     |

1. NO<sub>x</sub> emissions are not tracked as the government of Canada does not consider the mining sector to be significant emitters of NO<sub>x</sub>. Particulate from stack emissions is directly measured and converted to site-specific emission factors. Road dust emissions are calculated using Environment Canada's Unpaved Industrial Road Calculator.

2. The large change in particulate matter released is due to a number of reasons across our business units, including:

- 1) A recalculation of road dust at Lalor resulted in increases in particulate matter emissions;

- 2) In Flin Flon, ore haul has moved from a longer paved road to a shorter unpaved one, doubling the road dust at the site;
- 3) Methodologies required to calculate particulate matter in Arizona are different.
3. 87% of groundwater withdrawn in Arizona is reused.
4. During 2015, the TMF increases its capacity in 260%, and 2015 was a humid year (more precipitation) in comparison with 2014.
5. Water discharged from the Tom Valley exploration property is not reported.
6. As of 2014, we were able to discharge our grey water from our Lalor construction camp located in the Town of Snow Lake directly to the town's newly upgraded wastewater treatment plant.
7. Increase due to Peru: 51% waste oil and cooking oil, 23% treatment plant sludge, 9% hydrocarbon impregnated waste.

# CSR PERFORMANCE DATA

## 2015 TARGETS AND ACHIEVEMENTS

| Target   | Achievement        | Details   |
|--|--------------------|---|
| <b>HEALTH AND SAFETY</b>   |                    |   |
| Improve on our three-year average lost time accident frequency of 0.2  | Did not achieve    | See <a href="#">Health and Safety</a> .   |
| Improve on our three-year average lost time accident severity of 6.5   | Did not achieve    | See <a href="#">Health and Safety</a> .   |
| Improve on our three-year total recordable injury frequency average of 3.6   | Achieved           | As of December 31, 2015, our three-year average total recordable injury frequency was 3.2.  |
| Implement a company definition and investigation standard for severe and high-potential safety and environmental incidents | Achieved           | A high-potential incident is any incident that, due to luck or chance, did not result in a fatality, life-altering injury or major environmental event.   |
| <b>COMMUNITY</b>   |                    |   |
| Develop a company-wide introduction to human rights training program   | Partially achieved | Achieved formal agreement with Mining Association of Canada and Government of Canada to jointly fund an introduction to mining and human rights video, now in production and expected to be available in H1 2016. |
| Develop and implement a company-wide local employment and procurement standard   | Achieved           | See <a href="#">Local Hiring and Skills Development</a> and <a href="#">Local Purchasing</a> .  |
| <b>ENVIRONMENT</b>   |                    |   |
| Achieve a 1% greenhouse gas emissions reduction in Manitoba  | Achieved           | See <a href="#">Energy Use and Greenhouse Gas</a> .   |
| Achieve a 1% water reduction in Manitoba   | Partially achieved | MBU achieved an intensity but not an absolute reduction. See <a href="#">Water</a> .  |

| Target  | Achievement        | Details  |
|---|--------------------|--|
| <b>GOVERNANCE</b>   |                    |  |
| Develop a matrix identifying key skills that need to be represented in the Board of Directors membership          | Achieved           | See <a href="#">Information Circular</a> .   |
| Amend Hudbay's governance guidelines to reflect the desire for increased board diversity                          | Achieved           | See <a href="#">Information Circular</a> .   |
| Implement at least one additional module at each business unit as the second phase of our EHSC information system | Partially achieved | Commenced implementation of an additional module, scheduled for completion by the end of Q2 2016 at all locations. |
| <b>FINANCIAL EXCELLENCE/GROWTH TARGETS</b>  |                    |  |
| Achieve commercial production from the Constanca mine   | Achieved           | See <a href="#">Operations</a> .   |
| Achieve an increase in copper production (contained metal in concentrate) of more than 270% over 2014             | Achieved           | See <a href="#">Business and Financial Review</a> .  |
| Advance permitting and technical work at the Rosemont project   | Achieved           | Progressed towards federal permits as well as advancing engineering work.  |



# CSR PERFORMANCE DATA

## **2016 TARGETS**

---

### **HEALTH AND SAFETY**

- Improve on our current three-year average lost time accident severity of 8.3
- Improve on our three-year total recordable injury frequency average of 3.2
- Implement a Visible Felt Leadership program for management – to achieve regular safety-focused workplace visits and constructive employee interactions by all levels of operations management (to CEO level)
- Sustain our focus on learning from severe and high-potential incidents by ensuring uniform application of incident criteria, investigation process and corrective action follow-up at all business units

### **COMMUNITY**

- Implement a program to achieve company-wide exposure to human rights introductory video being developed with MAC and the Canadian government and connect to Hudbay policies and standards
- Complete gap analysis for recently approved Community Giving and Investment Standard and Local Procurement and Employment Standard at each operating location and identify business unit defined action plans
- Achieve Canadian Council for Aboriginal Business PAR (Progressive Aboriginal Relations) Bronze level or higher at our Manitoba Business Unit

### **ENVIRONMENT**

- Achieve a 1% greenhouse gas emissions intensity reduction in Manitoba
- Achieve a 1% fresh water consumption intensity reduction in Manitoba
- Set Constancia environmental benchmark and improvement targets for 2017

## **GOVERNANCE**

- Anti-bribery and anti-corruption refresher training for board members
- Adopt Shareholder Engagement Policy encouraging shareholders to communicate directly with the Board of Directors
- Achievement of ISO 14001 and OHSAS 18001 management system certification for the Constancia operation

## **FINANCIAL EXCELLENCE/GROWTH TARGETS**

- Through efficiency improvements, combined with cost containment efforts, achieve 2016 capital expenditure and operating cost reductions of more than \$100 million, compared to 2016 guidance, while maintaining or improving on production guidance
- Enhance Hudbay's liquidity position in the current commodity price environment by consolidating the lender groups and restructure Hudbay's two secured credit facilities (2016 objective achieved in Q1)
- Build on the 2015 technical and permitting work at the Rosemont project to complete the Definitive Feasibility Study and continue progress on the outstanding permits

