



The Nature of Mining

HUDBAY

2016 Annual and CSR Report



Our Company 06

Business and Financial Review 16

CSR Approach 21

Our People 37

Social Impact 46

Environment 58

CSR Performance Data 73

About This Report 118

Contact Us 122

Glossary 123

Commodities advance and commodities decline. Demand and prices were both low for much of 2016. That's the nature of mining. As a company, Hudbay focuses on what we can control – efficiency, sustainability and productivity – so when the cycle turns, we're positioned to capitalize on it. That's the nature of Hudbay.

To succeed during a down cycle, Hudbay draws on internal resources, including experience, expertise and a company-wide commitment to controlling costs while getting the most out of every mine.

To keep building strong community relations, we operate safely and sustainably while making sure that the communities near our operations participate in the benefits of a well-run mine.

At every mine, in every jurisdiction, we make sustainability and responsibility just as important as production.



Dealing with the Inevitable: **Managing Price Cyclicity**

The ebb and flow of demand – and the rise and fall of prices – have always been part of mining. This means that Hudbay has been successfully managing price cycles in the metals markets for close to 90 years. That history, combined with the experience of our leadership team, provided useful perspective and insight throughout the low copper price environment of the last few years.

When Hudbay incorporated in 1927, our operations were based in Manitoba and our primary market was North America. Today, our company is international and our market is global. Over the last 10 years, demand for copper was largely driven by economic and industrial growth in China. In recent years, China's economy has slowed, and growth in the world's other major markets has also been largely muted.

At the same time, as a result of investment earlier in the decade, a number of new sources of copper – including our Constancia mine – came on stream and global production grew. As a natural consequence of increased supply and slower demand growth, the price for copper dropped, hitting a multi-year low in January 2016.

We responded to these events by focusing our efforts where we could make a difference – on improving efficiencies, strengthening our balance sheet and managing costs at all of our operations.

As Alan Hair, Hudbay's President and Chief Executive Officer, observed at the Company's year-end town hall staff meeting: "We began January with copper at a multi-year low price, and the upside of 2016 is how the organization responded. We delivered cost reductions at our operations, while still meeting guidance. We also restructured our credit facilities, positioning the Company for an even tougher pricing environment than turned out to be the case. Most importantly, we showed we could weather the storm while still moving forward."

Toward the end of the year, the copper price improved, and our focus on cost control and generating cash flow from operations meant we were able to begin devoting resources to plans for growth and exploration. Unlike many in the copper sector, Hudbay had maintained core exploration teams. Our capacity to respond effectively to near-term challenges, while continuing to build and plan for the long term, is the key to delivering positive performance.



A Foundation for Rewarding Community Relationships

Mining is of tremendous importance to Peru. In 2015, it accounted for 17.6% of the country's GDP and roughly **half of its exports**. Mining brings tax revenue, jobs, investment, infrastructure and other important benefits. Understandably, it can also prompt questions and concern from local communities.

In 2016, our Constancia mine saw a protest march, a roadblock and a brief occupation. For safety reasons, the occupation led to a temporary suspension of operations. The occupiers were from communities that had all signed co-operation and development agreements with Hudbay and with local and national governments. For various reasons, they were dissatisfied with the scope of the agreements and the pace of their implementation – and they voiced their concerns through protests such as these, which are commonly employed tactics in rural and outlying districts of Peru.

With forbearance and discipline from all sides, both legitimate protest and civil disobedience can be resolved peacefully, as were the three actions around Constancia. However, we know it doesn't always happen this way in Peru and we work very hard to maintain good relationships with our neighbours and mitigate potential issues. We do so with the understanding that points of difference arise even in the best relationships. The key to maintaining those relationships is regular and open communication, and, on both sides, a willingness to consider other points of view.

Our Constancia operations have more than 17 people who focus on engaging with communities and supporting development. They keep our neighbours informed about what we're doing, and why, while making sure we understand and acknowledge their concerns. They also work with local communities on projects to improve infrastructure, upgrade health facilities and build capacity for sustainable economic development and growth.



Managing Our Impact and **Supporting Biodiversity**

Nothing better defines the nature of modern mining than the commitment to operating in accordance with the principles of environmental responsibility and sustainability. An example of this commitment can be seen every day in the hands-on, practical steps Hudbay takes to foster biodiversity.

In many cases, our steps are framed out in protocols established by organizations like the Mining Association of Canada (MAC), the International Standards Organization (ISO) and the International Finance Corporation (IFC). While the guidelines and standards set by these outside organizations play a key part in helping us be a responsible operator, the drive to meet them comes from inside our organization.

People who don't know the industry might be surprised to discover the extensive effort companies and employees make to ensure our activities are compatible with surrounding ecosystems. In addition to miners and engineers, we employ and partner with biologists, botanists, ecologists and environmental scientists. They understand industry's part in society's overall impact on the environment, but they also recognize that sustainable mining can contribute to enhancing the quality of life around the world and they are dedicated to making sure that Hudbay meets high standards for environmental performance.

In our approach to conserving biodiversity, we're guided by the "mitigation hierarchy", a series of defined steps, taken throughout the life of a project, that help limit the adverse impacts of a development on biodiversity, and can potentially lead to a net gain. Here are a few examples:

- In Peru, we're gathering, breeding, relocating and releasing two threatened animal species, an aquatic frog in conservation status and an endemic reptile from the region to similar habitats outside of the mine site. We're also working with members of local communities near our operations to preserve and restore wetlands, including helping area ranchers identify practical alternatives when it comes to finding places for feeding and watering their cattle.
- In Manitoba, we have an ongoing partnership with Manitoba Sustainable Development (formerly Manitoba Conservation) to help ensure that the local caribou populations are not adversely impacted by our operations. We consulted with Manitoba Sustainable Development during the planning stages of our Reed and Lalor mines to make our activities as caribou-friendly as possible, and we continue to provide financial and practical support to help them monitor caribou populations.

- In Arizona, we will be funding a variety of mitigation measures including aquatic and bird species conservation activities, salvaging and replanting agave plants that are a food source for an endangered bat, avoiding specific sites to prevent plant species impacts, implementing jaguar and ocelot monitoring programs, as well as providing financial support to the Forest Service to hire a biologist for the term of conservation to manage funds and monitor results.

Biodiversity conservation is integral to modern mining, and one of the cornerstones of our approach to building a business that is sustainable and successful.

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”.

Lalor

Manitoba

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

777

Manitoba

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

Reed

Manitoba

- 70% ownership
- Underground copper mine

Rosemont

Arizona

- 92.05% ownership*
- Open pit copper project

Constancia

Peru

- 100% ownership
- Open pit copper mine and concentrator

* 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

2016 is perhaps best described as “a year of two halves”.

In the first half of the year, the copper price went from bad to worse, and virtually every mining company saw close scrutiny and tough questions about its balance sheet and liquidity. At Hudbay, we took decisive action to reduce discretionary spending while maintaining, above all else, our focus on safety.

From a safety-first starting point, we deferred capital expenditures, we worked wherever possible with our banks and other sources of finance to restructure our credit facilities, and we ensured that we had clear plans in place to weather any further turbulence in commodity prices.

During the second half, thanks to strong business performance and an improving price environment toward the end of the year, we were in a position to move the business forward. This included reintroducing certain growth initiatives, such as incorporating Pampacancha into the Constancia mine plan as of the end of 2018, working to expand operations at Lalor, further advancing permitting at Rosemont and looking at exploration opportunities in Chile.

For all of the challenges, I can confidently say that in 2016, Hudbay met both its performance and strategic goals and positioned the Company for growth in 2017 and beyond.



“Copper and zinc are essential elements for modern life. Mobile devices, medicine, housing, transportation and renewable energy all draw on these natural resources, and demand will increase as global production declines.”

DISCIPLINED PERFORMANCE

In 2016, Constancia completed its ramp up to full production, delivering exceptional results, with copper and precious metals production exceeding the high end of the 2016 guidance range.

Importantly, our South America Business Unit and the team at Constancia worked closely with communities in the area of our operations and transportation routes. By keeping the lines of communication open, striving to mitigate any mine-related impacts that concern communities, and ensuring those communities benefit from our activities, the team made an essential contribution to our successful results in Peru. The foundation they’ve built with our neighbours and in the region was instrumental in helping us overcome many of the challenges encountered this past year.

Our three mines in Manitoba – Lalor, Reed and 777 – met their production guidance goals for 2016 as well. During the year, we welcomed André Lauzon as the new head of the Manitoba Business Unit. André has worked in mines all around the world, and we benefit from his long experience and fresh perspective. He immediately began working to improve overall productivity in Manitoba, with a particular focus on ways to increase production at Lalor.

André is also tasked to lead the business unit through an inevitable phase of mining: closure. Exploration has not revealed any alternatives that could extend the life of the 777 mine, which is expected to close in 2020, or the Reed mine, which will close as anticipated in 2018. We're working with the communities and government representatives of Flin Flon, Creighton and Denare Beach as they prepare for the mines' closures. We also launched a collaborative effort with employees to explore ways to sustain operations at the Flin Flon zinc plant, which will be affected by the reduced ore feed in the Flin Flon area.

At our Arizona business unit, Pat Merrin and his team continued to move the Rosemont project through permitting. During 2016, Rosemont received the final biological opinion from the US Fish and Wildlife Service, a key step toward receiving final federal permits. Additionally, legal challenges relating to the project were resolved with rulings that upheld both regulatory decisions and our understanding of applicable regulations. In our experience, permitting is not a process for the impatient, but we know that it supports the construction and operation of a good mine.

LOOKING AHEAD

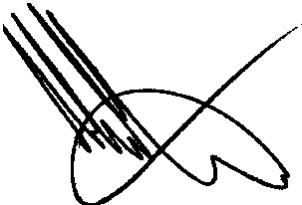
Copper and zinc are essential elements for modern life. Mobile devices, medicine, housing, transportation and renewable energy all draw on these natural resources, and demand will increase as global production declines.

Within this context, Hudbay has distinct strengths. Constancia and Lalor are low-cost, long-term properties, still in the early stages of their operating lives, offering strong growth potential. Rosemont can significantly increase our copper production and be a showcase for sustainable mining. Hudbay has proven capabilities as a mine builder and operator and we are proud of our record of managing costs and delivering results. The positive response to our bond issue in December 2016 proves that the market shares this opinion.

Hudbay enters 2017 having met or exceeded all of our production and operating guidance for 2016. Our balance sheet is stronger and we are positioned to both pursue and deliver growth in the year ahead. Regardless of where the mining cycle may be, Hudbay, its operations and its people are well positioned for the future.

In closing, I would like to thank the Board and my colleagues at Hudbay for their continued support and commitment. Throughout the year and across the Company, we identified our goals and pulled together to achieve them. That's the nature of Hudbay.

Sincerely,



Alan Hair
President and Chief Executive Officer

Our Company Corporate Governance

Hudbay's Board of Directors and management believe good governance supports our company's strong performance and long-term success. We strive to follow best practices and meet or exceed regulatory requirements.

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 five committees:

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

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. See our 2017 [Management Information Circular](#) to learn more.

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*

Corporate Governance and
Nominating Committee
(Chair)



Sarah B. Kavanagh*

Audit Committee (Chair)
Corporate Governance and
Nominating Committee



Alan J. Lenczner*

Audit Committee
Compensation Committee



Kenneth G. Stowe*

Technical Committee (Chair)
Compensation Committee



Michael T. Waites*¹

Audit Committee
Technical Committee



Carin S. Knickel*

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

**Independent*

1. Michael T. Waites, who has been a director of Hudbay since 2014, is not standing for re-election to the Board at our Annual Meeting of Shareholders on May 4, 2017. We would like to thank Mr. Waites for his dedicated service to the Board and to Hudbay generally. In connection with the departure of Mr. Waites, the Corporate Governance and Nominating Committee recommended and the Board has nominated Carol T. Banducci for election to the Board. Ms. Banducci's extensive experience as Chief Financial Officer of a publicly traded mining company, her experience as a board member for other mining companies, and her more than 25 years of financial management and strategic leadership experience with leading global companies, including other mining companies, will be of great value to the Board.

LEARN MORE

- [Governance policies, committees, documents](#)
- [Management Information Circular](#)

Our Company

Business Conduct

Honesty, integrity and compliance with the law are central to the way we do business. We recognize that bribery and corruption can pose degrees of risk wherever we operate, and we are very clear about our standards and expectations.

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.

On joining the Company, all board members and employees are expected to 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 and the [Confidentiality and Insider Trading Policy](#) is also required from individuals, including directors, officers, and employees above a certain level of responsibility, those whose duties include the transfer of responsibility, those whose duties include the transfer of funds, those in community and government relations areas, and those who may be reasonably expected to interact with government officials over the course of their duties.

In 2016, we refreshed our [Statement on Anti-Corruption](#) to include anti-bribery and anti-corruption provisions for suppliers. Suppliers were notified of our new expectations through a specific email communication.

COMPLIANCE TRAINING

Our Legal department is responsible for providing compliance training on the Code 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. Training in 2016 included:

- Anti-bribery and anti-corruption refresher training for the Board and senior management
- Anti-bribery and anti-corruption training largely delivered by a third-party organization for groups in Peru
- Corruption fraud training for the supply chain group in Manitoba
- “Sole source” training in Arizona (training focused on when procurement of goods or services on a sole-sourced basis is justifiable versus when a competitive bid process should be used)

ISSUES OR COMPLAINTS

The majority of complaints received through our third-party whistleblower reporting service involve operational matters and employee relations. Seven incidents were reported in 2016, 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 allegations 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

- Contact our Board of Directors by mail or email at chairman@hudbay.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. 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 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 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 Risk Management

Risk management is essential for effective governance and to achieve our business objectives. Our risk management policy defines our approach to enterprise risk management and establishes a framework within which specialized policies and practices are developed and regularly refined. Through this policy, we aim to embed risk management into our corporate culture, systems and processes.

All Hubbay executives are responsible for integrating risk management into their strategic business planning, budget and resource allocation, operating performance, and human resource, financial and compliance processes. The framework requires practices for risk identification, assessment, measurement, monitoring, reporting and treatment.

While risk is specific to the nature of each business area, the framework and standard guidelines facilitate quarterly consolidation of risk information for reporting to executive management and the Board of Directors.

The Board of Directors is ultimately responsible for overseeing the risk management function, and the Audit Committee of the Board is mandated to assist in this regard. The Vice President, Risk Management, and the Director, Risk Management, lead the enterprise risk management program.

LEARN MORE

- Our 2017 [Annual Information Form](#) describes key corporate risks and their potential business impacts.

Our Company Management Team

Our management team sets the tone for a culture of integrity and compliance and 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



Eugene Lei

Senior Vice President, Corporate Development and Strategy



Javier Del Río

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



André Lauzon

Vice President,
Manitoba Business Unit



Terry Linde

Vice President, Project
and Technical Services



Patrick Merrin

Vice President, Arizona
Business Unit



Mary-Lynn Oke

Vice President, Finance

Business and Financial Review

In a year that started with a volatile metal price environment, we drew on our experience, focused on our strategy and met our performance objectives.

KEY ACCOMPLISHMENTS

- Maintained safety performance consistent with performance during 2015. Regardless of what is happening in the external environment, we must act and operate safely and responsibly.
- Met or exceeded all production and operating cost guidance.
- Delivered low-cost production growth in copper, zinc and precious metals, with strong performance in Constancia's first full year of commercial production and higher throughput levels at Lalor.
- Improved our liquidity position by reducing costs wherever possible, ultimately identifying over \$100 million in operating and capital cost savings, and renegotiating debt repayments.
- Successfully completed the refinancing of senior unsecured notes, resulting in lower interest costs, extended maturities and more flexible financial covenants.
- Maintained our growth pipeline and moved to advance in-house brownfield projects.

2016 Summary

OPERATIONS SUMMARY

<i>For the years ended December 31</i>	2016	2015
Production (contained metal in concentrate)*		
Copper (000 tonnes)	174.4	147.3
Zinc (000 tonnes)	111.0	102.9
Gold (000 ounces)	114.3	100.2
Silver (000 ounces)	3,756.0	2,791.5

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

FINANCIAL SUMMARY

Financial condition (in \$000s)	Dec. 31, 2016	Dec. 31, 2015
Cash and cash equivalents	\$ 146,864	\$ 58,852
Working capital	121,539	57,613
Total assets	4,456,556	4,479,585
Total long-term debt	1,232,164	1,274,880
Equity	1,763,212	1,787,290

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

	Dec. 31, 2016	Dec. 31, 2015
Revenue	\$ 1,128,678	\$ 886,051
Profit (loss) before tax	5,605	(399,041)
Basic and diluted (loss) earnings per share ¹	(0.15)	(1.41)
Profit (loss)	(35,193)	(331,428)

ProductionContained metal in concentrate²

Copper (tonnes)	174,491	147,280
Gold (ounces)	114,296	100,177
Silver (ounces)	3,755,896	2,791,536
Zinc (tonnes)	110,582	102,919

Metal sold

Payable in metal in concentrate

Copper (tonnes)	171,451	134,600
Gold (ounces)	92,527	93,779
Silver (ounces)	3,181,759	1,873,176
Refined zinc (tonnes)	103,453	101,920

¹. *Attributable to owners of the Company.*². *Metal reported in concentrate is prior to deductions associated with smelter contract terms.*

Business and Financial Review

Strategy

Hudbay's mission is to create sustainable value for our shareholders through acquiring, developing and operating high-quality, long-life deposits with exploration potential in mining-friendly jurisdictions.

Long experience has taught us the best way to create shareholder value in the mining sector is through discovering new mineral deposits and then developing the facilities to mine those deposits profitably. We believe the successful development, ramp-up and operation of our Constancia mine in Peru, and our many decades of experience of mining in northern Manitoba, give Hudbay a competitive edge relative to our peers.

We plan to grow the Company by exploring and developing properties we already control, like our Rosemont project in Arizona. We may also acquire other properties that align with our strategic criteria, and we continually work to optimize the value of our producing assets through efficient and safe operations.