# CSR PERFORMANCE DATA

# **GRI**

# **INDEX**

---

## STRATEGY AND ANALYSIS

| General Standard Disclosures | External Assurance |
|------------------------------|--------------------|
|------------------------------|--------------------|

---

|      |  |    |
|------|--|----|
| G4-1 | <b>Statement from the most senior decision-maker of the organization</b><br><a href="#">Our Company &gt; CEO Message</a> | No |
|------|--|----|

---

## ORGANIZATIONAL PROFILE

| General Standard Disclosures | External Assurance |
|------------------------------|--------------------|
|------------------------------|--------------------|

---

|      |  |    |
|------|--|----|
| G4-3 | <b>Name of the organization</b><br><a href="#">Our Company</a> | No |
|------|--|----|

---

|      |   |    |
|------|---|----|
| G4-4 | <b>Primary brands, products and services</b><br><a href="#">Our Company</a><br><a href="#">Business and Financial Review</a><br><a href="#">Business and Financial Review &gt; Operations</a><br><a href="#">CSR Approach &gt; Supply Chain Stewardship</a> | No |
|------|---|----|

---

|      |   |    |
|------|---|----|
| G4-5 | <b>Location of the organization's headquarters</b><br><a href="#">Our Company</a> | No |
|------|---|----|

---

| General Standard Disclosures |  | External Assurance |
|------------------------------|--|--------------------|
|------------------------------|--|--------------------|

|             |   |           |
|-------------|---|-----------|
| <b>G4-6</b> | <b>Number of countries where the organization operates, and names of countries where the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report</b> | <b>No</b> |
|-------------|---|-----------|

[Our Company Business and Financial Review > Operations](#)

|             |   |           |
|-------------|---|-----------|
| <b>G4-7</b> | <b>Nature of ownership and legal form</b> | <b>No</b> |
|-------------|---|-----------|

[Our Company Website – Our Business Annual Information Form \(AIF\)](#)

|             |                       |           |
|-------------|-----------------------|-----------|
| <b>G4-8</b> | <b>Markets served</b> | <b>No</b> |
|-------------|-----------------------|-----------|

[CSR Approach > Supply Chain Stewardship](#)

|             |                                  |           |
|-------------|----------------------------------|-----------|
| <b>G4-9</b> | <b>Scale of the organization</b> | <b>No</b> |
|-------------|----------------------------------|-----------|

[Our Company Business and Financial Review CSR Performance Data](#)

|              |                                   |           |
|--------------|-----------------------------------|-----------|
| <b>G4-10</b> | <b>Employee/workforce details</b> | <b>No</b> |
|--------------|-----------------------------------|-----------|

[CSR Performance Data](#)

|              |  |           |
|--------------|--|-----------|
| <b>G4-11</b> | <b>Percentage of total employees covered by collective bargaining agreements</b> | <b>No</b> |
|--------------|--|-----------|

[Our People > Our Workplace](#)

| General Standard Disclosures   | External Assurance |
|--|--------------------|
| <b>G4-12</b> <b>Describe the organization’s supply chain</b><br><a href="#">CSR Approach &gt; Supply Chain Stewardship</a>   | No                 |
| <b>G4-13</b> <b>Significant changes during the reporting period regarding the organization’s size, structure, ownership or supply chain</b><br><a href="#">Our Company</a><br><a href="#">Our Company &gt; CEO Message</a><br><a href="#">Business and Financial Review</a><br><a href="#">Business and Financial Review &gt; Operations</a> | No                 |
| <b>G4-14</b> <b>Whether and how the precautionary approach or principle is addressed by the organization</b><br><a href="#">CSR Approach &gt; CSR Governance</a>   | No                 |
| <b>G4-15</b> <b>Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses</b><br><a href="#">CSR Approach &gt; CSR Governance</a>  | No                 |
| <b>G4-16</b> <b>Memberships of associations and national or international advocacy organizations</b><br><a href="#">CSR Approach &gt; CSR Governance</a>   | No                 |

## IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

| General Standard Disclosures   | External Assurance |
|--|--------------------|
| <p><b>G4-17</b>                    <b>Entities included in the organization’s consolidated financial statements</b></p> <p><a href="#">About This Report</a><br/><a href="#">AIF</a></p>               | No                 |
| <p><b>G4-18</b>                    <b>Process for defining report content</b></p> <p><a href="#">CSR Approach &gt; Materiality</a><br/><a href="#">2014 Annual and CSR Report</a></p>                  | No                 |
| <p><b>G4-19</b>                    <b>Material aspects identified in the process for defining report content</b></p> <p><a href="#">CSR Approach &gt; Materiality</a></p>                              | No                 |
| <p><b>G4-20</b>                    <b>Aspect boundary within the organization</b></p> <p><a href="#">CSR Approach &gt; Materiality</a><br/><a href="#">CSR Performance Data &gt; GRI Index</a></p>     | No                 |
| <p><b>G4-21</b>                    <b>Aspect boundary outside of the organization</b></p> <p><a href="#">CSR Approach &gt; Materiality</a><br/><a href="#">CSR Performance Data &gt; GRI Index</a></p> | No                 |
| <p><b>G4-22</b>                    <b>Effect of any restatement of information in previous reports</b></p> <p><a href="#">CSR Performance Data</a></p>   | No                 |

| <b>General Standard Disclosures</b> | <b>External Assurance</b> |
|-------------------------------------|---------------------------|
|-------------------------------------|---------------------------|

---

|              |   |           |
|--------------|---|-----------|
| <b>G4-23</b> | <b>Significant changes from previous reporting in scope of priorities</b><br><a href="#">CSR Performance Data</a> | <b>No</b> |
|--------------|---|-----------|

---

## **STAKEHOLDER ENGAGEMENT**

| <b>General Standard Disclosures</b> | <b>External Assurance</b> |
|-------------------------------------|---------------------------|
|-------------------------------------|---------------------------|

---

|              |   |           |
|--------------|---|-----------|
| <b>G4-24</b> | <b>List of stakeholder groups</b><br><a href="#">CSR Approach &gt; Stakeholder Engagement</a> | <b>No</b> |
|--------------|---|-----------|

---

|              |   |           |
|--------------|---|-----------|
| <b>G4-25</b> | <b>Basis for identifying and selecting stakeholders</b><br><a href="#">CSR Approach &gt; Stakeholder Engagement</a> | <b>No</b> |
|--------------|---|-----------|

---

| General Standard Disclosures |  | External Assurance |
|------------------------------|--|--------------------|
|------------------------------|--|--------------------|

|              |   |           |
|--------------|---|-----------|
| <b>G4-26</b> | <b>Approach to stakeholder engagement</b><br><a href="#">CSR Approach &gt; Stakeholder Engagement</a><br><a href="#">Our People &gt; Health and Safety</a><br><a href="#">Our People &gt; Our Workplace</a><br><a href="#">Social Impact &gt; Community Development</a><br><a href="#">Social Impact &gt; Community Relations</a> | <b>No</b> |
|--------------|---|-----------|

|              |  |           |
|--------------|--|-----------|
| <b>G4-27</b> | <b>Topics raised through stakeholder engagement and response</b><br><a href="#">CSR Approach &gt; Stakeholder Engagement</a><br><a href="#">Our People &gt; Health and Safety</a><br><a href="#">Our People &gt; Our Workplace</a><br><a href="#">Social Impact &gt; Community Development</a><br><a href="#">Social Impact &gt; Community Relations</a> | <b>No</b> |
|--------------|--|-----------|

## REPORT PROFILE

| General Standard Disclosures |  | External Assurance |
|------------------------------|--|--------------------|
|------------------------------|--|--------------------|

|              |  |           |
|--------------|--|-----------|
| <b>G4-28</b> | <b>Reporting period</b><br><a href="#">About This Report</a> | <b>No</b> |
|--------------|--|-----------|

|              |  |           |
|--------------|--|-----------|
| <b>G4-29</b> | <b>Date of most recent report</b><br><a href="#">About This Report</a> | <b>No</b> |
|--------------|--|-----------|

|              |   |           |
|--------------|---|-----------|
| <b>G4-30</b> | <b>Reporting cycle</b><br><a href="#">About This Report</a> | <b>No</b> |
|--------------|---|-----------|



| General Standard Disclosures |  | External Assurance |
|------------------------------|--|--------------------|
| G4-31                        | <b>Contact</b><br><a href="#">Contact Us</a>   | No                 |
| G4-32                        | <b>In accordance option</b><br><a href="#">About This Report</a>   | No                 |
| G4-33                        | <b>External assurance policy</b><br><a href="#">About This Report</a><br><br>Note: Our external report is not externally assured, and we do not have a policy around external assurance. The financial data comprising EC1 is externally assured through the auditing of our Financials. | No                 |

## GOVERNANCE

| General Standard Disclosures |   | External Assurance |
|------------------------------|---|--------------------|
| G4-34                        | <b>Governance structure</b><br><a href="#">CSR Approach &gt; CSR Governance Management Information Circular</a>   | No                 |
| G4-37                        | <b>Process for consultation between stakeholders and highest governance body on economic, social and environmental topics</b><br><a href="#">Our Company &gt; Business Conduct Website – Governance</a> | No                 |

| General Standard Disclosures |  | External Assurance |
|------------------------------|--|--------------------|
|------------------------------|--|--------------------|

|              |   |           |
|--------------|---|-----------|
| <b>G4-38</b> | <b>Composition of the highest governance body</b><br><a href="#">Our Company &gt; Corporate Governance Website – Governance AIF</a> | <b>No</b> |
|--------------|---|-----------|

|              |  |           |
|--------------|--|-----------|
| <b>G4-39</b> | <b>Indicate whether the Chair of the highest governance body is also an executive officer</b><br><a href="#">Our Company &gt; Corporate Governance</a> | <b>No</b> |
|--------------|--|-----------|

|              |  |           |
|--------------|--|-----------|
| <b>G4-40</b> | <b>Nomination and selection process for the highest governance body and its committees</b><br>Website – <a href="#">Governance</a> | <b>No</b> |
|--------------|--|-----------|

|              |  |           |
|--------------|--|-----------|
| <b>G4-41</b> | <b>Process for the highest governance body to ensure conflicts of interest are avoided and managed</b><br><a href="#">Our Company &gt; Business Conduct CSR Approach &gt; CSR Governance AIF</a> | <b>No</b> |
|--------------|--|-----------|

|              |  |           |
|--------------|--|-----------|
| <b>G4-44</b> | <b>Process for evaluation of the highest governance body's performance</b><br>Website – <a href="#">Governance</a> | <b>No</b> |
|--------------|--|-----------|

| General Standard Disclosures |  | External Assurance |
|------------------------------|--|--------------------|
|------------------------------|--|--------------------|

|       |  |    |
|-------|--|----|
| G4-45 | <p><b>Highest governance body's role in the identification of economic, social and environmental impacts, risks and opportunities</b></p> <p><a href="#">Our Company &gt; Corporate Governance</a><br/> <a href="#">CSR Approach &gt; CSR Governance</a></p> | No |
|-------|--|----|

|       |  |    |
|-------|--|----|
| G4-47 | <p><b>Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities</b></p> <p><a href="#">CSR Approach &gt; CSR Governance</a></p> | No |
|-------|--|----|

|       |   |    |
|-------|---|----|
| G4-49 | <p><b>Process for communicating critical concerns to the highest governance body</b></p> <p><a href="#">Our Company &gt; Business Conduct</a></p> | No |
|-------|---|----|

|       |  |    |
|-------|--|----|
| G4-51 | <p><b>Remuneration policies for the highest governance body and senior executives</b></p> <p><a href="#">Management Information Circular</a></p> | No |
|-------|--|----|

|       |  |    |
|-------|--|----|
| G4-54 | <p><b>Ratio of the annual total compensation for the organization's highest paid individual in each country of significant operation to the median annual total compensation for all employees</b></p> <p><a href="#">CSR Performance Data</a></p> | No |
|-------|--|----|