To make sure we deliver shareholder value with our acquisitions, our criteria for evaluating every opportunity includes the following:

- Potential acquisitions should be in politically stable, mining-friendly jurisdictions in the Americas.
- We must be able to leverage our expertise in exploring and developing volcanogenic massive sulphide and porphyry mineral deposits.
- We look for assets that offer significant potential for exploration, development and optimization.
- Large, transformational mergers or acquisitions in the mining industry tend to be risky and potentially value destructive; so, unless exceptional opportunities present themselves, we generally focus on specific high-quality (low cost, long life) mines, development projects and early-stage projects.
- Before any acquisition, we make sure we understand how we can add value to the property by applying our social, technical, operational and project execution expertise, or through providing the required financial capacity and other optimization opportunities.
- Acquisitions should be accretive to Hudbay on a per share basis.

FINANCIAL AND BUSINESS OBJECTIVES FOR 2017

- Continue pursuing efficiency improvements in our operations so we can sustain the cost reductions achieved in 2016, while generating incremental free cash flow and increasing net asset value.
- Move ahead on high-return, in-house brownfield opportunities to increase throughput from the Lalor mine and related milling facilities, and to incrementally add zinc and gold production in the near and medium term.
- Advance the development of the high-grade Pampacancha deposit so that we can begin mining it in late 2018.
- Advance permitting and technical work at the Rosemont project.
- Use free cash flow generation to reduce debt and further reduce our cost of capital.
- Continue to evaluate exploration and acquisition opportunities that meet our criteria, and pursue those that we feel are in the best interest of the Company and our stakeholders.

Business and Financial Review

Operations

In 2016, we focused on making our operations even more cost efficient while still achieving strong production results and maintaining our longstanding priority and focus on safety. Our efforts were rewarded both with positive free cash flow generation in a year of cyclical low copper prices, and by successfully meeting or surpassing our strategic and performance goals. As the pricing environment improved over the year, Hudbay ended 2016 in a strong position to pursue organic growth at existing operations and to consider exploration opportunities in Chile.

2016 Performance Highlights

- Increased production of all metals year-over-year, reflecting the first full year of commercial production at Constancia and higher throughput levels at Lalor.
- Achieved cost reduction initiatives in 2016 with consolidated cash cost of \$0.93 per pound copper, and consolidated all-in sustaining cash costs of \$1.52 per pound copper, lower than 2015 levels by 19% and 30%, respectively.
- Safety performance broadly consistent with 2015.

MANITOBA

- André Lauzon hired as new head of the Manitoba Business Unit.
- Ore processed at the Stall concentrator was 17% higher than in 2015 as a result of higher production at Lalor.
- 11% reduction in unit operating costs over 2015.
- Initiated study into potential for sustaining operations at the Flin Flon zinc plant.

PERU

- In its first full year of commercial operation, Constancia mined over 26.5 million tonnes of ore and produced 527,296 tonnes of copper concentrate.
- Full year production of copper, gold and silver was 26%, 39% and 39% higher than 2015, respectively, all above Constancia guidance ranges in 2016.
- Driven by ongoing cost optimization efforts and improved maintenance timing, cash cost per pound of copper produced, net of by-product credits, for 2016 was \$1.09, a decrease of 6% over the previous year.

Business and Financial Review

Financials

Price cyclicality is part of the mining cycle, one that Hudbay has been managing successfully for over nine decades. In 2016, we were able to draw on that history to meet or exceed all of our production targets, while our actual sustaining capital spending was 20% lower than our 2016 guidance. Our revenue for the year was \$1,128.7 million, \$242.6 million higher than in 2015. Faced with both a challenging price environment and lower copper sales volumes, we were able to hold our cash cost per pound of copper produced, net of by-product credits, steady at \$1.46 per pound.*

Consolidated Financial Statements

[PDF](#) 

Management's Discussion and Analysis

[PDF](#) 

** Operating cash flow per share and cash cost per pound of copper produced, net of by-product 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 40 of Hudbay's Management's Discussion and Analysis filed February 22, 2017.*

CSR Approach

Our commitment to corporate social responsibility and sustainability applies to every operation and project. The nature of modern mining demands it. So do we. That commitment is simply the way we do business.

Grade A

Our Manitoba facilities received a Towards Sustainable Mining (TSM) Leadership Award for achieving externally verified A-level grades or higher across all TSM indicators.

Responsible Corporate Leader in Canada

For the second year in a row, Hudbay was recognized by *Corporate Knights* magazine as an emerging responsible corporate leader among small- to mid-cap Canadian companies.

Corporate Knights 2017
FUTURE40
Responsible Corporate Leaders in Canada

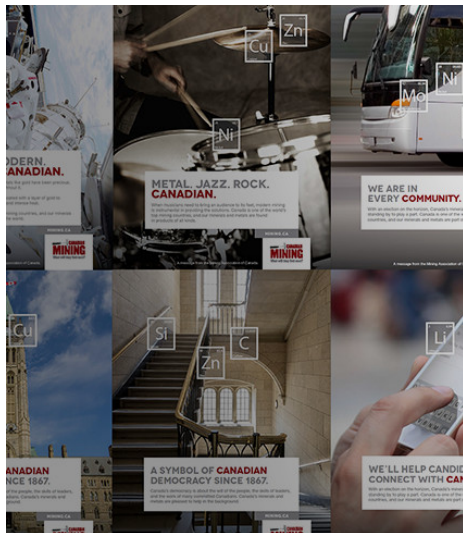
CSR Best Practice

Our Constanca operations were presented with community relations and environmental awards for their work.



Human Rights **Primer for Mining Personnel**

Hudbay was a significant supporter of a human rights video developed by the Canadian Centre for Excellence in Corporate Social Responsibility for the Extractive Sector. The video introduces mining employees to the Universal Declaration of Human Rights and what they and their companies should do to respect and protect human rights. Produced with support from Global Affairs Canada, Natural Resources Canada and the Mining Association of Canada and its members, the video is publicly available on [YouTube](#).



Post-Verification Review Drives Improvement

As a member of the Mining Association of Canada (MAC), Hudbay participates in the Towards Sustainable Mining (TSM) initiative, which requires mining companies to annually assess their facilities' performance across six important areas:

- Tailings management
- Aboriginal and community outreach
- Safety and health
- Biodiversity conservation
- Crisis management
- Energy use and greenhouse gas emissions management

The results are freely available to the public and externally verified every three years.

Every year, two or three companies that have recently undergone external verification are asked to participate in a Post-Verification Review (PVR). Led by a multi-stakeholder Community of Interest (COI) Advisory Panel, the PVR helps the panel analyze activities that contribute to TSM results and promote continuous improvement in the environmental and social practices of the mining industry. We were pleased to participate in a PVR in 2016 as a way of improving our own performance and helping raise industry standards.

As part of the PVR, we submitted background information about Hudbay's sustainability and TSM performance, presented to the COI Advisory Panel via webinar and then participated in a face-to-face dialogue in Ottawa. The Panel's summary of findings are published on the [MAC website](#).

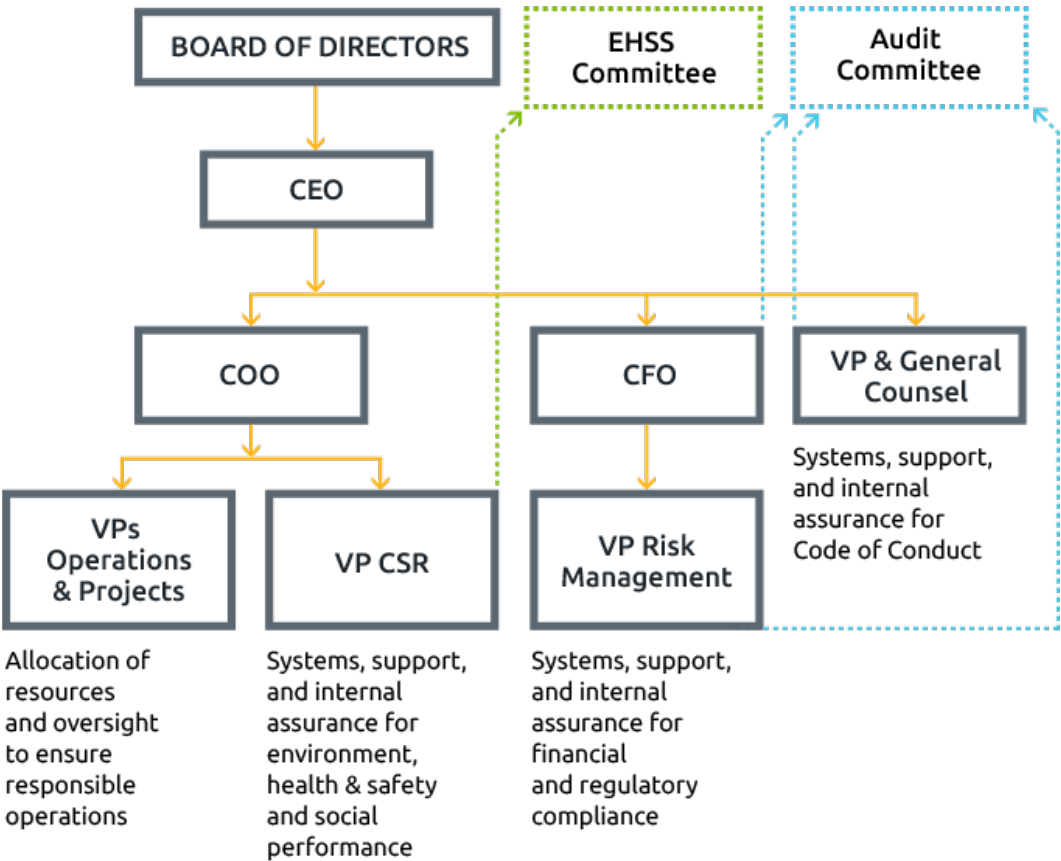
CSR Approach

CSR Governance

We view responsible corporate behaviour as integral to the successful execution of our business strategy, particularly for maintaining a good reputation with regulators and communities and being able to bring that good reputation to new communities and jurisdictions as we grow.

Hudbay’s Environmental, Health, Safety and Sustainability (EHSS) Board committee 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. The Committee also tracks the validation of Hudbay management systems through the external ISO 14001 and OHSAS 18001 certifications. Day-to-day management of Hudbay’s CSR program is the responsibility of line management at each of our operations, supported by our Vice President, Corporate Social Responsibility.

CSR MANAGEMENT FRAMEWORK



Our [Code of Business Conduct and Ethics](#), [Human Rights Policy](#) and [Environmental Health and Safety Policy](#) codify 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 system standards. New sites are expected to achieve certification within two years of start of commercial operation or acquisition by Hudbay. Our Manitoba Business Unit maintained ISO 14001 and OHSAS 18001 throughout the year, and our Peru operation achieved certification in March 2017.

We use an integrated software management system to capture, track and report health, safety and environmental incidents and corrective actions at all sites. In 2016, we also began to use the system to chronicle [stakeholder engagement](#).

As a member of the Mining Association of Canada (MAC), we participate in the [Towards Sustainable Mining \(TSM\) program](#). TSM has gained international recognition and been adopted by national mining associations in Argentina and Finland as well. TSM requirements are incorporated into Hudbay's overall management system and company standards. We are currently implementing TSM at our Constanca mine.

INTERNATIONAL BEST PRACTICE STANDARDS

Hudbay has adopted international best practice standards that are particularly relevant to its 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](#) – the Mining Association of Canada's (MAC) set of tools and indicators to drive performance and ensure key mining risks are managed responsibly. TSM is a requirement of MAC members at their sites in Canada. Hudbay applies these standards internationally as well
- [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
- [IFC Performance Standards](#) – Hudbay follows IFC Performance Standards at our Constanca site. 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

Through the life of a mine, Hudbay operates under the precautionary principle: 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
- Alliance of Construction Trades (Arizona)
- American Exploration and Mining Association
- Arizona Small Business Association
- Arizona Tax Research Association
- Arizona Trail Association
- Asociación Vida Perú (non-profit organization that donates medical equipment and medicines)
- Cámara de Comercio Canadá-Perú
- Canadian Council for Aboriginal Business
- Canadian Dam Association
- Canadian Institute of Mining, Metallurgy and Petroleum and relevant societies
- Several Arizona-based Chambers of Commerce – Benson San Pedro Valley, Greater Oro Valley, Greater Vail Area, Nogales-Santa Cruz, Sierra Vista Area, Tucson Hispanic, Tucson Metro
- 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
- Metropolitan Pima Alliance
- Mining Association of Canada
- Mining Association of Manitoba
- Mining Foundation of the Southwest (US)
- National Mining Association (US)
- Southeast Arizona Economic Development Group
- Southeastern Arizona Contractors Association
- Southern Arizona Business Coalition
- Southern Arizona Leadership Council

CSR Approach

Human Rights and Security

Governments have the primary responsibility for protecting human rights, and business has the duty to respect these rights. Together with our [Code of Business Conduct and Ethics](#), Hudbay's [Human Rights Policy](#) spells out our commitment to human rights, and draws on internationally accepted standards for business and labour practices, community participation and security measures.

In the workplace, 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, or disability (or any other category protected by applicable laws).

Individuals are encouraged to report any real or perceived human rights concerns by contacting the Hudbay Board of Directors directly through our corporate website, through the third-party ethics hotline or through site grievance mechanisms.

SECURITY PRACTICES

In keeping with our Human Rights Policy, we 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 effective security is built through trust-based relationships with neighbouring communities and principle-based professional conduct by our employees and security contractors.

As required based on risk assessments, we 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](#). There is an extensive ongoing training program in Peru. Security supervisors and contracted security staff there are unarmed except for government-mandated armed security guards at the explosive storage area.

In Peru, we regularly audit security policies and practices, and conduct gap analyses against the Voluntary Principles. Following a competitive bid process, we renewed our contract with the security firm at Constancia in 2016, which resulted in all equipment, vehicles, radios, personal kits and uniforms being upgraded, and a much lower turnover rate among security personnel. We also upgraded the communication system in the Operations Centre, which proved to be helpful during protest situations.

Security personnel work closely with Constancia's Community Relations team to maintain open lines of communication with communities and mitigate potential issues. Their efforts helped resolve [three community incidents](#) safely and peacefully during the year. In each case, the Peruvian National Police intervened because national laws were being violated. Constancia security supervisors followed established procedures for working with the police, which included briefings on our commitments to uphold the Voluntary Principles, the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.

Because periodic social unrest affected certain mining projects in southern Peru in 2016, the Constancia security superintendent met on five occasions with security managers from neighbouring mines. The security group, known as SEMSUR, discusses best practices, experiences and emerging issues. Hudbay has also used these meetings to explain our commitment to, and share our experience with, the Voluntary Principles on Security and Human Rights.

In Arizona, we hired a security manager, who has developed security procedures for our facilities and plans for eventual construction and operations. The new security manager also worked with local law enforcement and emergency response agencies to create the Rosemont Safety and Security Work Group. The group meets to discuss latest project developments, safety or security incidents or plans at the property, and how to coordinate efforts should an emergency arise.

GUATEMALA CIVIL LAWSUITS

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

CSR Approach

Stakeholder Engagement

Stakeholder engagement is essential for building trust, strengthening relationships, reducing social risk and improving opportunities to create value for the Company and our stakeholders.

Hudbay’s corporate Stakeholder Engagement and Community Response standards and guidance documents provide clear direction on our expectations. Each business unit is expected to use engagement practices that reflect local context but remain consistent with Hudbay’s objectives.

In 2016, our Board adopted a [Shareholder Engagement Policy](#) to encourage open and sustained dialogue with shareholders. The policy outlines ways to contact Hudbay’s Board and senior management and lists relevant topics to discuss with each group.

We use our integrated software management system to log stakeholder engagement activities. We plan to expand this application in the coming year and use it for documenting stakeholder commitments and associated action plans, and tracking donation requests and decisions.

2016 ENGAGEMENT ACTIVITIES AND TOPICS

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 2016	Priorities and concerns
Shareholders, investors and analysts	<ul style="list-style-type: none"> ● Conferences (10 events) ● Investor meetings and conference calls (more than 580 events) ● Annual and Special Meetings of shareholders ● Analyst and investor site visits ● Investor perception survey 	<ul style="list-style-type: none"> ● Upcoming 777 and Reed mine closures ● Exploration in northern Manitoba
Employees and contractors	<ul style="list-style-type: none"> ● Quarterly CEO email messages ● Senior management site visits ● Company-wide “town hall” meetings via video conference ● Orientation and training programs ● One-on-one and small group manager/staff meetings ● Health and wellness committees and activities ● Hudbay Intranet 	<ul style="list-style-type: none"> ● Health and safety ● Work processes ● Business performance ● Understanding of compensation and benefits ● Opportunities for personal development ● Environmental requirements ● Training for policies, permits or other requirements

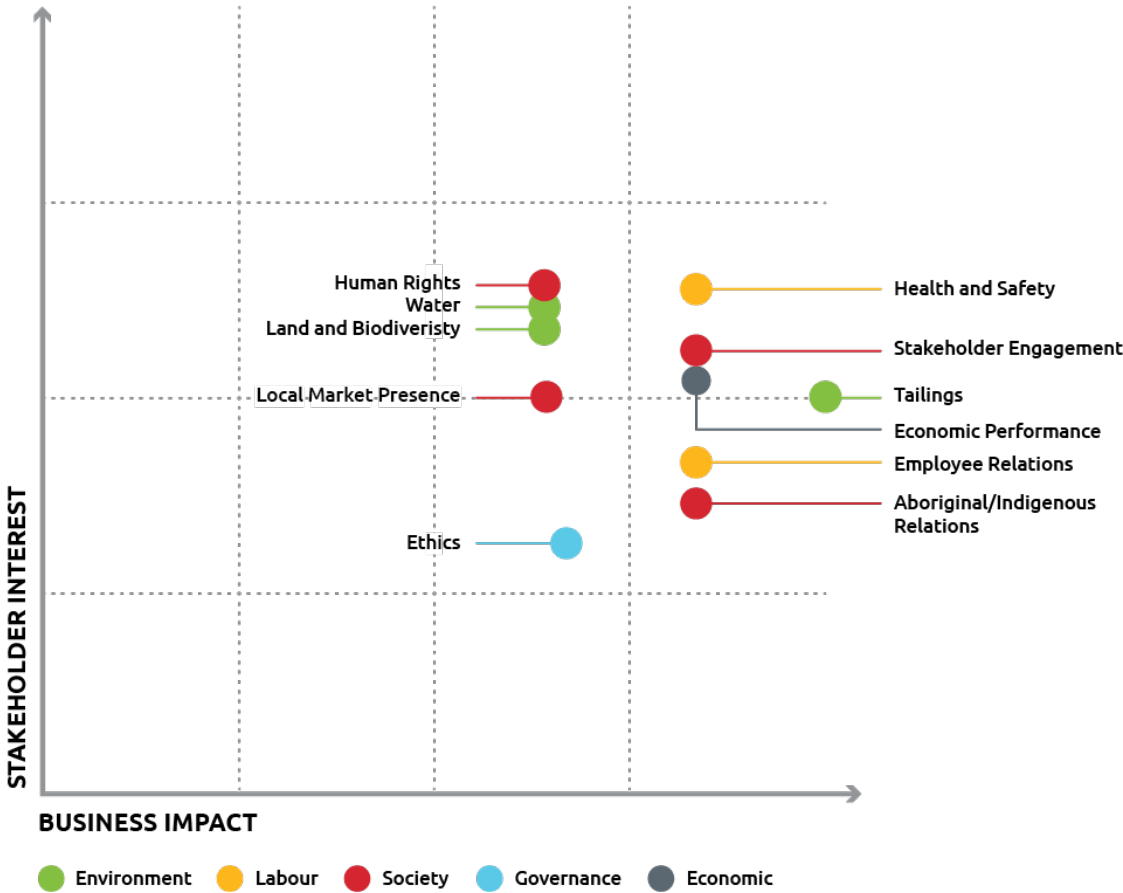
Stakeholder group	How we engaged in 2016	Priorities and concerns
Unions	<ul style="list-style-type: none"> • Meetings with union leaders on outstanding issues • Formal grievance processes • Joint health and safety committees 	<ul style="list-style-type: none"> • Mobility • Seniority • Outstanding grievances
Local communities and Aboriginal/Native American/indigenous groups	<ul style="list-style-type: none"> • Community information and consultation meetings/dialogue tables • Community partnerships • Site tours and open houses • Site grievance/community response processes • Community relations offices • Cultural awareness workshops and other training 	<ul style="list-style-type: none"> • Development project updates • Community and area activities and investment • Safety and environmental concerns • Land use • Water use and quality • Cultural protection, awareness and dissemination • Local employment and procurement • Training programs for community members
Government	<ul style="list-style-type: none"> • Meetings with local, regional, provincial and federal government officials and regulators • Joint initiatives 	<ul style="list-style-type: none"> • Permitting • Environmental and legal compliance/mitigation • Aboriginal/indigenous/tribal relations (where applicable) • Economic contributions • Community and workforce development
Customers	<ul style="list-style-type: none"> • Direct contact • Industry and business forums 	<ul style="list-style-type: none"> • Achieving agreed terms of delivery for products • Provision of information on product safety and product origin • Compliance with environmentally and socially responsible performance and risk management

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 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 2016 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"> ● Ethics and integrity ● Anti-corruption
Human rights	<ul style="list-style-type: none"> ● Security practices ● Human rights grievance mechanism
Stakeholder engagement	<ul style="list-style-type: none"> ● Stakeholder engagement ● Environmental grievance mechanisms ● Grievance mechanisms for impacts on society
Aboriginal/indigenous relations	<ul style="list-style-type: none"> ● Indigenous rights
Health and safety	<ul style="list-style-type: none"> ● Occupational health and safety
Employee relations	<ul style="list-style-type: none"> ● Labour/management relations
Economic performance	<ul style="list-style-type: none"> ● Economic performance ● Indirect economic impacts ● Procurement practices
Local market presence	<ul style="list-style-type: none"> ● Employment ● Closure planning ● Resettlement
Land and biodiversity	<ul style="list-style-type: none"> ● Biodiversity
Water	<ul style="list-style-type: none"> ● Water
Tailings	<ul style="list-style-type: none"> ● Effluents and waste

BOUNDARIES

The materiality review was conducted on the initial boundary assumption of activities and facilities within Hubbay'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 Hubbay contracts and supervision;
- Environmental incidents related to transportation between Hubbay locations and local supplier activities are generally tracked and reviewed by Hubbay, but are not included in performance reporting in this report;
- Grievances are accepted and investigated with respect to local contractors and security activities related to Hubbay, and are included in grievance numbers and characterization in this report; and
- Scope 2 greenhouse gas emissions are calculated and reported.

CSR Approach

Responsible Supply Chain

Mining is the first stage of a long supply chain that converts mineral resources into products that meet the needs of everyday life.

We focus our supply chain responsibility efforts on activities where we can have the greatest influence – our own operations, contractors working at our sites, local suppliers and Hudbay products up to the point at which they are shipped (in Manitoba, the plant gate, and in Peru, the port loading facility).

We are committed to conducting our own business honestly and ethically, in compliance with the law, and in keeping with our [Code of Business Conduct and Ethics](#). We expect our suppliers and service providers to do the same.

Supplier standards include the following:

- All contractors working at our sites are expected to meet the Company’s environmental, health and safety, and human rights standards.
- Our [Statement on Anti-Corruption](#), updated in 2016, includes anti-bribery and anti-corruption provisions for suppliers.
- Our corporate Local Procurement and Employment Standard is aimed at supporting and utilizing local workforce skills and business capacity to provide goods and services.

SUPPLY CHAIN PERFORMANCE

The direct supply chain for our copper concentrate and zinc metal products originates in Hudbay’s own mines in northern Manitoba and Peru.

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 top 50 suppliers accounted for 88% of our spending, and 95% of our spending was with suppliers based in Peru.
- In Manitoba, our supplier base relates to production operations and capital projects. Our top 50 suppliers represented 50% of our spending in 2016, and 95% of spending was with suppliers in Canada. These suppliers provided goods and services such as engineering services, electricity, spare parts for equipment, underground haul trucks and other capital equipment.

Hudbay’s top 10 suppliers in 2016, representing 47% of procured value, were (in alphabetical order):

Cementation Canada Inc.	Manitoba Hydro
CN (CAD)	Moly-Cop Adesur S.A.
Corporacion Primax S.A.	Servosa Cargo S.A.C.
Enel Generación Perú S.A.A.	STRACON GyM S.A.
FLSmidth S.A.C.	Terminal Internacional del Sur

PRODUCTS

Copper is an essential component in electronics and electrical transmission. Applications for copper use are increasingly being identified in health care facilities, public transport and airports because of its powerful ability to kill bacteria. Zinc is vital to the endurance of metals in manufacturing.

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

- 40% of Hudbay's copper concentrate was sold to smelters in the Americas and Europe, and 60% to smelters in Asia. From there, several stages of smelting and refining 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.

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 and the European Copper Institute to help guide our compliance with international requirements such as those provided by the International Maritime Organization (IMO).

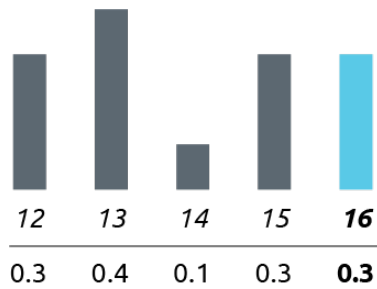
The IMO has established hazard classification criteria for bulk cargoes, and the International Convention for the Prevention of Pollution from Ships (MARPOL) has imposed restrictions on the disposal of bulk cargo residues which have been classified as "harmful to the marine environment" (HME) under the amended Annex V of the MARPOL convention. Hudbay engaged the European Copper Institute (ECI) to determine the MARPOL classification for Constancia's copper concentrates. From this study and others, all Hudbay copper concentrates have been determined to not be HME.

Our People

It's the nature of an international company that its employees bring different languages, histories and experiences to their roles and responsibilities. For Hudbay, that diversity opens the door to insight, innovation and opportunity.

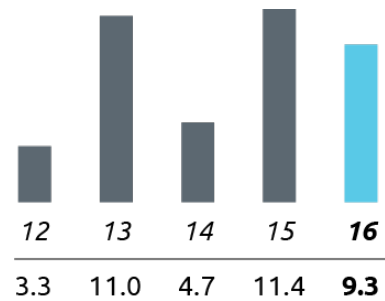
Lost Time Accident Frequency

(lost time accidents per 200,000 hours worked)



Lost Time Accident Severity

(days lost per 200,000 hours worked)



13%

of our Manitoba workforce self-identifies as Aboriginal

2,084

People employed across Hudbay in permanent, contractor and co-op and summer student jobs

67.7%

of full-time employees represented by trade unions



Safety Accountability **Starts at the Top**

Recognizing the importance of leadership in creating a positive safety culture, we introduced a company-wide Visible Felt Leadership (VFL) program for all levels of management including the CEO. VFL guides leaders to conduct regular safety-focused workplace visits and to engage constructively with employees at all levels of operations. It's a way of demonstrating to employees the importance we place on their safety and well-being, and to engage positively around safety issues.

As part of the corporate VFL procedure, senior leaders complete a form each time they conduct a workplace visit. They document who they talked with and all safe acts and at-risk behaviours or conditions they observed. They also establish responsibilities and timelines for follow-up on safety concerns. Each business unit has implemented its own VFL procedure tailored to its workplace and used by its business unit leaders.

"Employee conversations are an essential part of the program," says Ian Cooper, Manager, Health and Safety. "They provide an opportunity for employees and leaders to have meaningful one-on-one or small group discussions about safety performance and concerns in their workplace, which leads to a greater sense of personal accountability for safe work practices and ultimately to better results."



Building Leaders **from Within**

Over the next three years, we'll be rolling out a global leadership initiative aimed at building sustainable leadership bench strength throughout Hubday. An important part of it will be training courses offered at introductory, intermediate and advanced levels. Introductory level courses will be held locally, while intermediate courses will bring people from different business units together at rotating locations, and advanced courses will be customized to individual needs.

As a starting point, we created a leadership model with business input that articulates what we consider to be Hubday's core leadership competencies. The competencies fall into three main categories: growing people, growing the Company and growing oneself.

According to Amanda Abballe, Human Resources Manager: "Growing people is important because experienced and talented people are the basis for our company's success and we are responsible for developing a skilled workforce. Growing Hubday is important for being an adaptable and focused organization positioned to succeed in an ever-changing environment. Growing oneself builds confidence in one's abilities and a desire to continuously improve, which are building blocks for personal success."

Course content will be finalized in 2017 and we expect to begin delivering the program to the first cohort before year-end.

Our People

Our Approach

Our business depends on qualified employees who share our values and are committed to achieving our goals. We emphasize communication, health and safety, training and development, and respect for one another, as means of attracting, engaging and retaining talented people and fostering healthy labour relations.

HEALTH AND SAFETY

We seek a culture of zero harm and make fatality prevention our first priority. It is 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.

Consistent with Hudbay's management systems approach, operations are required to have management systems certified to the OHSAS 18001 health and safety management standard within two years of start-up. We also commit to following the Mining Association of Canada's Towards Sustainable Mining (TSM) health and safety protocol.

Conformance with these standards requires regular monitoring, self-assessments and third-party audits. We're putting increased attention on assessing our management systems to ensure they're efficient and effective in helping us achieve the health, safety, community and environmental performance we want and maintain the externally recognized certifications.

In addition to introducing the [Visible Felt Leadership](#) program in 2016, we focused on learning from severe and high-potential close call safety incidents by ensuring uniform application of incident criteria, investigation processes and corrective action. Our procedure for high-potential incidents includes requirements that they be reviewed by senior management and investigated using the incident cause analysis method (ICAM) or an equivalent process. More than 30 people in Manitoba have been trained in ICAM, and training has begun in Peru. To encourage reporting and learning from high-potential incidents, we focus on the speed of investigation and corrective action rather than the number of incidents.

In 2016, we began implementing critical risk and critical control (CRCC) management as part of our fatality prevention focus. Both our Manitoba and Peru operations are putting in place processes to prioritize the identification of key risks that could lead to fatalities and key controls to manage those risks.

At operating sites, we maintain health monitoring programs that include hearing and lung function testing and biological monitoring for employees who may be exposed to hazardous metals in the workplace.

Our integrated management software system supports the process of recording, investigating and tracking all types of health and safety incidents and non-conformances across the Company.

EMPLOYEE RELATIONS

We promote a OneHudbay culture across all sites, characterized by open communications, high engagement levels and healthy employee–management relations.

To do so, we offer safe and meaningful work and competitive pay and benefits wherever we operate. Employees are actively involved in projects aimed at driving operational efficiencies and cost savings. Wellness programs are run by employee committees, which organize *lunch and learns*, competitions and targeted campaigns for common topics like managing stress and healthy eating. 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.

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 67.7% of our workforce (1,121 employees) is represented by a union.

TRAINING AND DEVELOPMENT

Training programs are offered at every career stage, including career readiness and tutoring, recent graduate programs and apprenticeship programs. In 2016, we launched a [global leadership initiative](#) aimed at building a sustainable leadership pipeline from within.

Our People Manitoba

The majority of our employees work in our Manitoba Business Unit. We employed 1,036 people at the Flin Flon and Reed operations, and 306 at Snow Lake at year-end 2016. There was a notable shift during the year as almost an equal number of people at Flin Flon retired as were hired at Lalor. With the 777 mine at Flin Flon nearing closure, many of the vacated positions were not backfilled.

Our workforce in Manitoba is more diverse and multi-faceted than might be expected. Approximately 13% self-identify as Aboriginal. Since many of our Aboriginal hires have limited experience in the workforce, our Aboriginal Liaison Officer works with new hires to support their integration into the workplace. At Lalor, women in senior roles include the chief geologist, chief mine engineer and Stall Mill superintendent. Women in production roles operate everything from underground mine equipment to the hoists that transport people, equipment and ore between working areas as much as a kilometre below the ground and the surface.

There were three dominant themes in the Manitoba Business Unit in 2016: safety, cost reduction and workforce transition.

STRENGTHENING OUR SAFETY CULTURE

Safety performance in 2016 was similar to the previous year in terms of lost time accident frequency and severity, but there were a number of high-potential incidents (safety incidents that had the potential to be very serious) and this was a matter of concern. At one point, we brought all mining crews to the surface for workshops reinforcing safety concepts around vehicle interactions. Incident cause analysis method (ICAM) investigations were conducted after each incident to identify root causes, and corrective actions related to communications, underground lighting, equipment and training were implemented.

Through the investigations and subsequent management meetings, it became clear that while we may have had good safety policies and procedures in place, we needed to achieve more consistent application. As a result, we worked to strengthen our safety culture and ensure that people follow the rules and take accountability for their actions. The [Visible Felt Leadership](#) program was introduced as part of this effort.

COST CONTROL AND OPERATIONAL EFFICIENCY

Our Manitoba operations stepped up their cost control and operational efficiency efforts in response to low metal prices. Through their great work, we met our cost reduction goals and production targets.

A prime example of an improvement initiative was the redesign of ground support at the Lalor mine. Ground control is critical for the safety of personnel and carries significant operating costs. Analysis of several ground control incidents that occurred early in the year (fortunately with no injuries) led to a redesign of ground support methods that both increased safety and reduced overall costs. In 2017, we'll continue to engage with employees and work to improve productivity, efficiency and safety.

WORKFORCE IN TRANSITION

With the 777 and Reed mines nearing the end of their operating lives, several teams are assessing future options for the Flin Flon metallurgical complex in the hopes of finding an opportunity to sustain some of those operations and jobs, in a way that also provides an appropriate return to our shareholders.

At the same time, we need to plan for the closure of these mines and continued expansion of the Lalor operations. In 2016, we began drafting a plan outlining our future workforce needs and how we can transition employees from Flin Flon to Snow Lake. We also began meeting with union leaders to engage them in this work.

We continue to support our apprenticeship program, which covers a wide range of trades including electrician, boilermaker/welder, mechanic, machinist, pipefitter and carpenter. If selected for the program, candidates follow a prescribed program that includes working with a journeyman and attending school at the Company's expense. Four people graduated in 2016 and 35 remain enrolled.



Our Flin Flon team placed second overall in the 2016 Manitoba Provincial Mine Rescue Competition and the Snow Lake team won the firefighting competition. Mine rescue competitions test a variety of skills including emergency response plans and competencies of response personnel.

Our People

Peru

At the start of Constancia operations, we drew on the expertise of Stracon GyM to mine on a contract basis. Since then, we've accumulated sufficient experience to bring mine operation in-house and transfer employees from Stracon GyM to Hudbay. Transferred individuals are put on the Company's pay and benefits system and participate in our orientation process.

At year-end, we directly employed 593 people in Peru, in either full-time or contract positions. Of this total, seven positions are held by expatriate staff.

HEALTHY AND ENGAGING WORKPLACE

We believe in maintaining a positive, healthy and engaging work environment. With many workers staying on-site at company-provided accommodations for eight to 14 days at a time, we offer a variety of health and wellness services, including a medical centre, massage therapy, chiropractic services and sports programs. In 2016, we initiated town hall and small group meetings for business unit leaders to share operating results and challenges. We also started the *HR Now* newsletter to keep people informed of site activities and build social cohesion.

As is typical with large Peruvian mining operations following start-up, some of the employees at Constancia have formed a labour union. An initial collective agreement was signed with the union in 2017.

SAFETY RECORD

Our 2016 lost time accident frequency of 0.1 was consistent with 2015 performance. Notably, we achieved an 83% reduction in accident severity.

As part of the [Visible Felt Leadership](#) program, business unit leaders made a point of going out into the operations and engaging with employees on safety. We also began a process of identifying the top five risks in each area of operations and ensuring that appropriate controls are in place and broadly understood and followed.

We've put in place hearing, respiratory protection and biological monitoring programs. Employees who are potentially exposed to occupational health hazards as a function of their regular duties are tested and trained on control measures and procedures, such as the proper use and care of personal protective equipment.