## ETHICS AND INTEGRITY

| General Standard Disclosures |  | External Assurance |
|------------------------------|--|--------------------|
| G4-56                        | <p><b>Organization's values, principles, standards and norms of behaviour</b></p> <p> <a href="#">Our Company &gt; Business Conduct</a><br/> <a href="#">CSR Approach &gt; CSR Governance</a><br/> <a href="#">Our People</a><br/> <a href="#">Social Impact &gt; Local Purchasing</a><br/> <a href="#">Social Impact &gt; Resettlement and Land Use</a><br/> <a href="#">Website – About Us</a><br/> <a href="#">Website – Code of Conduct</a> </p> | No                 |

## ECONOMIC

| Specific Standard Disclosures       |   | External Assurance | Impact Boundaries              |
|-------------------------------------|---|--------------------|--------------------------------|
| <b>Aspect: Economic Performance</b> |   |                    |                                |
| DMA                                 | <p><b>Disclosure of Management Approach</b></p> <p> <a href="#">Our Company &gt; CEO Message</a><br/> <a href="#">Our Company &gt; Corporate Governance</a><br/> <a href="#">Business and Financial Review &gt; Strategy</a><br/> <a href="#">Business and Financial Review &gt; Operations</a><br/> <a href="#">Our People &gt; Our Workplace</a><br/> <a href="#">Social Impact &gt; Economic Contributions</a><br/> <a href="#">Social Impact &gt; Community Development</a><br/> <a href="#">AIF</a> </p> | No                 | 1, 2, 3, 5, 6, 7, 8, 9, 10, 11 |

| Specific Standard Disclosures            |  | External Assurance | Impact Boundaries        |
|--|--|--------------------|--------------------------|
| G4-EC1                                   | <p><b>Direct economic value generated and distributed</b></p> <p><a href="#">Business and Financial Review</a><br/> <a href="#">Business and Financial Review &gt; Operations</a><br/> <a href="#">Our People</a><br/> <a href="#">Social Impact</a><br/> <a href="#">Social Impact &gt; Economic Contributions</a></p>  | Yes                |                          |
| G4-EC2                                   | <p><b>Financial implications and other risks and opportunities for the organization's activities due to climate change</b></p> <p><a href="#">CDP Website</a></p>  | No                 |                          |
| G4-EC3                                   | <p><b>Coverage of the organization's defined benefit plan obligations</b></p> <p><a href="#">AIF</a></p>   | No                 |                          |
| <b>Aspect: Indirect Economic Impacts</b> |  |                    |                          |
| DMA                                      | <p><b>Disclosure of Management Approach</b></p> <p><a href="#">CSR Approach &gt; Supply Chain Stewardship</a><br/> <a href="#">Social Impact &gt; Economic Contributions</a><br/> <a href="#">Social Impact &gt; Community Development</a><br/> <a href="#">Social Impact &gt; Local Hiring and Skills Development</a><br/> <a href="#">Social Impact &gt; Local Purchasing</a></p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.</p> | No                 | 1, 2, 3, 6, 8, 9, 10, 11 |

| Specific Standard Disclosures        |  | External Assurance | Impact Boundaries  |
|--------------------------------------|--|--------------------|--------------------|
| G4-EC7                               | <p><b>Development and impact of infrastructure investments and services supported</b></p> <p><a href="#">Our Company &gt; CEO Message</a><br/> <a href="#">Social Impact &gt; Economic Contributions</a><br/> <a href="#">Social Impact &gt; Community Development</a></p>   | No                 |                    |
| G4-EC8                               | <p><b>Significant indirect economic impacts, including the extent of impacts</b></p> <p><a href="#">CSR Approach &gt; Supply Chain Stewardship</a><br/> <a href="#">Social Impact &gt; Economic Contributions</a><br/> <a href="#">Social Impact &gt; Local Hiring and Skills Development</a><br/> <a href="#">Social Impact &gt; Local Purchasing</a></p> | No                 |                    |
| <b>Aspect: Procurement Practices</b> |  |                    |                    |
| DMA                                  | <p><b>Disclosure of Management Approach</b></p> <p><a href="#">CSR Approach &gt; Supply Chain Stewardship</a><br/> <a href="#">Social Impact &gt; Local Purchasing</a></p>   | No                 | 1, 3, 4, 9, 10, 11 |
| G4-EC9                               | <p><b>Proportion of spending on local suppliers at significant locations of operation</b></p> <p><a href="#">CSR Approach &gt; Supply Chain Stewardship</a></p>  | No                 |                    |

## ENVIRONMENTAL

| Specific Standard Disclosures | External Assurance | Impact Boundaries |
|-------------------------------|--------------------|-------------------|
|-------------------------------|--------------------|-------------------|

### Aspect: Water

|     |  |    |             |
|-----|--|----|-------------|
| DMA | <b>Disclosure of Management Approach</b> | No | 3, 6, 8, 11 |
|-----|--|----|-------------|

[Environment > Water](#)

Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.

|        |   |    |  |
|--------|---|----|--|
| G4-EN8 | <b>Total water withdrawal by source</b> | No |  |
|--------|---|----|--|