In 2016, we continued our safety program with the trucking contractors whose drivers haul concentrate along the 470-kilometre route from Constancia to the port at Matarani. The program includes driver training and competency testing as well as education on fatigue management and aggressive driving. There are control points en route to check driver compliance and allow drivers to rest if tired. In addition, trucks are linked to a GPS monitoring system that tracks location and driving speed.

CONTINUOUS LEARNING

Across the business unit, each person received an average of 25 hours of training. Training included an effective leadership practice program, attended by more than 50 people, which was designed to help leaders put our corporate values into action in their everyday work.

We also completed a trainee program that saw 16 recently graduated students from Peruvian universities work in the process plant for a one-year period. Five of the participants were hired to full-time roles at the end of the year.

Our People Arizona

Our Arizona Human Resources (HR) team spent the year putting the final touches on people management systems and policies that will be needed once Rosemont is approved for construction. This included finalizing a drug and alcohol policy and implementing the OneHudbay online goal setting module to ensure that all employees have meaningful performance goals in place, which then become the basis of their annual performance evaluations.

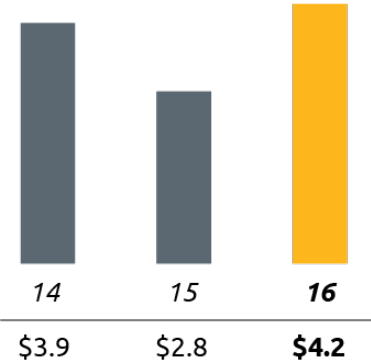
We promoted employee engagement through a variety of health and wellness, educational, social and community initiatives. The employee wellness committee organized walks and hikes, including a three-mile Rosemont ranch hike in the spring, and *lunch and learns* on health topics. In 2016, employees were invited on a tour of a neighbouring mine to get a better feel for what it's like to work at an operating mine.

Social Impact

A well-run mine creates a lasting, beneficial impact for people and communities where it operates. That’s a natural expectation of the people who live there, and a firm commitment for Hudbay.

Community Investment and Charitable Donations

(\$ millions)



\$177.5 million
paid in employee wages
and benefits

43,000+
public comments
received by permitting
agencies through
hearings, letters, emails
and phone calls related
to the Rosemont project

90%+
of spending in Canada
and Peru was from
suppliers based in these
countries



Benchmarking Hudbay's Efforts in **Aboriginal Inclusion**

Hudbay achieved a Bronze level standing in the Progressive Aboriginal Relations (PAR) program of the Canadian Council for Aboriginal Business (CCAB) in 2016. The PAR program supports improvement in corporate performance in Aboriginal relations in Canada through benchmarking against a broad set of criteria in the areas of employment, business development, community investment, community engagement and company strategy. The certification process confirms performance through an extensive questionnaire that is assessed by an independent third-party verifier who reviews the responses and meets with Aboriginal stakeholders and company personnel to validate the responses. Final determination at the Bronze, Silver or Gold level is by a jury comprised of Aboriginal business people.

In each of the past three years, Hudbay completed the PAR questionnaire for our Canadian operations, and each year the verifier's report provided guidance to improve our program. In 2016, the report was then reviewed by a jury of Aboriginal business leaders who determined that Hudbay met the requirements for Bronze level in the PAR program.

Thirty-one of the 123 CCAB member companies are PAR certified, and six of these companies are at the Bronze level. For Hudbay, achieving Bronze level represents important progress in our efforts to include Aboriginal communities in our business. "It's important to us as a company that we deliver on this commitment with Aboriginal communities. This achievement shows that we're on the right track," said Pam Marsden, Aboriginal Liaison Officer, Manitoba Business Unit.



From Peru to Ontario – An Organic Opportunity

As part of our development-focused relationship with the regional government, Hudbay Peru sponsored the construction of a modern dairy plant in the Chumbivilcas region. The Cullahuata dairy currently processes 4,000 litres of milk per day and expects to increase production to 12,000 litres in the near future. It also produces several varieties of cheese, yogurt and butter.

The long-term goal is to establish a “dairy corridor” in the region. In 2016, Harmony Organic dairy in Kincardine, Ontario, stepped up to help, establishing a mentoring relationship with the Cullahuata dairy. Harmony Organic came to know the dairy through one of the **Global Indigenous Development Trust** trips that Hudbay had sponsored.

Harmony Organic’s CEO visited the Cullahuata dairy and is helping it become certified as organic. As part of that effort, two farmers from Chumbivilcas were invited to Kincardine to work at Harmony for a term and learn by doing. Two more will go in 2017. The knowledge they bring back – about farming, animal management and dairy operation – will be important in establishing the region’s first certified organic dairy.

In August 2016, at the third annual Community Relations International Conference in Peru, Hudbay was honoured to receive a community relations award for its work in the construction and management of the Cullahuata dairy plant.

Social Impact

Our Approach

Responsible companies strive to make a positive difference in society. Hudbay seeks to maximize the benefits we create, minimize any adverse impacts, and build long-term, mutually beneficial relationships.

ECONOMIC CONTRIBUTIONS

Our primary contributions to the regions where we operate are economic, through jobs, training, and the purchase of goods and services from local businesses. We pay municipal taxes and grants, and in some cases provide funding to communities under land use agreements or other co-operation agreements. Importantly, we also contribute funding and expertise to support the development of sustainable communities and livelihoods.

Hudbay is a supporting company of the Extractive Industries Transparency Initiative (EITI) in its efforts to establish a global standard for transparency regarding 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 will be filing its first ESTMA report in May 2017 for the 2016 fiscal year.

COMMUNITY RELATIONS

Through engagement, we strive to understand and address community members' concerns and priorities and establish relationships based on mutual respect and trust.

As defined in our Stakeholder Engagement Standard, each business unit conducts its own stakeholder analysis and implements a stakeholder engagement plan tailored to local needs. In addition to sharing information about our business, sites actively seek out and respond to community member feedback, and work together with communities on joint committees and projects to solve issues and promote social, economic and environmental sustainability. Stakeholder priorities and concerns in 2016 are listed in the [Stakeholder Engagement](#) section of this report.

Our company-wide Community Response Standard (also known as a grievance process) ensures that complaints at each site are documented, investigated and addressed.

In addition to operational and environmental considerations, mine closure planning takes into account social impacts and the prosperity and resiliency of communities after operations cease. These activities underline the importance of building community capacity and helping communities avoid dependency on operations throughout the life of the mine.

INDIGENOUS ENGAGEMENT

We seek to build mutual understanding and positive relationships with indigenous peoples through active engagement and collaboration on exploration, environment, skills development, employment and business opportunities.

We demonstrate our respect and support for social and cultural practices by funding and participating in indigenous community activities, training our employees in cultural awareness and implementing cultural resource preservation plans. In Manitoba, we have a full-time Aboriginal Liaison Officer (ALO) who is a permanent bridge between Manitoba's and Saskatchewan's First Nations communities and Hudbay. The ALO works within the Company to promote understanding of First Nation protocols vis-à-vis proposed projects and share information on opportunities for these communities at Hudbay.

LOCAL HIRING AND PROCUREMENT

We prioritize local hiring, skills development and sourcing. Local procurement and employment, in particular, are often identified as high priorities for stakeholders.

Our corporate Local Procurement and Employment (LP&E) Standard requires each site to:

- Identify opportunities for supporting and utilizing local workforce skills
- Identify opportunities for local business to provide goods and services
- Include LP&E provisions when negotiating community agreements
- Integrate LP&E into ongoing business processes

Our approach 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 supporting organizations.

Local skills development is aimed not just at developing a talent pool for our own operations, but also at building transferrable skills for employment at places other than the mine. It includes supporting existing livelihoods, like ranching or farming, as well as providing scholarships and funding for technical training at universities and colleges.

COMMUNITY DEVELOPMENT

In most cases, our mines are catalysts for development in nearby communities. We support community development efforts focused on:

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

When we enter a region, we engage with communities to understand their social and economic needs and priorities. From there, we seek to create employment and business opportunities and programs. In some cases, our community development commitments are spelled out in formal agreements with the communities. Frequently, we help communities through the process of requesting government funding for their projects.

Our 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.

RESETTLEMENT AND LAND USE

In the development of a project, resettlement is sometimes necessary. When it is (as was the case for the development of the Constancia mine), we follow negotiation processes that adhere to international standards for fairness and transparency (including the IFC Performance Standards) and commit to providing equal or better housing.

In situations where mining extends to land used for livelihoods, households or communities, we explore alternatives to minimize disturbances and implement measures to protect human rights and cultural heritage.

Social Impact Manitoba

The Lalor mine resources and exploration potential provide a foundation for growth in the town of Snow Lake, and continued operations in Manitoba for a currently estimated 10.5 years. However, a mine cannot last forever – this is inherent in the nature of mining, and we recognize the impact of closure on local employees and communities.

PLANNING FOR CLOSURE

With production at the 777 and Reed mines ending in the next few years, we're assessing future options for the Flin Flon metallurgical complex in the hope of identifying operations that can continue to contribute an acceptable return to shareholders.

We're also participating in the efforts of the mayors and municipal administrators of Flin Flon, Creighton and Denare Beach, who have joined forces to support a smooth social and economic transition and encourage economic diversification of the region. In 2016, Hudbay engaged a community planning consultant who held two planning workshops with community leaders on this topic. We participated in the workshops at the request of the communities.

BUILDING RELATIONS IN SNOW LAKE

In Snow Lake, we initiated quarterly meetings with the mayor and town council and participated in two community meetings during the year. Two key topics of discussion were the accommodation camp we maintain at the site and the annual grant-in-lieu (GIL) payment made to the Town of Snow Lake.

With the continued expansion of the Lalor mine, and the need to recruit skilled workers from across the region, we have had to keep the camp open longer than anticipated. Many employees are choosing to commute to work and stay at the camp during their shifts rather than move their families. We understand the concerns of the Snow Lake community and expect to work through the issue with them over time in a way that suits our employees and the community.

While we pay municipal taxes for facilities situated within the Town of Snow Lake, our mining operations are located outside the town proper and are covered by an annual negotiated grant-in-lieu payment to the Town. Despite extended negotiations, we were unable to resolve the amount of the 2016 GIL by year-end. In order to maintain our longstanding commitment, we made a payment just before year-end, which represented a 5.3% increase over the payments made in the two previous years, and committed to continuing negotiations in 2017.

PROGRESSIVE ABORIGINAL RELATIONS

The Aboriginal communities near our operations include 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 collaborating on joint initiatives (usually related to employment), we work to maintain constructive relationships.

Our Aboriginal Liaison Officer (ALO) spearheads our efforts. In 2016, this work culminated in our achieving the Canadian Council of Aboriginal Business bronze level standing in the [Progressive Aboriginal Relations program](#).

The ALO assists Aboriginal job candidates throughout the recruiting, interviewing and onboarding process, recognizing the challenges they may encounter as they enter an industrial work environment for the first time and the need for Hudbay to be flexible and accommodating. The mentoring process includes personal, financial and policy advisement from the ALO and continues for as long as needed.

In response to the Truth and Reconciliation Commission of Canada Recommendations, particularly Recommendation #92, which is a call to action to businesses, we hosted a presentation on the intergenerational effects of residential schools, together with the Flin Flon Aboriginal Friendship Centre, the Opaskwayak Cree Nation and the Flin Flon Chamber of Commerce. Elders, community members and Hudbay employees were on hand to hear a moving personal account by a second-generation residential school survivor.

We also partnered with the Flin Flon Aboriginal Friendship Centre to create a unified understanding of the Mino Pimatisiwin (sweat lodge ceremony) on the eve of the Fall Equinox. The intention of the ceremony was to make peace with past activity and build on respectful relationships with teachings from the past that are conducted in contemporary time. Several individuals gathered to pray, sing and share a feast. The Elder shared teachings on meanings behind the ceremony before, during and after the event. We plan to hold a similar event in the spring of 2017.

Other activities included cultural awareness workshops for Hudbay employees and separately for committee members from the Saskatchewan government and the Peter Ballantyne Cree Nation communities; youth outreach related to careers in mining; and the start of quarterly economic development meetings to inform First Nations communities of business opportunities at Hudbay.

At the corporate level, Hudbay made a third annual donation of \$25,000 to the Indspire Building Bright Futures Bursaries, Scholarships and Awards program in 2016. Our contribution supported 15 Aboriginal students from Manitoba enrolled in post-secondary education programs in Canada in 2016.

SUPPORTING OUR NEIGHBOURS

Hudbay donated approximately C\$160,000 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
- Flin Flon Bombers junior hockey team
- Green Project – a multi-year project aimed at accelerating restoration of forest land around Flin Flon and Creighton
- NW Regional Caribou Research and Management Committee

In addition, our employees contributed more than 200 hours to community projects, such as helping out at the Flin Flon School Division Science Fair and with Operation Red Nose, a safe ride home service for area residents during the holiday season.

COMMUNITY HOTLINE

We invite community members to report any concerns or complaints through our concern/alert email and phone line. There were four complaints registered in 2016, relating to one contractor's safety, another contractor's environmental performance, lake safety and a visual annoyance.

Social Impact

Peru

Our growing track record of addressing concerns and tangibly improving the lives of local stakeholders is enabling us to build goodwill in communities in Peru. While we cannot fulfill every stakeholder interest, we are known for our strong commitment to transparency and communication.

Efforts are spearheaded by our Government and Community Relations teams. The Community Relations team has offices open to the public in both communities in our direct area of influence and engages with the public and authorities along the concentrate transportation route. Their work was key to helping us peacefully resolve [three potentially serious community incidents in 2016](#).

OUR CLOSEST NEIGHBOURS

The two communities closest to the Constancia operations are Uchucarco and Chilloroya. We have life of mine land use agreements with both communities, letting us use portions of their community-owned land.

As part of the agreements, we made specific commitments to local employment and use of local suppliers and to investments in health, education and social development. Multi-sectorial committees for development (CMDs), comprising Hudbay and community representatives, approve and oversee the projects being carried out using the proceeds of the agreements. The funds were used in 2016 to purchase ambulances for the health centres in each community and to fund a telemedicine project that will improve access to quality health care through telecommunications technology.

SUPPORTING COMMUNITY DEVELOPMENT

Beyond our immediate neighbours, we support community development throughout the region in a variety of ways.

We've signed co-operation agreements with nine communities and districts in our indirect area of influence, committing to work together on social development projects within a specified budget provided by Hudbay. In fulfilling these agreements, we also engage with various levels of government and implement some projects as public-private partnerships. We've completed four projects under the Peruvian Works for Taxes program, which allows a company to pay up to half of its income tax through contributions to public infrastructure projects.

In 2016, we reached an agreement with the district of Livitaca that will bring major improvements to water and sanitation services, and signed a co-operation agreement with the district of Velille just before the end of the year.

Under a co-operation agreement with the district of Chamaca, Hudbay funded a forestation program for the 10 communities. The program included 12 tree nurseries, warehouses in each community for storing equipment, technical training and promotional events. During the year, Hudbay Peru and the district of Chamaca also inaugurated the first liquid nitrogen plant in the province of Chumbivilcas, which we funded as part of an agrarian development project. The facility is used for breeding cattle, using practices that promote genetic improvements that will in turn enhance milk and meat production.

We've signed co-operation agreements with three communities on the transportation route from Constancia to the port at Matarani. Under these agreements, Hudbay commits to exploring how we can help with development projects. This can be as simple as providing seeds and equipment for farming community crops, or as extensive as offering the services of our Technical Assistance Office to act as an advocate for the communities in applying for public and private funding of projects.

BUILDING COMMUNITY CAPACITY

Constancia employed 644 local people (employees and contractors) in 2016, mostly from the communities of Uchucarco and Chilloroya. About 90 people work in advanced jobs, operating heavy equipment or providing technical assistance in the processing plant, after having completed technical training funded by Hudbay. The remaining employees work as general labourers in operations and logistics, and in hospitality jobs at the camp. Whatever the role, these are new, secure, well-paying jobs that otherwise would not exist in the area.

We have two ongoing technical training programs for community members of Uchucarco and Chilloroya. A joint venture with Stracon GyM provides four months of basic operator training. Thirty-five people completed the program in 2016 and worked for Stracon GyM for several months thereafter.

A program with Servosa, our main transportation provider, offers six weeks of professional driver training. Five people completed the course in 2016 and joined Servosa's workforce. At the request of the communities, we also conducted reinforcement training for people who had not passed the first time.

In addition, the Constancia Operations team provides ad hoc training to community members when positions become available. In total, 20 people from Uchucarco and Chilloroya participated in this type of training in 2016.

Hudbay also works with the Global Indigenous Development Trust to promote community capacity building. We've sponsored several trips that bring people from communities near Constancia to Canadian towns, particularly mining communities. They see how mining and sustainable development can co-exist and thrive, and hear directly from Canadian community, municipal and business leaders about their experiences.

LOCAL COMPANIES PROVIDE VALUABLE SERVICES

There were 75 local community companies registered in our database in 2016. Our purchases from them totaled approximately \$8.7 million. This is a significant decrease from the \$25.9 million spent the previous year, mainly due to the fact that fewer services are required during the operation phase than the construction phase.

Most local companies are focused on trucking or hospitality. We collaborated with the CMD in Uchucarco in 2015 to buy trucks they could rent to local contractors to transport Constancia concentrate to the port of Matarani. This has worked well and they are providing a valuable service to us. We're in discussions with the community of Chilloroya about hospitality services they can provide to both our accommodation camp and those of nearby mines.

5,000-YEAR-OLD REMINDERS OF THE PAST

We opened an exhibit this past year at the Fortunia accommodation camp, which displays the archaeological findings made during the exploration and construction of Constancia. Some of the artifacts date back nearly 5,000 years, including spearheads that were used for hunting and gathering food.

COMMUNITY COMPLAINTS AND CONCERNS

There were 28 complaints or concerns registered through the Constancia grievance mechanism in 2016. Of the total, 82% related to local employment and were typically investigated and resolved through co-ordination with the relevant functions within Hudbay.

Social Impact

Arizona

The Rosemont project site is located 48 kilometres (30 miles) southeast of Tucson, Arizona's second largest city. Including the surrounding areas, the diverse population totals close to one million people. There are numerous local stakeholder groups with varying areas of interest. A number have followed the Rosemont project closely for many years. Most eagerly await Rosemont's construction, given its potential to generate jobs and boost the local economy. A smaller number are vocal opponents of the project, often on an environmental basis. Rosemont is committed to understanding the interests of all stakeholder groups and constructively engaging with them to ensure that they're informed of our plans and that we understand their concerns.

PERMITTING AND STAKEHOLDER CONSULTATION

The Rosemont project has been going through the permit approval process for more than nine years. By year-end 2016, the process had included 17 government agencies, more than 450 studies and more than 43,000 public comments to the agencies through hearings, letters, emails and phone calls.

Stakeholder concerns have related primarily to environmental impacts, but also to worries about noise, traffic, cultural heritage and recreational use impacts. Our plan to design, build and operate a unique mine incorporates some of the most advanced thinking in mining. At Rosemont, we will implement more than \$60 million in mitigation measures to balance the presence of the mine with the natural elements around it. These are detailed in the [Rosemont Environmental Impact Statement](#) prepared by the United States Department of Agriculture Forest Service and the [Rosemont Biological Opinion](#) from the US Fish and Wildlife Service. There are 114 individual mitigation and monitoring requirements within the Forest Service requirements alone, which add up to hundreds of millions of dollars in further expenditures for mitigation and monitoring obligations over the life of the mine. These include:

- A well owners' protection program
- Monitoring a jaguar for the life of the project plus five years
- Conservation activities for aquatic and bird species
- Dark skies monitoring for the life of the project
- Relocation of 10.6 miles of the Arizona Trail, in collaboration with the Arizona Trail Association
- Annual community donations of \$500,000 per year during operations
- An endowment fund to support cultural, recreational, education and conservation community goals after operation

See the [Arizona Environment](#) page of this report to learn more about the mitigation measures planned for Rosemont.

BUILDING MEANINGFUL RELATIONSHIPS

We've put in place a community relations (CR) plan with a stated mission of building constructive relationships with stakeholders based on integrity and mutual respect by communicating timely, accurate and consistent messages. The plan includes tools and systems developed to proactively identify, assess and mitigate risks associated with planned activities and new developments related to Rosemont that may affect community relations.

As permitting advanced, we refined our plans in 2016 to address how we intend to keep stakeholders informed once construction begins. We want to make sure that stakeholders know well in advance what to expect at each stage. We also conducted an in-depth stakeholder mapping exercise with outside expertise to help us identify our key stakeholders and better understand their interests and level of influence.

Separately, we had an audit performed of our community giving process to identify opportunities to improve transparency and ensure that all donations are in accordance with the business unit's community giving priorities. As a result, we now have a Community Giving Review Committee that meets monthly and reviews all requests for funding against our priorities and budget. Decisions are documented and distributed among business unit leaders before final approval.

WORK CONTINUES ON CAP WATER PIPELINE

A significant part of our Rosemont community investment is the construction of a pipeline to carry Central Arizona Project (CAP) water to the Green Valley area. It's part of a commitment made to the community that allows the Community Water Company of Green Valley to make use of its CAP allocation and offset groundwater drawdown within its service area.

In 2016, approximately 2,000 feet of 54-inch pipeline was installed under the interstate highway (I-19) near the terminus station at a cost of just over \$1 million. This section of pipe is the second segment of the nearly eight-mile-long pipeline that will be installed at an estimated overall cost of \$25 million.

HELPING HAND IN THE COMMUNITY

We're committed to providing financial support to local, non-profit organizations that provide services and programs in five prioritized areas: education (in particular, science, technology, engineering, environment, agriculture and mathematics initiatives); social services; military and veterans support; job training; and infrastructure projects.

Our school grants program awards between \$500 and \$5,000 to local public schools. Grants totaling \$10,000 were given in 2016, including a \$1,500 grant to Flowing Wells School District to expand its First Tech Challenge program, where students work in teams to build robots and then face off in competitions against other schools.

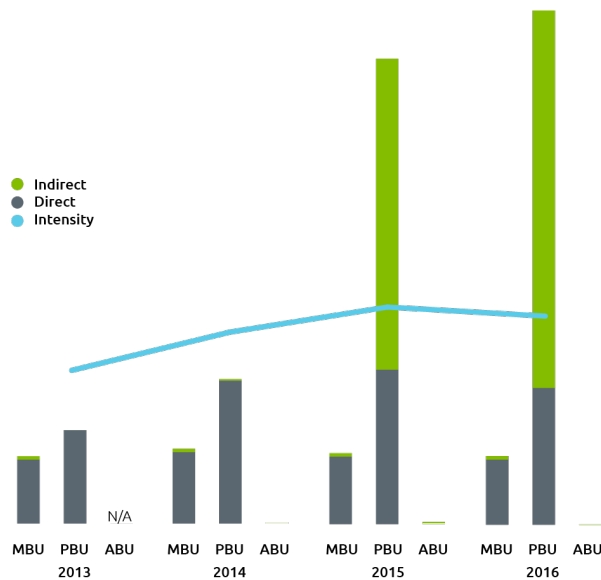
As part of the 2016 United Way campaign, employees were given a day off to volunteer at one of two community projects. They either did landscaping and moved furniture at a women's shelter or washed windows and blinds at an assisted living building for seniors.

Environment

At Hudbay, science, skill, experience and personal commitment guide our actions, mitigate our environmental impact and ensure that we operate sustainably.

Total Greenhouse Gas Emissions

(kilotonnes of CO₂-equivalent and intensity)



Direct Energy Consumption by Primary Energy Source

(terajoules)



Propane: 24% (579 TJ)
Diesel: 76% (1,839 TJ)

2.8%

of the land we own, lease or manage is used for Hudbay activities (the rest is left in its natural state)



Hudbay Peru was recognized by the SNMPE (National Society of Mining, Petroleum and Energy) for innovative reclamation practices involving local communities

19%

improvement in water consumption intensity and 3.8% reduction in greenhouse gas (GHG) emissions at our Manitoba operations



Awarded for Reclamation

Hudbay Peru received an SNMPE (National Society of Mining, Petroleum and Energy) Sustainable Development Award in the environmental management category for its progressive reclamation practices.

In keeping with environmental best practices, we try to return land to its original state as soon as it's no longer required as part of production. At Constancia, we implemented a program that paid community members for collecting native grass seed for reclamation purposes and helping plant the seeds and erect erosion control structures.

The response to the program by the local communities of Chilloroya, Uchucarco, Casa Blanca, Collana Alta and Huaylla Huaylla was overwhelmingly positive, with 2.2 tonnes of native seeds collected, and over 26 hectares of land revegetated in less than a year.

Six community members work with us on an ongoing basis, managing our tree nursery and doing reclamation work. We're planning to conduct a larger-scale forestation program in 2017 and will hire additional workers for that.



Maintaining **Dark Skies**

Maintaining dark skies is important to scientific astronomy in Arizona, but must be aligned with the need to meet employee safety requirements of the Mine Safety and Health Administration (MSHA). To achieve both goals, the Rosemont project will implement a groundbreaking, technologically advanced lighting system.

We updated our lighting plan in 2016 in consultation with an International Dark Sky Association board member. Features include the use of filtered LED fixtures, colour rendering to avoid blue-spectrum lights (which are among the most harmful to dark skies), and shielding/beam control on non-fixed lights to reduce direct uplight. All of these measures will minimize the effects artificial lighting can have on the night sky. In addition, we plan to implement a variety of dust control measures that will aid in reducing potential light dispersion.

The impact of these new measures will be significant – reducing output from 21,815,355 lumens in the original engineering plans to 6,529,184 lumens.

Our other commitments include annual funding to the Smithsonian Institution at the Whipple Observatory to measure light and light effects and implement additional ground-based monitoring sites. During operations, light emissions will continue to be monitored by STEM Labs, a non-profit organization dedicated to understanding the effects of maintaining dark skies for astronomy and environmental impacts.

Once Rosemont's permits are received, a Sky Brightness Monitoring Plan Oversight Committee will be created to monitor all pertinent data from the operations. Should any impacts exceed expectations, the Committee will make recommendations for corrective action. The committee will be comprised of experts from the astronomy community and the lighting industry and representatives from both the Forest Service and Rosemont.



Studies in Orchids

We've done a lot in the interest of the Coleman's coralroot (*Hexalectris colmanei*), a rare orchid found growing in southwestern New Mexico and southern Arizona, in part near the site of the proposed Rosemont mine.

Rosemont is contributing to the science and understanding of the plant.

Extensive surveys conducted by Rosemont have expanded the known distribution of the species to over 15 locations in seven distinct mountain ranges in southeastern Arizona.

Originally the Coleman's coralroot orchid was thought to have a very specialized habitat, occurring only in the bottoms of shaded canyons with dense oaks and then only in a few canyons in three mountain ranges in southeastern Arizona.

Rosemont has redesigned the mine plant site to avoid one location where large numbers of Coleman's coralroot spikes have consistently been observed. The area will be fenced to limit potential impacts from disturbance. The dry stack tailings position has also been realigned to avoid a second population known to occur in the vicinity of the project. Consequently, the project will directly impact small numbers of Coleman's coralroot.

Overall, our surveys since 2010 have greatly increased the understanding of the habitat, range and relative abundance of orchid spikes known to exist. These surveys have also greatly expanded understanding of what is habitat for Coleman's coralroot by documenting the orchid in areas that are strikingly different from the large drainages originally thought to be a requirement for the species. Surveys commissioned by Rosemont have also documented several locations of a similar species, *Hexalectris arizonica*, that had not been known previously, as well as a species of orchid, *Hexalectris parviflora*, that was not previously known to occur in the US.

Rosemont continues to survey areas in the vicinity of the Rosemont Copper Project to document the persistence of known locations of *Hexalectris* species and search for additional locations. Rosemont has also continued to monitor three locations where large numbers of orchid spikes are consistently found in order to provide long-term data to look for trends in orchid numbers and correlations with climate and habitat variables.

Environment

Our Approach

A number of environmental considerations govern our activity. We are accountable under extensive environmental commitments, and to ourselves as well. We know that mining must balance mineral development and the surrounding environment.

Our strategies include:

- Planning and acting to minimize our environmental footprint at every stage of operation, from exploration to decommissioning and closure
- Maintaining ISO 14001 environmental management system certification at all operating facilities and complying with Towards Sustainable Mining (TSM) environmental protocols and third-party verification processes
- Rehabilitating disturbed land to accelerate natural reclamation
- Supporting community projects to minimize the aesthetic impact of our activities

Our environmental management program consists of a corporate [Environmental Health and Safety Policy](#), and at each site, codes of practice, regular audits, the integration of environmental procedures with operating procedures, employee training and emergency prevention and response procedures. Dedicated teams are charged with managing our environmental activities and compliance with applicable environmental standards and regulations.

Each operating facility both in Canada and abroad must apply and participate in the TSM program. For all locations and activities where Hudbay has operating control, the management system must incorporate the elements of all TSM protocols relevant to its phase of the mine lifecycle. At operating sites, this means achieving Level A or higher for all protocols within two years of start-up.

LAND AND BIODIVERSITY

Each site develops its own biodiversity management plan specific to its location. The plans apply the biodiversity mitigation hierarchy, a set of prioritized steps to alleviate environmental harm as much as possible. The four key steps are as follows:

- Step 1: Avoid impacts by locating facilities and access routes away from natural and critical habitats.
- Step 2: Minimize impacts through the use of appropriate management systems and mine plan designs that limit land disturbance throughout the mine life.
- Step 3: Restore ecosystems by progressively rehabilitating affected areas during operations and at closure with a goal of eliminating the impact over time through preservation or maintenance.
- Step 4 (if needed): Offset residual impacts through programs to compensate for biodiversity losses when long-term residual impacts cannot be avoided.

Hudbay's Biodiversity Conservation Standard sets out the minimum requirements for identifying environmental conditions and managing biodiversity conservation and ecosystem services. The standard is consistent with our commitment to implement the [TSM Biodiversity Conservation Management Framework and Protocol](#).

ENERGY USE AND GREENHOUSE GAS

We use fossil fuels to extract and transport ore, and electricity to run our processing plants. Our operations track their energy consumption and associated GHG emissions. We strive to reduce our impact by using energy as efficiently as possible – for example, by installing LED lighting or on-demand ventilation systems that only run when needed.

AIR

We monitor and report air emissions to comply with air quality laws and regulations in the countries where we operate.

WATER

Our commitment to continuous improvement leads us to identifying opportunities related to water management and to updating our water-related risk assessments.

We design water-efficient operations and continuously monitor our consumption and discharge, while 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 in the area. 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.

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

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 (mined rock that does not have economic value) is managed on-site according to strict and detailed environmental regulations and industry standards. Wherever possible, it is reused as fill in underground operations, to construct tailings containment structures, and for site rehabilitation.

Tailings are the finely ground rock, trace metals and process chemicals remaining after ore has been processed. We adhere to the 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. In accordance with the TSM protocol, our tailings management design and practices in Saskatchewan and Manitoba and at Constancia are subject to independent review processes ranging from dam safety reviews every five years to bi-annual independent peer review board assessments.

Rosemont plans to construct a state-of-the-art, dry-stack tailings facility, which can significantly reduce environmental impacts compared to traditional tailings facilities. Learn more about dry-stack tailings on our [Arizona Environment](#) page.

CLOSURE AND RECLAMATION

In all jurisdictions where Hudbay operates, mining companies are required to plan for closure before the start of operations and provide financial assurance to relevant regulatory agencies for proposed mine reclamation activities.

Once mining is finished, we aim to leave behind land that will support natural ecosystems and productive uses. We follow the guidelines set out in the [TSM framework on mine closure](#), which consists of eight key elements, ranging from effective and sustainable closure planning, to consultation with communities, continuous improvement, and monitoring of reclamation programs.

In addition to the TSM framework, Hudbay's mine closure planning in Peru is guided by IFC Performance Standards and by Peruvian mine closure regulations.

Closed mine site activities are tailored to applicable regulatory requirements and the characteristics of each site. They 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.

Environment Manitoba

Our Manitoba operations are located in the Canadian Shield, in a sparsely populated region of bedrock, bush, lakes and swamps. Recognized worldwide for its mineral deposits, the region is treasured by many for its stark and rugged beauty. Throughout Hudbay's history, we have carefully closed and remediated 19 mines in the region, returning most of the land to the way it was long before we arrived.

MINIMIZING OUR FOOTPRINT

From exploration to closure, we seek to keep our environmental footprint as small as possible.

One of the best examples is our Reed mine. The mine is located within the boundary of a Manitoba provincial park. By design, there is no mill or tailings facility. From the start, we collaborated with the Manitoba authorities to ensure the mine did not affect the local caribou habitat – including only clearing trees on seven of the 14 hectares our permit allowed. Even then, trees were removed selectively and the wood was given to the provincial park for use as firewood. The main fan was installed underground and sound-reducing enclosures were built for generators, compressors and the ventilation heater. Reed employees are trained on how to avoid scaring caribou and we have implemented Manitoba Sustainable Development's postcard system for reporting caribou sightings to support research efforts.

As mining progresses at Reed, we will need backfill material to stabilize the underground workings. We have an agreement with provincial authorities to use acid-generating waste rock from a nearby former mine site. By moving this material to our site and then underground, the potentially negative environmental impacts of this material will be mitigated.

USING RESOURCES WISELY

While fresh water and clean hydroelectricity are abundantly available in the region, we strive to use water and energy as efficiently as possible. For the past several years, our Manitoba operations have worked towards a 1% year-over-year reduction in both water consumption intensity and GHG emissions intensity (water consumption and GHG emissions per tonne of production), using 2014 as the base year.

Water usage is managed through water rights licences and related reporting. Discharge is managed at four discharge points using site-specific water treatment technologies and extensive water quality monitoring. Our environment department tracks water quality data and reports to management on an exception basis.

The Manitoba Business Unit's total water consumption declined by 2.8% compared to 2015, despite increased production. Water consumption intensity declined by 19%, a good sign that our efforts to stress environmental awareness and promote the reduced use of water, materials and other resources are taking hold.

We started working on water recycling projects to further reduce our use of fresh water. The projects would enable us to draw water from the clarification pond and from the tailings facility to use in the Flin Flon mill.

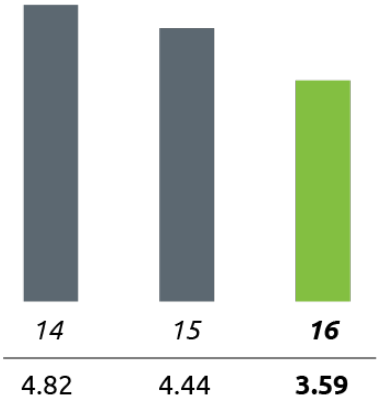
While we use renewable hydroelectricity to run the processing plants, we need propane and diesel in the mines for heating and for extracting and transporting ore. In older mines, reducing fuel consumption becomes more difficult because of the need to dig deeper and haul material further, which also means more underground workings and ventilation are required.

Despite the challenges, we reduced our overall energy usage by 2.7% and our energy intensity by 3.2% compared to the 2014 base year. We also met our annual GHG target, reducing emissions by 3.2% (from 59,965 tonnes CO₂-e in 2015 to 58,065 tonnes CO₂-e in 2016).

Change often comes in increments through simple improvements. For example, in 2016 there was a concerted effort to improve equipment productivity by implementing “hot changes”. This means that when a driver of a vehicle vacates his or her seat for a lunch break or the end of a shift, somebody else immediately replaces the person, rather than have the vehicle idle. Vehicles are also shut off when they are not being used. This focus had the spin-off benefit of reducing GHG emissions per tonne of product moved.

Water Consumption Intensity

(m³/tonne of production)



ADDED RESPONSIBILITIES AT SNOW LAKE

With Lalor mining and processing operations in full swing and potentially expanding, our environmental responsibilities have grown, and will continue to do so. In 2016, we hired environmental specialists at Snow Lake to oversee activities and manage regulatory compliance.