[CSR Performance Data](#)

|         |   |    |  |
|---------|---|----|--|
| G4-EN10 | <b>Percentage and total volume of water recycled and reused</b> | No |  |
|---------|---|----|--|

[CSR Performance Data](#)

### Aspect: Biodiversity

|     |  |    |                 |
|-----|--|----|-----------------|
| DMA | <b>Disclosure of Management Approach</b> | No | 3, 7, 8, 10, 11 |
|-----|--|----|-----------------|

[Environment > Land and Biodiversity](#)

|         |                                       |    |  |
|---------|---------------------------------------|----|--|
| G4-EN13 | <b>Habitats protected or restored</b> | No |  |
|---------|---------------------------------------|----|--|

[Environment > Land and Biodiversity](#)  
[CSR Performance Data](#)

| Specific Standard Disclosures      |   | External Assurance | Impact Boundaries        |
|------------------------------------|---|--------------------|--------------------------|
| MM1                                | <p><b>Amount of land disturbed or rehabilitated</b></p> <p><a href="#">Environment &gt; Land and Biodiversity</a><br/><a href="#">CSR Performance Data</a></p>  | No                 |                          |
| MM2                                | <p><b>The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place</b></p> <p><a href="#">CSR Performance Data</a></p> | No                 |                          |
| G4-EN14                            | <p><b>Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk</b></p> <p><a href="#">CSR Performance Data</a></p>                                     | No                 |                          |
| <b>Aspect: Effluents and Waste</b> |   |                    |                          |
| DMA                                | <p><b>Disclosure of Management Approach</b></p> <p><a href="#">Environment &gt; Water</a><br/><a href="#">Environment &gt; Waste and Tailings</a></p>   | No                 | 1, 2, 3, 5, 6, 8, 10, 11 |
| G4-EN22                            | <p><b>Total water discharge by quality and destination</b></p> <p><a href="#">CSR Performance Data</a></p>  | No                 |                          |



| Specific Standard Disclosures                     |   | External Assurance | Impact Boundaries |
|---|---|--------------------|-------------------|
| G4-EN24   | <b>Total number and volume of significant spills</b><br><a href="#">CSR Performance Data</a>  | No                 |                   |
| MM3   | <b>Total amount of overburden, rock, tailings and sludges and their associated risks</b><br><a href="#">CSR Performance Data</a>  | No                 |                   |
| G4-EN25   | <b>Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III and VIII, and percentage of transported waste shipped internationally</b><br><a href="#">CSR Performance Data</a> | No                 |                   |
| <b>Aspect: Environmental Grievance Mechanisms</b> |   |                    |                   |
| DMA   | <b>Disclosure of Management Approach</b><br><a href="#">CSR Approach &gt; Stakeholder Engagement</a><br><a href="#">CSR Approach &gt; Materiality</a><br><a href="#">Social Impact &gt; Community Relations</a>   | No                 | 2, 3, 6, 8, 11    |
| G4-EN34   | <b>Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms</b><br><a href="#">Social Impact &gt; Community Relations</a><br><a href="#">CSR Performance Data</a>                                   | No                 |                   |

## SOCIAL: LABOUR PRACTICES AND DECENT WORK

| Specific Standard Disclosures | External Assurance | Impact Boundaries |
|-------------------------------|--------------------|-------------------|
|-------------------------------|--------------------|-------------------|

### Aspect: Employment

|     |   |    |             |
|-----|---|----|-------------|
| DMA | <b>Disclosure of Management Approach</b><br><a href="#">Our People</a><br><a href="#">Our People &gt; Our Workplace</a> | No | 1, 3, 5, 11 |
|-----|---|----|-------------|

|        |  |    |  |
|--------|--|----|--|
| G4-LA1 | <b>Total number and rates of new employee hires and employee turnover by age group, gender and region</b><br><a href="#">Our People &gt; Our Workplace</a><br><a href="#">CSR Performance Data</a> | No |  |
|--------|--|----|--|

|        |  |    |  |
|--------|--|----|--|
| G4-LA2 | <b>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</b><br><a href="#">CSR Performance Data</a> | No |  |
|--------|--|----|--|

### Aspect: Labour/Management Relations

|     |   |    |             |
|-----|---|----|-------------|
| DMA | <b>Disclosure of Management Approach</b><br><a href="#">Our People &gt; Our Workplace</a> | No | 1, 3, 5, 11 |
|-----|---|----|-------------|

|        |  |    |  |
|--------|--|----|--|
| G4-LA4 | <b>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements</b><br><a href="#">Our People &gt; Our Workplace</a> | No |  |
|--------|--|----|--|

| Specific Standard Disclosures |  | External Assurance | Impact Boundaries |
|-------------------------------|--|--------------------|-------------------|
|-------------------------------|--|--------------------|-------------------|

|     |   |    |  |
|-----|---|----|--|
| MM4 | <p><b>Number of strikes and lock-outs exceeding one week's duration, by country</b></p> <p><a href="#">CSR Approach &gt; Human Rights and Security</a><br/><a href="#">CSR Performance Data</a></p> | No |  |
|-----|---|----|--|

---

**Aspect: Occupational Health and Safety**

---

|     |   |    |                                |
|-----|---|----|--------------------------------|
| DMA | <p><b>Disclosure of Management Approach</b></p> <p><a href="#">Our People &gt; Health and Safety</a><br/>Website – <a href="#">Environmental Health and Safety Policy</a></p> | No | 1, 2, 3, 5, 6, 7, 8, 9, 10, 11 |
|-----|---|----|--------------------------------|

|        |  |    |  |
|--------|--|----|--|
| G4-LA5 | <p><b>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs</b></p> <p><a href="#">CSR Performance Data</a></p> | No |  |
|--------|--|----|--|

|        |  |    |  |
|--------|--|----|--|
| G4-LA6 | <p><b>Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender</b></p> <p><a href="#">CSR Performance Data</a></p> | No |  |
|--------|--|----|--|