Permitting is underway for an expansion of the Anderson tailings impoundment area near Snow Lake. We conducted community consultations in 2015 and filed our application with the provincial government in 2016. We hope to begin construction in early 2018.

We’re planning to build a paste backfill plant that would enable us to use Stall Mill tailings as backfill in the Lalor mine, rather than sending them to the Anderson tailings impoundment area. This is considered an environmental best practice that would help with water quality on the Anderson tailings and reduce the expansion requirements of the tailings facility. Government approval to proceed with this project was received in January 2017.

Hudbay assumed additional environmental responsibilities with our 2015 acquisition of the New Britannia gold mill, which is currently on care and maintenance. There is ongoing active treatment of the tailings on site, and monitoring and sampling requirements have been added, which are being managed by our new environmental specialists.

DUST FLARE-UP PROMPTS ACTION

Air emissions from our Manitoba operations in Flin Flon are typically minor and related to vent and fugitive dust emissions. A dust management plan has been honed over many years and ensures that particulates remain below regulatory limits.

In 2016, highly unusual weather conditions created a tailings dust flare-up in Flin Flon. The situation did not breach provincial health standards or reach the community. Hudbay Manitoba took immediate action to contain the flare-up and notify relevant authorities. Snow and dust fencing was installed and wooden pallets were placed over the affected area. We also called neighbours to see if they were impacted in any way. Since then, we've taken the precaution of installing geotextile material over future potential dust sources.

Later in the year, the Saskatchewan government conducted a legal compliance audit for our past five years of operation at Flin Flon, which included the 2016 dusting event. In their findings, the auditors commended Hudbay for our effective dust management plans and actions taken during unusual weather events.

Environment

Peru

Our Constancia operations are located high in the Andes Mountains of southern Peru, in a region renowned for its rich mix of minable materials.

FOCUS ON WATER

Mining operations need water – as do communities and ecosystems.

To support efficient water use, we run studies to understand how much water enters the watershed and how much we can use for our operations without interfering with the requirements and needs of the communities and the natural environment. We also monitor the water quality of the rivers near Constancia to assess any impact that our activities may have on the environment. This is particularly important during the rainy season when water volumes increase.

In 2016, we strengthened our water management systems and controls. This included implementing flow metres and standard methodologies for measuring rainwater to improve compliance reporting. To prevent leaks to waterways, we took a close look at critical parts throughout the mine and processing operations and put in place additional engineering controls where needed. In preparation for the rainy season (normally from November to late March/early April), all sediment management controls were inspected to ensure that everything was in good working order.

Water balance studies conducted in 2016 revealed that there was enough water to meet our commitments without the reservoir. At the same time, the communities were asking for additional assistance because of recent drought conditions. We are developing an action plan to address these needs.

ENERGY EFFICIENCY IMPROVEMENTS

As a first step toward setting environmental targets, we rigorously tracked energy use, water use and GHG emissions in 2016 to establish baseline data sets.

When it comes to energy use and GHG emissions, the main challenge is that the amount of energy needed varies significantly depending on the type of ore being mined at any given time – making it difficult to meet targets. As a result, we're focusing our initial reduction efforts at the worker accommodation camp, where we have more control over consumption. One of the first actions will be to retrofit lighting to energy-efficient LED technology.

PUTTING WASTE TO GOOD USE

The camp is also where we plan to implement water reduction targets and organic waste diversion projects. We currently compost organic waste for use in our revegetation and forestation programs and are studying other diversion options.

PARTNERS IN BIODIVERSITY CONSERVATION

In Peru, we're committed to ensuring there is no net loss of biodiversity as a result of our activities. Our biodiversity action plan (BAP) was developed in line with international standards (Towards Sustainable Mining and IFC) for protecting and conserving biodiversity. The plan covers management of protected plant species, rescue and relocation of threatened animal species, wetlands management and revegetation programs. Most of the activities are done in partnership with the local communities and integrate ancestral know-how where possible.

For the past two years, we've hired sustainability consultants to work with community users as part of a bog management and sustainable use plan designed to promote the conservation of the land. The team has helped farmers plant oats on dry land plots so their cattle can graze there during the dry season, instead of using the wetlands. They've also built irrigation trenches for grasslands outside the bog area and improved water catchment structures and systems. In 2016, they started training the farmers on how to care for the cattle in this new environment.

During 2015, we implemented a program in which community members are paid for collecting native grass seeds and helping with progressive reclamation of disturbed areas. Our efforts were recognized in 2016 by SNMPE (National Society of Mining, Petroleum and Energy) as an [innovative, progressive reclamation practice](#).

TAKING ACTION ON DUST

Keeping dust levels down on our property and along the concentrate transportation route is important to us and to our community stakeholders. At times, we've used water to suppress dust but have not found it to be as effective as dust suppressants. In 2016, we initiated a competitive bid process for a dust suppressor contractor to meet our needs during the 2017 dry season.

Environment Arizona

The Rosemont project is located in southwest Arizona in the Santa Rita Mountain range and is intended to be a showcase for sustainable mining once built.

WATER CONSERVATION

Water is a concern in Arizona, and the importance of good water management has been prioritized in the Rosemont project design.

We will employ state-of-the-art techniques and processing technologies, including process water recovery and the development of “dry-stack” tailings. With dry-stack tailings, tailings are dewatered through filtering and built into dense, durable, dry stacks that do not require a dam for retention. Dry-stack is a proven tailings technology that uses about 50% less water and less land than conventional tailings containment design, and reduces the potential of environmental impacts to groundwater by nearly 90%.

To further conserve water resources and biodiversity, we established the Rosemont Copper Conservation Lands Program. This program includes mitigation proposed in the permitting process as well as additional areas that Hudbay has set aside for conservation purposes. 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.

PROTECTING ENDANGERED AND SPECIAL STATUS SPECIES

We've committed to funding a variety of mitigation measures detailed in the [Rosemont Environmental Impact Statement](#) and the [Rosemont Biological Opinion](#) to protect endangered and special status species. This includes aquatic and bird species conservation activities, salvaging and replanting agave plants (a food source for an endangered bat), avoiding specific sites to prevent plant species impacts, implementing jaguar and ocelot monitoring programs, and providing financial support to the Forest Service to hire a biologist for the term of conservation to manage funds and monitor results. See the [Arizona Social Impact](#) page to learn about our financial commitments related to these efforts.

In 2011, a wild jaguar was observed in the Santa Rita Mountains near the Rosemont property and there have subsequently been intermittent sightings of a lone jaguar in the mountain range, with the most recent being October 2015. The US Fish and Wildlife Service has designated approximately 764,207 acres in Arizona and New Mexico as critical jaguar habitat. The Rosemont project would take up less than 0.7% of that land and only one-eighth of that amount would be occupied by the actual mine.

We engaged large felid (big cat) experts to guide us in developing a plan for surveying and monitoring for the presence of jaguars. Covering a 200 square kilometre (77 square mile) area, these efforts include the use of 150 cameras (approximately one to three camera sets for every 2.6 square kilometres (1.0 square mile)), trail plots and specially trained dogs with their handlers. Monitoring will commence before any significant surface work begins at Rosemont and continue for up to five years after the life of the project.

In issuing its final biological opinion in 2016, the US Fish and Wildlife Service noted that the Rosemont project would not jeopardize the existence of 12 species living on or near the proposed mine site.

HEALTHY AIR

Use of leading-edge technology will help control dust and air emissions and ensure compliance with all federal and state air quality standards for particulates and air pollutants. Our air quality permit issued by the Arizona Department of Environmental Quality in 2013 and upheld by the Arizona Court of Appeals in 2016 includes enforceable limits for regulated air pollutants, equipment testing and opacity measurements, as well as extensive monitoring and reporting requirements.

We plan to use haul trucks and mining equipment that meet the highest emissions standards (Tier IV) and high-efficiency dust collectors at process plant emissions points. We also plan to pave access and plant roads, enforce speed limits, transport employees to the mine in natural-gas buses and conduct concurrent reclamation of perimeter buttresses and disturbed areas in order to minimize dust and protect air quality.

Read about our updated plan for [maintaining dark skies](#) that will reduce lighting output by 70%.

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 (MAC).

KEY PERFORMANCE DATA

ECONOMIC

	2016	2015	2014	2013
Direct economic value generated and distributed (in \$ millions) (EC1)				
Profit (loss) before tax	\$ 5.6	\$ (331.4)	\$ 13.9	\$ (53.7)
Revenues	\$ 1,128.7	\$ 923.1	\$ 507.5	\$ 500.9
Operating costs				
Canada	358.9	(408.5)	(428.6)	(399.7)
US	0.6	(5.7)	(7.6)	(1.8)
Peru	298.5	(186.0)	(8.7)	(9.7)
Chile	2.2	(0.5)	(1.9)	(2.7)
Colombia	0.0	(0.4)	(0.8)	(3.9)
Total	\$ 660.2	\$ (601.1)	\$ (447.6)	\$ (417.8)

	2016	2015	2014	2013
Employee wages and benefits				
Canada	147.2	157.1	156.5	160.8
US	0.6	9.3	4.6	1.1
Peru	27.5	22.4	20.6	15.7
Chile	2.2	0.0	0.0	1.2
Colombia	0.0	0.2	0.2	1.2
Total	\$ 177.5	\$ 189.0	\$ 181.9	\$ 179.9

Payments to government

Taxes paid				
Canada	6.6	6.1	(21.1)	5.6
US	0.0	0.0	0.1	0.0
Peru	38.9	28.0	5.8	1.5
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0
Total	\$ 45.5	\$ 34.1	\$ (15.2)	\$ 7.1

Municipal taxes and grants

Canada	6.8	6.7	7.8	7.6
US	0.0	0.1	0.5	0.7
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
Total	\$ 6.8	\$ 6.8	\$ 8.3	\$ 8.3

Penalties and interest paid

Canada	0.0	0.1	0.0	0.0
US	0.0	0.0	0.3	0.0
Peru	0.3	0.0	0.2	0.0
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0
Total	\$ 0.3	\$ 0.1	\$ 0.5	\$ 0.0

	2016	2015	2014	2013
Payments to providers of capital				
Dividends paid	\$ 3.6	\$ 3.6	\$ 3.8	\$ 18.5
Interest payments made to providers of loans	\$ 126.5	\$ 108.6	\$ 82.1	\$ 56.8
Financing fees paid				
Canada ¹	49.4	1.3	0.9	2.8
Peru ²	20.1	1.2	4.6	0.0
Total	\$ 69.5	\$ 2.5	\$ 5.5	\$ 2.8
Other interest paid				
Canada	0.0	0.0	0.0	0.0
Peru	0.0	0.0	0.0	0.0
Total	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Capital expenditures – cash flow basis	\$ 192.8	\$ 490.6	\$ 890.9	\$ 878.7
Cash and cash equivalents	\$ 146.9	\$ 53.9	\$ 178.7	\$ 593.7
Payments – Local communities for land use (in \$000s)				
Canada	0.0	0.0	0.0	0.0
US	0.0	0.0	0.0	0.0
Peru	1,829.3	579.5	1,684.5	10,647.1
Total land use payments	\$ 1,829.3	\$ 579.5	\$ 1,684.5	\$ 10,647.1
Public benefit				
Community investment and charitable donations (in \$000s)				
Canada	345.1	307.1	602.8	650.6
US	147.1	63.5	212.9	48.4
Peru	3,738.3	2,435.7	3,103.0	3,952.0
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0
Total community investments and donations ³	\$ 4,230.5	\$ 2,806.3	\$ 3,918.7	\$ 4,651.0
Resettlement investment (Peru) (in \$000s)	\$ 1,081.5	\$ 957.5	\$ 7,857.0	\$ 16,429.9

	2016	2015	2014	2013
Production (contained metal in concentrate)				
Copper (000 tonnes)	174.5	147.3	37.6	29.9
Zinc (000 tonnes)	110.6	102.9	82.5	86.5
Gold (000 troy ounces)	114.3	100.2	73.4	79.2
Silver (000 troy ounces)	3,755.9	2,791.5	745.9	772.5
Metal production				
Zinc metal (000 tonnes)	102.6	101.9	105.1	96.3

1. This increase is mostly the result of a call premium paid to facilitate the early redemption of our senior unsecured notes.

2. This increase relates to the payments of withholding taxes on loans and other revolver facility fees.

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

EMPLOYEES

	2016	2015	2014	2013
Total workforce (G4-10)				
Number of full-time employees				
MBU	1,319	1,399	1,391	1,373
Ontario	67	68	61	52
Arizona	40	50	34	N/ap
Peru	230	183	174	157
Colombia	0	0	0	1
Chile	0	0	0	1
Total full-time employees	1,656	1,700	1,668	1,594
Employment¹				
Number of part-time employees				
MBU	10	2	14	
Ontario	0	0	0	
Arizona	2	2	2	N/av – See total below
Peru	0	0	0	
Chile	0	0	0	
Total part-time employees	12	4	18	52
Number of contract (term) employees				
MBU	13	7	18	
Ontario	1	5	1	
Arizona	0	0	0	N/av – See total below
Peru	363	187	138	
Chile	8	1	0	
Total contract employees	385	200	158	23

	2016	2015	2014	2013
Number of co-op and summer students hired				
MBU	21	40	41	
Ontario	2	3	2	
Arizona	0	2	0	N/av – See total below
Peru	8	12	6	
Chile	0	0	0	
Total co-op/summer students	31	57	49	43
Number of employees represented by collective bargaining agreements (G4-11)				
	1,121 ¹	1,053	1,091	1,047
Percentage of full-time employees represented by trade unions				
	67.7%	61.9%	65.4%	65.7%
Operational changes (LA4)				
Minimum number of weeks provided before operational changes (MBU only)				
	2	2	2	2
Negotiated into collective agreements (MBU only)				
	Yes	Yes	Yes	Yes
Number of strikes or lockouts exceeding one week (MM4)				
	0	1	0	0
Employee turnover (LA1)				
Region				
MBU	201	206	118	N/av
Corporate	11	5	7	N/av
ABU	16	9	1	N/av
Peru	64	32	53	N/av
Chile	0	0	0	N/av
Total	292	252	179	N/av

	2016	2015	2014	2013
Age distribution				
<30	20.2%	23.4%	18.4%	N/av
30–50	39.0%	40.5%	50.3%	N/av
>50	40.8%	36.1%	31.8%	N/av
Gender				
Male	80.1%	75.4%	82.7%	N/av
Female	19.9%	24.6%	17.9%	N/av
<hr/>				
Voluntary turnover rate (Hudbay total)	13.0%	11.4%	7.4%	4.3%
<hr/>				
Involuntary turnover rate (Hudbay total)	4.6%	3.6%	3.4%	4.1%
<hr/>				
New employee hires				
Region				
MBU	141	221	155	N/av
Corporate	3	12	7	N/av
ABU	3	23	36	N/av
Peru	280	160	183	N/av
Chile	0	0	0	N/av
Total	427	416	381	N/av
Age distribution				
<30	32.8%	40.6%	22.6%	N/av
30–50	54.6%	47.4%	64.0%	N/av
>50	12.6%	12.0%	13.6%	N/av
Gender				
Male	83.4%	79.3%	82.9%	N/av
Female	16.6%	20.7%	17.3%	N/av
<hr/>				
Net number of full-time employees added (decreased)				
Canada	(81)	15	27	79
US	(10)	8	32	0
Peru	47	9	17	26
Colombia	0	0	(1)	(14)
Chile	0	0	(1)	(13)
<hr/>				
Total	(44)	32	74	78
<hr/>				
Senior management hired from local community (EC6)	9	2	N/av	N/av
<hr/>				

	2016	2015	2014	2013
Number of contractor full-time equivalent staff (G4-10)				
Manitoba	175	274	245	316
Peru	2,974	4,337	9,595	6,438
Arizona	15	55	N/ap	N/ap
Other	13	4	54	25
Person-hours of work (including contractors) (LA1)				
North America	3,073,646	3,245,882	3,359,663	3,245,625
South America	7,589,501	9,907,705	20,458,806	13,781,606
Total person-hours	10,663,147	13,158,587	23,818,469	17,027,231
Employees receiving regular performance and career development reviews (LA11)				
Percentage reviewed	20%	41%	22%	26%
Hudbay total workforce age distribution (LA12)				
<30	14.2%	13.0%	13.8%	11.4%
30–50	53.0%	47.9%	47.8%	47.4%
>50	32.2%	39.6%	36.6%	41.2%

	2016	2015	2014	2013
Composition of governance bodies and breakdown of employees				
Workforce diversity				
Female (Hudbay)				
MBU	189	187	182	N/av
Ontario	32	32	27	N/av
Arizona	17	24	15	N/av
New York	0	0	0	N/av
Peru	60	28	35	N/av
Chile	N/ap	N/ap	0	N/av
Percentage of total workforce that is female	18%	16%	16%	17%
Aboriginal (MBU only)	N/av ²	13%	12%	13%
Disabled (MBU only)	N/av ²	5%	6%	5%
Visible minorities (MBU only)	N/av ²	6%	6%	5%
Composition of executive management and corporate governance bodies				
Board of Directors (ratio male to female)	4:1	4:1	10:1	9:1
Age distribution				
<30	0%	0%	0%	0%
30–50	0%	0%	10%	10%
>50	100%	100%	90%	90%
Executive management (ratio male to female)	5.5:1	5.5:1	10:1	10:1
Age distribution				
<30	0%	0%	0%	0%
30–50	53%	64%	72%	64%
>50	46%	36%	27%	36%
Ratio of annual compensation of highest paid individual to mean total compensation (G4-54)				
Canada (Manitoba Business Unit, excluding Corporate office) ³	4.9:1	6.5:1	6.1:1	8.9:1
Canada (including Corporate office) ⁴	24.1:1	16.4:1	29.8:1	23.5:1
Peru	9.2:1	10.0:1	9.5:1	11.3:1
United States (Arizona Business Unit)	4.3:1	4.2:1	3.1:1	N/av