---

## SOCIAL: HUMAN RIGHTS

| Specific Standard Disclosures | External Assurance | Impact Boundaries |
|-------------------------------|--------------------|-------------------|
|-------------------------------|--------------------|-------------------|

### Aspect: Non-Discrimination

|     |  |    |          |
|-----|--|----|----------|
| DMA | <b>Disclosure of Management Approach</b> | No | 1, 5, 11 |
|-----|--|----|----------|

[Our People > Our Workplace](#)

Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.

|        |   |    |  |
|--------|---|----|--|
| G4-HR3 | <b>Total number of incidents of discrimination and corrective actions taken</b> | No |  |
|--------|---|----|--|

[CSR Performance Data](#)

### Aspect: Freedom of Association and Collective Bargaining

|     |  |    |         |
|-----|--|----|---------|
| DMA | <b>Disclosure of Management Approach</b> | No | 1, 5, 8 |
|-----|--|----|---------|

[Our People > Our Workplace](#)

Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.

|        |   |    |  |
|--------|---|----|--|
| G4-HR4 | <b>Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights</b> | No |  |
|--------|---|----|--|

[Our People > Our Workplace](#)

| Specific Standard Disclosures |  | External Assurance | Impact Boundaries |
|-------------------------------|--|--------------------|-------------------|
|-------------------------------|--|--------------------|-------------------|

---

**Aspect: Security Practices**

---

|            |   |           |                    |
|------------|---|-----------|--------------------|
| <b>DMA</b> | <b>Disclosure of Management Approach</b><br><a href="#">CSR Approach &gt; Human Rights and Security</a> | <b>No</b> | <b>1, 2, 3, 11</b> |
|------------|---|-----------|--------------------|

---

|               |   |           |  |
|---------------|---|-----------|--|
| <b>G4-HR7</b> | <b>Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations</b><br><a href="#">CSR Performance Data</a> | <b>No</b> |  |
|---------------|---|-----------|--|

---

**Aspect: Indigenous Rights**

---

|            |   |           |                        |
|------------|---|-----------|------------------------|
| <b>DMA</b> | <b>Disclosure of Management Approach</b><br><a href="#">CSR Approach &gt; Human Rights and Security</a><br><a href="#">CSR Approach &gt; Stakeholder Engagement</a><br><a href="#">Social Impact &gt; Community Relations</a> | <b>No</b> | <b>3, 7, 8, 10, 11</b> |
|------------|---|-----------|------------------------|

---

|               |  |           |  |
|---------------|--|-----------|--|
| <b>G4-HR8</b> | <b>Total number of incidents of violations involving rights of indigenous peoples and actions taken</b><br><a href="#">CSR Approach &gt; Human Rights and Security</a><br><br>Note: There were 0 violations in 2015. | <b>No</b> |  |
|---------------|--|-----------|--|

---

|            |   |           |  |
|------------|---|-----------|--|
| <b>MM5</b> | <b>Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples' communities</b><br><a href="#">CSR Performance Data</a> | <b>No</b> |  |
|------------|---|-----------|--|

---

| Specific Standard Disclosures |  | External Assurance | Impact Boundaries |
|-------------------------------|--|--------------------|-------------------|
|-------------------------------|--|--------------------|-------------------|

---

**Aspect: Human Rights Grievance Mechanisms**

---

|            |   |           |                                 |
|------------|---|-----------|---------------------------------|
| <b>DMA</b> | <b>Disclosure of Management Approach</b><br><a href="#">CSR Approach &gt; Materiality</a><br><a href="#">Social Impact &gt; Community Relations</a> | <b>No</b> | <b>2, 3, 4, 7, 8, 9, 10, 11</b> |
|------------|---|-----------|---------------------------------|

Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.

---

|                |  |           |  |
|----------------|--|-----------|--|
| <b>G4-HR12</b> | <b>Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms</b><br><a href="#">CSR Performance Data</a> | <b>No</b> |  |
|----------------|--|-----------|--|

---

**SOCIAL: SOCIETY**

| Specific Standard Disclosures |  | External Assurance | Impact Boundaries |
|-------------------------------|--|--------------------|-------------------|
|-------------------------------|--|--------------------|-------------------|

---

**Aspect: Anti-Corruption**

---

|            |  |           |                      |
|------------|--|-----------|----------------------|
| <b>DMA</b> | <b>Disclosure of Management Approach</b><br><a href="#">Our Company &gt; Business Conduct</a><br><a href="#">Our People &gt; Our Workplace</a> | <b>No</b> | <b>1, 2, 6, 8, 9</b> |
|------------|--|-----------|----------------------|

---

| Specific Standard Disclosures   |   | External Assurance | Impact Boundaries    |
|---------------------------------|---|--------------------|----------------------|
| G4-SO4                          | <p>Communication and training on anti-corruption policies and procedures</p> <p><a href="#">CSR Performance Data</a></p>  | No                 |                      |
| <b>Aspect: Resettlement</b>     |   |                    |                      |
| DMA                             | <p>Disclosure of Management Approach</p> <p><a href="#">Social Impact &gt; Resettlement and Land Use</a></p>  | No                 | 3, 8, 6, 10, 11      |
| MM9                             | <p>Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process</p> <p><a href="#">CSR Performance Data</a></p> | No                 |                      |
| <b>Aspect: Closure Planning</b> |   |                    |                      |
| DMA                             | <p>Disclosure of Management Approach</p> <p><a href="#">Environment &gt; Closure and Reclamation</a></p>  | No                 | 1, 2, 3, 6, 7, 8, 10 |
| MM10                            | <p>Number and percentage of operations with closure plans</p> <p><a href="#">CSR Performance Data</a></p>   | No                 |                      |

| Specific Standard Disclosures |  | External Assurance | Impact Boundaries |
|-------------------------------|--|--------------------|-------------------|
|-------------------------------|--|--------------------|-------------------|

---

**Aspect: Grievance Mechanisms for Impacts on Society**

---

|            |   |           |                       |
|------------|---|-----------|-----------------------|
| <b>DMA</b> | <b>Disclosure of Management Approach</b><br><a href="#">CSR Approach &gt; Materiality</a><br><a href="#">Social Impact &gt; Community Relations</a> | <b>No</b> | <b>1, 3, 5, 6, 11</b> |
|------------|---|-----------|-----------------------|

Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.