	2016	2015	2014	2013
Workforce represented in formal joint management-worker Health and Safety Committees (LA5)				
Percentage represented	100%	100%	100%	100%
Health and safety performance (per 200,000 hours worked, except where noted) (LA6)				
Lost time accident frequency (LTA)				
Manitoba	1.1	1.0	1.0	0.7
Manitoba contractors	0.0	0.7	0.8	0.3
Peru	0.1	0.7	0.0	0.0
Peru contractors	0.0	0.1	0.0	0.2
Arizona	0.0	0.0	N/ap	N/ap
Arizona contractors	0.0	0.0	N/ap	N/ap
North America (not including MBU and ABU)	0.0	0.0	0.0	0.0
North America contractors (not including MBU and ABU)	0.0	0.0	0.0	0.0
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	44.1
Total	0.3	0.3	0.1	0.4
Lost time accident severity (SEV)				
Manitoba	37.3	35.2	36.0	34.4
Manitoba contractors	0.0	14.8	23.0	0.3
Peru	2.0	22.0	0.0	0.0
Peru contractors	0.6	3.6	0.2	7.1
Arizona	0.0	0.0	N/ap	N/ap
Arizona contractors	0.0	0.0	N/ap	N/ap
North America (not including MBU and ABU)	0.0	0.0	0.0	0.0
North America contractors (not including MBU and ABU)	0.0	0.0	0.0	0.0
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	163.0
Total	9.3	11.4	4.7	11.0

	2016	2015	2014	2013
Restricted work case frequency (RWC)				
Manitoba	1.1	1.8	2.2	1.6
Manitoba contractors	0.5	0.0	0.4	0.6
Peru	0.0	0.2	0.0	0.0
Peru contractors	0.0	0.0	0.0	0.4
Arizona	0.0	0.0	N/ap	N/ap
Arizona contractors	0.0	0.0	N/ap	N/ap
North America (not including MBU and ABU)	0.0	0.0	0.0	0.0
North America contractors (not including MBU and ABU)	0.0	0.0	0.0	0.0
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	0.0
Total	0.3	0.4	0.3	0.6

Medical aid frequency (MA)				
Manitoba	11.8	11.0	12.8	12.1
Manitoba contractors	5.5	12.3	12.9	8.8
Peru	0.0	2.3	0.0	0.6
Peru contractors	0.2	0.2	0.5	0.9
Arizona	0.0	4.9	N/ap	N/ap
Arizona contractors	0.0	5.3	N/ap	N/ap
North America (not including MBU and ABU)	0.0	0.0	1.2	0.0
North America contractors (not including MBU and ABU)	0.0	0.0	2.1	0.0
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	70.5
Total	3.0	3.0	2.1	3.0

	2016	2015	2014	2013
First aid frequency (FA)				
Manitoba	22.6	22.1	28.5	26.0
Manitoba contractors	4.4	6.0	8.2	3.7
Peru	0.9	4.8	0.4	1.8
Peru contractors	0.4	0.6	1.3	2.4
Arizona	0.0	17.2	N/ap	N/ap
Arizona contractors	0.0	5.3	N/ap	N/ap
North America (not including MBU and ABU)	0.0	0.0	3.7	0.0
North America contractors (not including MBU and ABU)	0.0	0.0	8.3	0.0
South America (not including Peru)	0.0	0.0	0.0	28.1
South America contractors (not including Peru)	0.0	0.0	0.0	136.6
Total	5.7	5.2	4.4	6.2
Fatality (number)	0	0	0	0
Absentee rate (as a % of hours scheduled to be worked)	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) ⁵	79	141	81	127

BENEFITS

	Corporate		MBU
	Full time	Part time	Full time
Life insurance	Yes	No	Yes
Health care	Yes	No	Yes
Disability and invalidity coverage	Yes	No	Yes
Parental leave	Yes	No	Yes
Retirement provision	Yes	No	Yes
Stock ownership	Yes	No	Yes
Other – Critical illness insurance	Yes	No	Management only
Other – Accidental death and dismemberment insurance	Yes	No	Yes

	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. Includes a union covering 90 employees organized in Peru in October, but negotiations did not begin until 2017.

2. This information is not made available until June; therefore, we are a year behind in our public reporting.

3. Drop in ratio is due to the time period in 2016 when there was no VP of the Manitoba Business Unit.

4. Increase in ratio is due to the higher share price and the vesting of bonuses in 2016.

5. In Q4 2016, we adopted revised Board reporting criteria that reduced the number of incidents reported to the Board in order to better focus discussion.

SOCIETY

	2016	2015	2014	2013
Total number of incidents of discrimination (and actions taken) (HR3)	1¹	0	0	0
Land use disputes (MM6)	3	0	3	2
Resettlements (MM9)				
Number of households	0	36	0	0
Number of individuals	0	150	0	0
Employees trained in anti-corruption policies (SO4)				
Number	66	360	182	336
Percentage of workforce	4%	21%	10%	21%
Percentage of Board and management given training	100%	91%	N/av	N/av
Employees that anti-corruption policies have been communicated to				
Number – management ²	534	229	412	N/av – See above
Percentage	100%	98%	0%	N/av – See above
Number – non-management	418	560	485	N/av – See above
Percentage	27%	100%	0%	N/av – See above
Governance body members that anti-corruption policies have been communicated to				
Number	10	10	10	N/av
Percentage	100%	100%	100%	N/av
Governance body members that received training on anti-corruption				
Number	10	10	10	N/av
Percentage	100%	100%	100%	N/av

	2016	2015	2014	2013
Average hours of training (Peru and Arizona Business Units only) (LA9)				
Males in management	6.86	19.65	N/av	N/av
Females in management	9.36	50.17	N/av	N/av
Males in non-management	9.59	51.86	N/av	N/av
Females in non-management	14.11	36.71	N/av	N/av
Security practices (security personnel training) (HR7)				
Hudbay security personnel trained in human rights policies and procedures				
Number	14	15	15	N/av – Not previously reported
Percentage	100%	98%	100%	N/av – Not previously reported
Contractor security personnel trained in human rights policies and procedures				
Number	7	175	158	N/av – Not previously reported
Percentage	100%	99%	92%	N/av – Not previously reported
Value of fines or sanctions for non-compliance with laws and regulations (SO8)	\$ 0	\$ 5,000	\$ 3,352	\$ 1,277
Grievances about impacts on society (SO11)				
Number filed through formal grievance mechanisms	32	67	78	110
Number addressed during reporting period	32	67	78	110
Number resolved during reporting period	12	65	67	103
Number filed prior to the reporting period that were resolved during the reporting period	3	6	32	N/av
Number of other concerns			78	704
Environment (EN34)	1	4	N/av – See above	
Labour and commercial practices (LA16)	24	54	N/av – See above	
Resettlement/livelihood	1	2	N/av – See above	
Human rights	1	1	N/av – See above	
Other	4	6	N/av – See above	

	2016	2015	2014	2013
Closure plans (MM10)				
Total number of operations	5	7	8	N/av
Number of company operations that have closure plans	8	10	10	6
Percentage of total operations that have closure plans	160%	125%	125%	100%
Number of advanced exploration projects that have closure plans	1	0	1	4
Percentage of advanced exploration projects that have closure plans	100%	N/ap	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)	\$ 177,296	\$ 147,027	\$ 185,395	\$ 141,566

1. This incident was filed in 2015 by a former employee alleging discrimination based on gender. The case is still ongoing.

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

ENVIRONMENT

	2016	2015	2014	2013
Direct energy consumption by primary energy source (terajoules) (EN3)				
Heavy oil	0	0	0	0
Propane	579	629	700	580
Natural gas	0	0	0	0
Diesel	1,941	2,034	1,993	1,346
Light oil	0	0	4	6
Gasoline	14	11	12	11
Biofuel	0	0	0	0
Ethanol	0	0	0	0
Hydrogen	0	0	0	0
Other	0	1	0	0
Total	2,533	2,675	2,709	1,943
Indirect energy consumption by primary energy source (terajoules)				
Total electricity consumed	5,263	4,932	3,322	3,048
Indirect energy sold/credits (terajoules)				
Electricity	0.5	0.4	N/av	N/av
Total indirect energy consumed by organization (terajoules)	5,262	4,936	N/av	N/av
Energy intensity (terajoules per kilotonne of metal in concentrate) (EN5)				
	27.3	30.9	50.2	42.9
Total direct and indirect greenhouse gas emissions (kilotonnes of CO₂-equivalent)				
Direct carbon dioxide emissions (EN15)	170.96	188.08	182.28	133.26
Indirect carbon dioxide emissions (EN16)	322.31	277.80	6.91	4.84
Total	349.66	455.30	189.19	138.10
GHG intensity (EN18)				
	1.23	1.82	1.57	1.19

	2016	2015	2014	2013
NO_x, SO_x and other significant air emissions (in kilotonnes) (EN21)				
Sulphur dioxide emissions	0.0	0.0	0.0	0.0
Particulate	0.44	0.16	0.17	0.16
Total water withdrawal (000 cubic metres) (EN8)				
Surface water	10,632	11,549	11,287	10,789
Ground water	3,531	2,698	930	441
Rainwater collected directly and stored by the organization	7,143	7,168	4,048	N/av
Waste water from another organization	0	0	N/av	N/av
Municipal water supplies	0	0	1	0.01
Total water withdrawal	21,306	21,415	16,266	11,230
Percentage and total volume of water recycled and reused (EN10)				
Total volume (megalitres)	56,291.74 ¹	16,944.37	N/av	N/av
Percentage	50.58%	7.91%	N/av	N/av
Total water discharged (000 cubic metres) (EN22)				
To Flin Flon Creek/Ross Lake/Schist Lake	14,353	10,546	10,819	12,418
To Anderson Creek/Wekusko Lake	8,025	4,594	3,939	4,180
To Woosey Creek/Morgan Lake	2,142	1,106	1,184	1,123
Herblet Lake	926	N/ap	N/ap	N/ap
Town of Snow Lake Sewer	0	0	8	N/ap
To ground	247	217	187	35
To land (irrigation using treated water in Peru)	0	0	0	139
To Chilloroya River (Peru)	188	2,623	737	N/ap
Water treated (000 cubic metres)	25,911	19,086	19,887	19,867
Total number of significant spills (EN24)				
	9 ²	9	12	5
Volume (m ³)	516.5	382.0	103.0	3.8
Hazardous waste disposed of at external facility (tonnes) (EN25)				
	1,520.3	1,508.5	658.5	522.3

	2016	2015	2014	2013
Total waste (tonnes) (MM3)				
Overburden	2,053,659.9	N/av	N/av	N/av
Waste rock	51,426,208.8	42,764,760.0	N/av	N/av
Tailings	28,968,944.0	24,780,081.6	N/av	N/av
Number of fines or sanctions for non-compliance with environmental laws and regulations (EN29)				
	0	0	0	0
Land use (hectares) – Mineral tenure (controlled) (MM1)				
Manitoba	122,639.4	137,832.4	135,068.4	226,679.4
Saskatchewan	133,339.1	135,352.1	139,316.2	136,887.5
Ontario	0.0	0.0	0.0	0.0
Yukon	5,823.4	5,823.4	5,823.4	5,823.4
Nunavut	21.0	21.0	21.0	21.0
Total Canada	261,822.9	279,028.9	280,229.0	369,411.2
New York	0.0	0.0	31,532.3	31,570.2
Michigan	0.0	0.0	0.0	3,161.8
Arizona	7,284.0	7,284.0	0.0	N/ap
Total USA	7,284.0	7,284.0	31,532.3	34,732.0
Chile	68,826.0	1,531.0	1,531.0	1,531.0
Colombia	0.0	0.0	0.0	5,210.8
Peru	5,187.0	43,669.5	0.0	26,932.5
Total South/Central America	74,013.0	45,200.5	1,531.0	33,674.3
Total	343,119.8	331,513.4	313,292.3	437,817.5
Land use (hectares) – Surface tenure (disturbed)				
Manitoba	7,314.1	7,314.1	6,130.3	6,115.8
Saskatchewan	531.4	535.2	744.5	744.5
Ontario	0.0	0.0	0.0	0.0
Yukon	120.7	120.7	120.7	120.7
Nunavut	0.0	0.0	0.0	0.0
Total Canada	7,966.2	7,969.9	6,995.5	6,981.0
New York	0.0	0.0	57.7	57.7
Michigan	0.0	0.0	0.0	571.0

	2016	2015	2014	2013
Arizona	0.0	0.0	0.0	N/ap
Total USA	0.0	0.0	57.7	628.7
Chile	0.3	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0
Peru	1,568.4	5,187.0	0.0	4,225.8
Total South/Central America	1,568.7	5,187.0	0.0	4,225.8
Total	9,534.8	13,156.9	7,053.2	11,835.5
Percent land used vs. controlled	2.8%	4.0%	2.3%	2.7%
Sites requiring biodiversity management plans (MM2/EN12)				
Number of sites legally requiring plans	1	1	0	0
Percentage of sites with legally required plans in place	100%	100%	N/ap	N/ap
Number of sites with voluntary plans in place	1	1	1	2
Habitats protected or restored (hectares) (EN13)				
Protected	0	0	0	0
Restored ³	51.93	0.62	2	22.8
Partnerships exist ⁴	Yes	Yes	N/av	N/av
Status at close of reporting period	Monitoring	Monitoring	N/av	N/av
IUCN Red List species and National Conservation List species (EN14)				
Critically endangered	3	3	N/av	N/av
Endangered	8	8	N/av	N/av
Vulnerable	12	14	N/av	N/av
Near threatened	11	9	N/av	N/av
Least concern	6	6	N/av	N/av

1. Increase is due to an increase in the amount of water available for reuse.

2. Of these nine spills, eight were in Manitoba and one was in Peru. In Manitoba, there were three chemical spills, one oil spill, three waste spills, and one "other". There were no major impacts to the environment from these spills. In Peru, the spill was sludge from the open pit mine, which contaminated a water body with sediment and sludge.

3. In Peru, we have a revegetation program. Revegetation was conducted using three types of native grass seeds. The 2015 revegetation program was monitored and we observed a recovery of original biodiversity, achieving landscape integration in 95% of the intervened area. These areas are in the monitoring phase.

4. In Peru, we are partnered with UB Constanca, Hudbay Property – Taludes del DM3.

CSR Performance Data

2016 Targets and Achievements

Target	Achievement	Details
HEALTH AND SAFETY		
Improve on our current three-year average lost time accident severity of 8.3	Not achieved	See Employee Performance Data .
Improve on our three-year total recordable injury frequency average of 3.2	Not achieved	As of December 31, 2016, our three-year average total recordable injury frequency was 3.6.
Implement a Visible Felt Leadership program for management	Achieved	See Safety Accountability Starts at the Top .
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	Achieved	See Our Approach to Health and Safety .
COMMUNITY		
Implement a program to achieve company-wide exposure to the human rights introductory video being developed with MAC and the Canadian government, and connect it to Hudbay policies and standards	Not achieved	Delayed waiting for a Spanish version of the human rights video.
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	Partially achieved	Carried out in Peru, but not yet in Manitoba.
Achieve Canadian Council for Aboriginal Business PAR (Progressive Aboriginal Relations) Bronze level or higher at our Manitoba Business Unit	Achieved	See Benchmarking Hudbay's Efforts in Aboriginal Inclusion .

Target	Achievement	Details
ENVIRONMENT		
Achieve a 1% greenhouse gas emissions intensity reduction in Manitoba	Achieved	See Environment – Manitoba .
Achieve a 1% fresh water consumption intensity reduction in Manitoba	Achieved	See Environment – Manitoba .
Set Constancia environmental benchmark and improvement targets for 2017	Achieved	See Environment – Peru .
GOVERNANCE		
Conduct anti-bribery and anti-corruption refresher training for board members	Achieved	See Business Conduct .
Adopt Shareholder Engagement Policy encouraging shareholders to communicate directly with the Board of Directors	Achieved	See Stakeholder Engagement .
Achieve ISO 14001 and OHSAS 18001 management system certification for the Constancia operation	Achieved	See CSR Governance .
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	Achieved	See Business and Financial Review .
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 first quarter of 2017	See Business and Financial Review .
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	Achieved	

CSR Performance Data

2017 Targets

HEALTH AND SAFETY

- Improve on our current three-year average lost time accident severity of 7.5
- Improve on our three-year total recordable injury frequency average of 3.1
- Progress our focus on fatality prevention by implementing our Critical Control Framework at each site
- Improve our performance benchmarking by moving to ICMM classification and boundary criteria

COMMUNITY

- Implement a program to achieve company-wide exposure to the human rights introductory video being developed with MAC and the Canadian government, and connect it to Hudbay policies and standards

ENVIRONMENT

- Achieve a 1% greenhouse gas emissions intensity reduction in Manitoba
- Achieve a 1% fresh water consumption intensity reduction in Manitoba
- Achieve a 5% greenhouse gas emissions intensity reduction at camp in Peru
- Achieve a 5% fresh water consumption intensity reduction at camp in Peru

GOVERNANCE

- Adopt new compliance management system to facilitate employee training on policies and procedures
- Adopt and roll out new Supplier Code of Conduct and Ethics
- Conduct organizational review intended to ensure Hudbay is well positioned to achieve its growth objectives

FINANCIAL EXCELLENCE/GROWTH TARGETS

- Continue to pursue efficiency improvements in our operations to sustain cost reductions achieved in 2016 and generate incremental free cash flow and increase net asset value
- Advance high-return in-house brownfield opportunities to increase throughput from the Lalor mine and related milling facilities, incrementally adding zinc and gold production in the near and medium term, respectively
- Deliver on plans to advance the development of the high-grade Pampacancha deposit so that it can start to be mined late in 2018
- Advance permitting and technical work at the Rosemont project
- Utilize free cash flow generation to reduce debt and further reduce our cost of capital
- Continue to evaluate exploration and acquisition opportunities that meet our criteria described above, and pursue those opportunities that we determine to be in the best interest of the company and our stakeholders

CSR Performance Data

GRI Index

STRATEGY AND ANALYSIS

General Standard Disclosures		External Assurance
G4-1	<p>Statement from the most senior decision-maker of the organization</p> <p>Our Company > CEO Message</p>	No