---

|                |  |           |  |
|----------------|--|-----------|--|
| <b>G4-SO11</b> | <b>Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms</b><br><a href="#">CSR Performance Data</a> | <b>No</b> |  |
|----------------|--|-----------|--|

---

**Impact Boundaries Legend**

1. Employees and contractors
2. Business partners (JVs)
3. Local communities
4. Consumers
5. Labour unions
6. Shareholders and investor groups
7. Industry peers and associations
8. Government and regulators
9. Suppliers
10. Community organizations and NGOs
11. Indigenous communities



# **ABOUT THIS REPORT**

This is the second year in which we have combined our annual report and our corporate social responsibility (CSR) report. Recognizing that social performance is as important as financial and operating performance, we believe combining the reports presents a truly representative account of the Company's activities in 2015.

We published our [Management's Discussion and Analysis of Results of Operations and Financial Condition](#) and the [consolidated financial statements](#) for the year ended December 31, 2015, on February 24, 2016. Copies are posted to our website. The Business and Financial Review section of this report covers the content normally included in our annual report.

This is the 12th year that we have produced a CSR report, and our eighth report based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. Our most recent previous report was released in May 2015. This report is not in accordance with the G4 Guidelines, but we are working toward the Core level option for future reports.

Our report covers all operating and project locations reported in [Our Company](#), as well as our Tom and Jason properties in the Yukon, and exploration activities managed by Hudbay in Chile during the 2015 calendar year. CSR report content has been defined based on our materiality analysis and aspects identification process, which applied to all of Hudbay's operating assets.

More information on the scope of our reporting is available in the CSR Performance section.

## **BASIS OF REPORTING**

All financial information is presented in US dollars except where otherwise noted. All operating data is reported using the metric system unless otherwise noted. Some metrics are reported on both an absolute basis and an intensity basis against kilotonnes of metal processed. Safety data frequency rates are measured per 200,000 hours worked.

## **QUALIFIED PERSON**

The technical and scientific information in this annual report related to the Constancia project has been approved by Cashel Meagher, P. Geo, Hudbay's Senior Vice President and Chief Operating Officer. The technical and scientific information related to all other sites and projects contained in this annual report has been approved by Robert Carter, P. Eng, Hudbay's Director, Business Development and Technical Services, at our Manitoba Business Unit. Messrs. Meagher and Carter are qualified persons pursuant to NI 43-101. For a description of the key assumptions, parameters and

methods used to estimate mineral reserves and resources, as well as data verification procedures and a general discussion of the extent to which the estimates of scientific and technical information may be affected by any known environmental, permitting, legal title, taxation, sociopolitical, marketing or other relevant factors, please see the Technical Reports for Hudbay's material properties as filed by Hudbay on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD-LOOKING INFORMATION**

This report contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable Canadian and United States securities legislation. All information contained in this report, other than statements of current and historical fact, is forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budget", "guidance", "scheduled", "estimates", "forecasts", "strategy", "target", "intends", "objective", "goal", "understands", "anticipates" and "believes" (and variations of these or similar words) and statements that certain actions, events or results "may", "could", "would", "should", "might" "occur" or "be achieved" or "will be taken" (and variations of these or similar expressions). All of the forward-looking information in this report is qualified by this cautionary note.

Forward-looking information includes, but is not limited to, production, cost and capital and exploration expenditure guidance, including anticipated capital and operating cost savings, anticipated production at Hudbay's mines and processing facilities, events that may affect its operations and development projects, anticipated cash flows from operations and related liquidity requirements, the anticipated effect of external factors on revenue, such as commodity prices, estimation of mineral reserves and resources, mine life projections, reclamation costs, economic outlook, government regulation of mining operations, and business and acquisition strategies. Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by Hudbay at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information.

The material factors or assumptions that Hudbay identified and were applied by the Company in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to:

- the success of mining, processing, exploration and development activities;
- the success of Hudbay's cost reduction initiatives;

- the accuracy of geological, mining and metallurgical estimates;
- anticipated metals prices and the costs of production;
- the supply and demand for metals that Hudbay produces;
- the supply and availability of concentrate for Hudbay's processing facilities;
- the supply and availability of third-party processing facilities for Hudbay's concentrate;
- the supply and availability of all forms of energy and fuels at reasonable prices;
- the availability of transportation services at reasonable prices;
- no significant unanticipated operational or technical difficulties;
- the execution of Hudbay's business and growth strategies, including the success of its strategic investments and initiatives;
- the availability of additional financing, if needed;
- the ability to complete project targets on time and on budget and other events that may affect Hudbay's ability to develop its projects;
- the timing and receipt of various regulatory and governmental approvals;
- the availability of personnel for Hudbay's exploration, development and operational projects and ongoing employee relations;
- the ability to secure required land rights to develop the Pampacancha deposit;
- maintaining good relations with the communities in which Hudbay operates, including the communities surrounding its Constancia mine and Rosemont project and First Nations communities surrounding its Lalor and Reed mines;
- no significant unanticipated challenges with stakeholders at Hudbay's various projects;
- no significant unanticipated events or changes relating to regulatory, environmental, health and safety matters;
- no contests over title to Hudbay's properties, including as a result of rights or claimed rights of Aboriginal peoples;
- the timing and possible outcome of pending litigation and no significant unanticipated litigation;
- certain tax matters, including, but not limited to, current tax laws and regulations and the refund of certain value-added taxes from the Canadian and Peruvian governments; and
- no significant and continuing adverse changes in general economic conditions or conditions in the financial markets (including commodity prices and foreign exchange rates).

The risks, uncertainties, contingencies and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information may include, but are not limited to, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations, energy prices and general cost escalation), uncertainties related to the development and operation of Hudbay's projects (including risks associated with the economics and permitting of the Rosemont project and related legal challenges), risks related to the maturing nature of Hudbay's 777 mine and its impact on the related Flin Flon metallurgical complex, dependence on key personnel and employee and union relations, risks related to political or social unrest or change (including in relation to the Peruvian national elections), risks in respect of Aboriginal and community relations, rights and title claims, operational risks and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks, failure of plant, equipment, processes, transportation and other infrastructure to operate as anticipated, planned infrastructure improvements in Peru (including the expansion of the port in Matarani) not being completed on schedule or as planned, compliance with government and environmental regulations, including permitting requirements and anti-bribery legislation, depletion of the Company's reserves, volatile financial markets that may affect Hudbay's ability to obtain additional financing on acceptable terms, the permitting and development of the Rosemont project not occurring as planned, the failure to obtain required approvals or clearances from government authorities on a timely basis, uncertainties related to the geology, continuity, grade and estimates of mineral reserves and resources, and the potential for variations in grade and recovery rates, uncertain costs of reclamation activities, the Company's ability to comply with its pension and other post-retirement obligations, Hudbay's ability to abide by the covenants in its debt instruments and other material contracts, tax refunds, hedging transactions, as well as the risks discussed under the heading "Risk Factors" in the Company's most recent Annual Information Form.

Should one or more risk, uncertainty, contingency or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information. Accordingly, you should not place undue reliance on forward-looking information. Hudbay does not assume any obligation to update or revise any forward-looking information after the date of this report or to explain any material difference between subsequent actual events and any forward-looking information, except as required by applicable law.

## **NOTE TO UNITED STATES INVESTORS**

This report has been prepared in accordance with the requirements of the securities laws in effect in Canada, which may differ materially from the requirements of United States securities laws applicable to US issuers.

Information concerning Hudbay's mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of

the Securities and Exchange Commission (the “SEC”) set forth in Industry Guide 7. Under the SEC’s Industry Guide 7, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time of the reserve determination, and the SEC does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of “Reserve”. In accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) of the Canadian Securities Administrators, the terms “mineral reserve”, “proven mineral reserve”, “probable mineral reserve”, “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Definition Standards for Mineral Resources and Mineral Reserves adopted by the CIM Council on May 10, 2014. While the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are recognized and required by NI 43-101, the SEC does not recognize them. You are cautioned that, except for that portion of mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic value. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can be economically or legally mined. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, you are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded into mineral reserves.

# **CONTACT US**

---

We invite your comments and questions about this report.

For investor relations matters, please contact Candace Brulé, Director, Investor Relations, 416 362-8181, [investor.relations@hubbayminerals.com](mailto:investor.relations@hubbayminerals.com).

For CSR matters, please contact David Clarry, Vice President, Corporate Social Responsibility, 416 362-7364, [david.clarry@hubbayminerals.com](mailto:david.clarry@hubbayminerals.com).

Annual and Special Meeting of Shareholders

May 19, 2016, 10:00 a.m. ET

Toronto, Ontario

# **GLOSSARY**

---

**Accident frequency** – number of injuries (recordable or lost time) multiplied by 200,000, divided by total hours worked

**Biodiversity** – short for “biological diversity”; the variety of living organisms, genetic diversity and habitat diversity that creates and sustains variation in the environment

**Community investment** – voluntary investment of funds in the broader community, including for physical infrastructure and social programs

**Conflict-free minerals** – mineral production that does not contribute to serious human rights abuses in regions of armed conflict (drawing on the definitions provided in the *Dodd–Frank Act*)

**Contractor** – one who agrees to perform work or supply items at a certain price or rate

**Dodd–Frank** – refers to the *Dodd–Frank Wall Street Reform and Consumer Protection Act*, which requires entities involved in the commercial development of oil, gas and minerals to provide information in annual reports about the type and total amount of payments made to governments (Section 1504), and also identifies requirements for tracking conflict minerals in product supply chains (Section 1502)

**Donations** – contributions to charities

**Employee** – a person directly employed by Hudbay and/or its subsidiaries

**G4 indicators** – performance indicators contained in the G4 Guidelines of the Global Reporting Initiative. The G4 Guidelines – Core option provide the framework for this report

**GHG emissions** – greenhouse gas emissions

**Global Reporting Initiative (GRI)** – an independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines. For more information, visit [www.globalreporting.org](http://www.globalreporting.org)

**Grant in lieu** – an amount paid instead of property taxes

**Lost time accident (LTA)** – a work-related injury that causes the injured person to be unable to return to work on his/her next scheduled workday after the day of the injury, because he/she is unfit to perform any duties

**MAC** – Mining Association of Canada

**Material information** – a fact or a change to the Company that could reasonably be expected to have a significant effect on the market price or value of the securities of the Company

**N/ap** – not applicable

**N/av** – not available

**Restricted work** – a work-related injury where a licensed health care provider or the employer recommends that the employee not perform one or more of the routine functions of the job or not work the full workday that the employee would have otherwise worked

**Tailings** – the fine waste rock that remains after separating the valuable minerals from the ore during mining and processing of mineral resources. Tailings may contain trace quantities of metals found in the host ore, as well as added compounds used to extract the minerals

**TSM** – Towards Sustainable Mining – an initiative of the Mining Association of Canada