ORGANIZATIONAL PROFILE

General Standard Disclosures		External Assurance
G4-3	<p>Name of the organization</p> <p>Our Company</p>	No
G4-4	<p>Primary brands, products and services</p> <p>Our Company Business and Financial Review > Strategy Business and Financial Review > Operations CSR Approach > Responsible Supply Chain</p>	No
G4-5	<p>Location of the organization’s headquarters</p> <p>Our Company</p>	No

General Standard Disclosures		External Assurance
G4-6	<p>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</p> <p>Our Company Business and Financial Review > Operations</p>	No
G4-7	<p>Nature of ownership and legal form</p> <p>Our Company Website > About Us > At-a-Glance Annual Information Form</p>	No
G4-8	<p>Markets served</p> <p>CSR Approach > Responsible Supply Chain Story > Dealing with the Inevitable: Managing Price Cyclicity</p>	No
G4-9	<p>Scale of the organization</p> <p>Our Company Business and Financial Review Business and Financial Review > Financials CSR Performance Data</p>	No
G4-10	<p>Employee/workforce details</p> <p>CSR Performance Data</p> <p>Workforce details are not currently provided by gender. There were no significant variations in employment numbers.</p>	No
G4-11	<p>Percentage of total employees covered by collective bargaining agreements</p> <p>Our People > Our Approach</p>	No

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

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

General Standard Disclosures	External Assurance
<p>G4-17 Entities included in the organization’s consolidated financial statements</p> <p>About This Report Annual Information Form</p>	No
<p>G4-18 Process for defining report content</p> <p>CSR Approach > Materiality 2014 Annual and CSR Report</p>	No
<p>G4-19 Material aspects identified in the process for defining report content</p> <p>CSR Approach > Materiality</p>	No
<p>G4-20 Aspect boundary within the organization</p> <p>CSR Approach > Materiality CSR Performance Data > GRI Index</p>	No
<p>G4-21 Aspect boundary outside of the organization</p> <p>CSR Approach > Materiality CSR Performance Data > GRI Index</p>	No
<p>G4-22 Effect of any restatement of information in previous reports</p> <p>There are no restatements of information from previous reports.</p>	No

General Standard Disclosures		External Assurance
G4-23	<p>Significant changes from previous reporting in scope of priorities</p> <p>There are no significant changes from previous reporting in scope of priorities.</p>	No

STAKEHOLDER ENGAGEMENT

General Standard Disclosures		External Assurance
G4-24	<p>List of stakeholder groups</p> <p>CSR Approach > Stakeholder Engagement</p>	No
G4-25	<p>Basis for identifying and selecting stakeholders</p> <p>CSR Approach > Stakeholder Engagement</p> <p>Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by our activities, and whose actions can reasonably be expected to affect our ability to successfully implement our strategies and achieve our objectives.</p>	No
G4-26	<p>Approach to stakeholder engagement</p> <p>CSR Approach > Stakeholder Engagement Our People > Our Approach Our People > Manitoba Our People > Peru Our People > Arizona Social Impact > Story > Benchmarking Hudbay's Efforts in Aboriginal Inclusion Social Impact > Our Approach Social Impact > Manitoba Social Impact > Peru Social Impact > Arizona</p>	No

General Standard Disclosures		External Assurance
G4-27	Topics raised through stakeholder engagement and response CSR Approach > Stakeholder Engagement Our People > Our Approach Our People > Manitoba Our People > Peru Our People > Arizona Social Impact > Story > Benchmarking Hudbay's Efforts in Aboriginal Inclusion Social Impact > Our Approach Social Impact > Manitoba Social Impact > Peru Social Impact > Arizona	No

REPORT PROFILE

General Standard Disclosures		External Assurance
G4-28	Reporting period About This Report	No
G4-29	Date of most recent report About This Report	No
G4-30	Reporting cycle About This Report	No
G4-31	Contact Contact Us	No

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

G4-32	<p>In accordance option</p> <p>About This Report</p>	No
-------	---	----

G4-33	<p>External assurance policy</p> <p>About This Report</p> <p>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.</p>	No
-------	---	----

GOVERNANCE

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

G4-34	<p>Governance structure</p> <p>CSR Approach > CSR Governance Management Information Circular</p>	No
-------	--	----

G4-37	<p>Process for consultation between stakeholders and highest governance body on economic, social and environmental topics</p> <p>Our Company > Business Conduct CSR Approach > Human Rights and Security CSR Approach > Stakeholder Engagement Social Impact > Our Approach Website > Governance (Corporate Governance Guidelines)</p>	No
-------	--	----

G4-38	<p>Composition of the highest governance body</p> <p>Our Company > Corporate Governance Our Company > Management Team Management Information Circular Website > Governance (Corporate Governance Guidelines)</p>	No
-------	---	----

General Standard Disclosures		External Assurance
G4-39	<p>Indicate whether the Chair of the highest governance body is also an executive officer</p> <p>Our Company > Corporate Governance</p>	No
G4-40	<p>Nomination and selection process for the highest governance body and its committees</p> <p>Management Information Circular Website > Governance (Corporate Governance Guidelines)</p>	No
G4-41	<p>Process for the highest governance body to ensure conflicts of interest are avoided and managed</p> <p>Our Company > Business Conduct CSR Approach > CSR Governance Annual Information Form</p>	No
G4-44	<p>Process for evaluation of the highest governance body's performance</p> <p>Website > Governance (Corporate Governance Guidelines)</p>	No
G4-45	<p>Highest governance body's role in the identification of economic, social and environmental impacts, risks and opportunities</p> <p>Our Company > Corporate Governance CSR Approach > CSR Governance</p>	No
G4-47	<p>Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities</p> <p>CSR Approach > CSR Governance</p>	No

General Standard Disclosures		External Assurance
G4-49	<p>Process for communicating critical concerns to the highest governance body</p> <p>Our Company > Business Conduct CSR Approach > Human Rights and Security CSR Approach > Stakeholder Engagement</p>	No
G4-51	<p>Remuneration policies for the highest governance body and senior executives</p> <p>Management Information Circular Website > Governance (Corporate Governance Guidelines)</p>	No
G4-54	<p>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</p> <p>CSR Performance Data</p>	No

ETHICS AND INTEGRITY

General Standard Disclosures		External Assurance
G4-56	<p>Organization's values, principles, standards and norms of behaviour</p> <p>Our Company > Business Conduct CSR Approach > CSR Governance CSR Approach > Responsible Supply Chain Our People > Our Approach Social Impact > Our Approach Environment > Our Approach Website > About Us Website > Code of Business Conduct and Ethics</p>	No

ECONOMIC

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

Aspect: Economic Performance

DMA	Disclosure of Management Approach Our Company > CEO Message Our Company > Corporate Governance Our Company > Risk Management Business and Financial Review > Strategy Business and Financial Review > Operations Business and Financial Review > Financials Social Impact > Our Approach Annual Information Form	No	1, 2, 3, 5, 6, 7, 8, 9, 10, 11
------------	--	-----------	---------------------------------------

G4-EC1	Direct economic value generated and distributed Business and Financial Review Business and Financial Review > Financials Social Impact CSR Performance Data	Yes	
---------------	---	------------	--

G4-EC2	Financial implications and other risks and opportunities for the organization’s activities due to climate change CDP Website	No	
---------------	--	-----------	--

G4-EC3	Coverage of the organization’s defined benefit plan obligations Annual Information Form	No	
---------------	---	-----------	--

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

Aspect: Indirect Economic Impacts

DMA	<p>Disclosure of Management Approach</p> <p>CSR Approach > Stakeholder Engagement CSR Approach > Materiality CSR Approach > Responsible Supply Chain Social Impact Social Impact > Our Approach Social Impact > Manitoba Social Impact > Peru Social Impact > Arizona</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
------------	---	-----------	---------------------------------

G4-EC7	<p>Development and impact of infrastructure investments and services supported</p> <p>Story > A Foundation for Rewarding Community Relationships Our Company > CEO Message Social Impact > Manitoba Social Impact > Peru Social Impact > Arizona</p>	No	
---------------	--	-----------	--

G4-EC8	<p>Significant indirect economic impacts, including the extent of impacts</p> <p>CSR Approach > Responsible Supply Chain Social Impact Social Impact > Manitoba Social Impact > Peru Social Impact > Arizona</p>	No	
---------------	---	-----------	--

Aspect: Procurement Practices

DMA	<p>Disclosure of Management Approach</p> <p>CSR Approach > Responsible Supply Chain</p>	No	1, 3, 4, 9, 10, 11
------------	---	-----------	---------------------------

Specific Standard Disclosures		External Assurance	Impact Boundaries
G4-EC9	<p>Proportion of spending on local suppliers at significant locations of operation</p> <p>CSR Approach > Responsible Supply Chain Social Impact > Manitoba Social Impact > Peru Social Impact > Arizona</p>	No	

ENVIRONMENTAL

Specific Standard Disclosures		External Assurance	Impact Boundaries
Aspect: Water			
DMA	<p>Disclosure of Management Approach</p> <p>Environment > Our Approach Environment > Manitoba Environment > Peru Environment > Arizona</p> <p>CDP Website</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	3, 6, 8, 11
G4-EN8	<p>Total water withdrawal by source</p> <p>CSR Performance Data</p>	No	
G4-EN10	<p>Percentage and total volume of water recycled and reused</p> <p>CSR Performance Data</p>	No	

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

Aspect: Biodiversity

DMA	Disclosure of Management Approach Environment > Our Approach Environment > Manitoba Environment > Peru Environment > Arizona Story > Managing Our Impact and Supporting Biodiversity	No	3, 7, 8, 10, 11
------------	---	-----------	------------------------

G4-EN13	Habitats protected or restored CSR Performance Data Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.	No	
----------------	--	-----------	--

MM1	Amount of land disturbed or rehabilitated CSR Performance Data	No	
------------	--	-----------	--

MM2	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 CSR Performance Data	No	
------------	--	-----------	--

G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk CSR Performance Data	No	
----------------	--	-----------	--

Specific Standard Disclosures		External Assurance	Impact Boundaries
Aspect: Effluents and Waste			
DMA	<p>Disclosure of Management Approach</p> <p>Environment > Our Approach</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, 5, 6, 8, 10, 11
G4-EN24	<p>Total number and volume of significant spills</p> <p>CSR Performance Data</p>	No	
MM3	<p>Total amount of overburden, rock, tailings and sludges and their associated risks</p> <p>CSR Performance Data</p>	No	
Aspect: Environmental Grievance Mechanisms			
DMA	<p>Disclosure of Management Approach</p> <p>CSR Approach > Stakeholder Engagement CSR Approach > Materiality Social Impact > Our Approach</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	2, 3, 6, 8, 11
G4-EN34	<p>Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms</p> <p>Social Impact > Our Approach CSR Performance Data</p> <p>Hudbay reports on the main topics raised from grievances and has not segmented those that have been filed, addressed and/or resolved based specifically on environmental impacts.</p>	No	

SOCIAL: LABOUR PRACTICES AND DECENT WORK

Specific Standard Disclosures		External Assurance	Impact Boundaries
Aspect: Employment			
DMA	<p>Disclosure of Management Approach</p> <p>Our People Our People > Our Approach</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, 3, 5, 11
G4-LA1	<p>Total number and rates of new employee hires and employee turnover by age group, gender and region</p> <p>CSR Performance Data</p>	No	
G4-LA2	<p>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</p> <p>CSR Performance Data</p>	No	
Aspect: Labour/Management Relations			
DMA	<p>Disclosure of Management Approach</p> <p>Our People Our People > Our Approach</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, 3, 5, 11
G4-LA4	<p>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements</p> <p>Our People > Our Approach CSR Performance Data</p>	No	

Specific Standard Disclosures		External Assurance	Impact Boundaries
MM4	<p>Number of strikes and lock-outs exceeding one week's duration, by country</p> <p>CSR Performance Data</p>	No	
Aspect: Occupational Health and Safety			
DMA	<p>Disclosure of Management Approach</p> <p>Our People > Our Approach Website > Environmental Health and Safety Policy</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, 5, 6, 7, 8, 9, 10, 11
G4-LA5	<p>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</p> <p>CSR Performance Data</p>	No	
G4-LA6	<p>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</p> <p>Our People CSR Performance Data</p> <p>Hudbay does not currently track gender-specific data relating to this disclosure as it is not applicable to our company.</p>	No	

SOCIAL: HUMAN RIGHTS

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

Aspect: Non-Discrimination

DMA	Disclosure of Management Approach	No	1, 5, 11
------------	--	-----------	-----------------

[CSR Approach > Human Rights and Security](#)
[Our People > Our Approach](#)

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	Total number of incidents of discrimination and corrective actions taken	No
---------------	---	-----------

[CSR Performance Data](#)

Aspect: Freedom of Association and Collective Bargaining

DMA	Disclosure of Management Approach	No	1, 5, 8
------------	--	-----------	----------------

[Our People > Our Approach](#)

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	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	No
---------------	---	-----------

[Our People > Our Approach](#)

Specific Standard Disclosures		External Assurance	Impact Boundaries
Aspect: Security Practices			
DMA	Disclosure of Management Approach CSR Approach > Human Rights and Security Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.	No	1, 2, 3, 11
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations CSR Performance Data	No	
Aspect: Indigenous Rights			
DMA	Disclosure of Management Approach CSR Approach > Human Rights and Security CSR Approach > Stakeholder Engagement Social Impact > Story > Benchmarking Hudbay's Efforts in Aboriginal Inclusion Social Impact > Our Approach Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.	No	3, 7, 8, 10, 11
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken Note: There were 0 violations in 2015.	No	
MM5	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 CSR Performance Data	No	

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

Aspect: Human Rights Grievance Mechanisms

DMA	<p>Disclosure of Management Approach</p> <p>CSR Approach > Human Rights and Security CSR Approach > Stakeholder Engagement CSR Approach > Materiality Social Impact > Our Approach</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	2, 3, 4, 7, 8, 9, 10, 11
------------	---	-----------	---------------------------------

G4-HR12	<p>Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms</p> <p>CSR Performance Data</p> <p>Hudbay reports on the main topics raised from grievances and has not segmented those that have been filed, addressed and/or resolved based specifically on human rights impacts.</p>	No	
----------------	---	-----------	--

SOCIAL: SOCIETY

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

Aspect: Local Communities*

MM6	<p>Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples</p> <p>CSR Performance Data</p>	No	
------------	---	-----------	--

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

MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes CSR Performance Data	No
-----	--	----

Aspect: Anti-Corruption

DMA	Disclosure of Management Approach Our Company > Business Conduct CSR Approach > Responsible Supply Chain Our People > Our Approach Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.	No	1, 2, 6, 8, 9
-----	--	----	---------------

G4-SO4	Communication and training on anti-corruption policies and procedures CSR Performance Data	No
--------	--	----

Aspect: Grievance Mechanisms for Impacts on Society

DMA	Disclosure of Management Approach CSR Approach > Human Rights and Security CSR Approach > Stakeholder Engagement CSR Approach > Materiality Social Impact > Our Approach Note: We re-evaluate our management approach every three years as part of our materiality review process, which was last conducted in 2014.	No	1, 3, 5, 6, 11
-----	--	----	----------------

Specific Standard Disclosures		External Assurance	Impact Boundaries
G4-SO11	<p>Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms</p> <p>CSR Performance Data</p> <p>Hudbay reports on the main topics raised from grievances and has not segmented those that have been filed, addressed and/or resolved based specifically on impacts on society.</p>	No	
Aspect: Artisanal and Small-Scale Mining*			
MM8	<p>Number and percentage of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site, the associated risks and the actions taken to manage and mitigate these risks</p> <p>CSR Performance Data</p>	No	
Aspect: Resettlement			
DMA	<p>Disclosure of Management Approach</p> <p>Social Impact > Our Approach</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	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>CSR Performance Data</p>	No	
Aspect: Closure Planning			
DMA	<p>Disclosure of Management Approach</p> <p>Social Impact > Our Approach</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, 7, 8, 10

Specific Standard Disclosures

External Assurance **Impact Boundaries**

MM10	Number and percentage of operations with closure plans	No
	CSR Performance Data	

** Aspect is not material but is included in the Mining and Minerals Sector Disclosure.*

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 third year in which we've combined our annual report and our corporate social responsibility (CSR) report. We believe that social performance is as important as financial and operating performance and that combining the reports presents a truly representative account of the Company's activities in 2016.

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, 2016, on February 22, 2017. 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 13th year that we have produced a CSR report, and this is our ninth report based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. Our most recent previous report was released in May 2016. This report contains standard disclosures from the GRI G4 guidelines, prepared largely in accordance with the Core option.

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 2016 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 Data](#) section of this report.

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 mine and Rosemont 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 the Manitoba sites and projects contained in this annual report has been approved by Robert Carter, P. Eng, Hudbay's Lalor Mine Manager. 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 the company's material properties as filed by Hudbay on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking information within the meaning of applicable Canadian and United States securities legislation. All information contained in this annual 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 annual report is qualified by this cautionary note.

Forward-looking information includes, but is not limited to, production, cost and capital and exploration expenditure guidance, anticipated production at the company’s mines and processing facilities, the anticipated timing, cost and benefits of developing the Rosemont project, Pampacancha deposit and Lalor growth projects, anticipated mine plans, anticipated metals prices and the anticipated sensitivity of the company’s financial performance to metals prices, events that may affect its operations and development projects, the permitting, development and financing of the Rosemont project, the potential to increase throughput at the Stall mill and to refurbish the New Britannia mill and utilize it to process ore from the Lalor mine, 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 scheduled maintenance and availability of Hudbay’s processing facilities;
- the sustainability and 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 all forms of energy and fuels 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, governmental and joint venture partner 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 permitting, development and economics of the Rosemont project and related legal challenges), risks related to the maturing nature of the 777 and Reed mines and their impact on the related Flin Flon metallurgical complex, dependence on key personnel and employee and union relations, risks related to the schedule for mining the Pampacancha deposit (including the timing and cost of acquiring the required surface rights), risks related to the cost schedule and economics of the capital projects intended to increase processing capacity for Lalor ore, risks related to political or social unrest or change, 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, compliance with government and environmental regulations, including permitting requirements and anti-bribery legislation, depletion of Hudbay’s reserves, volatile financial markets that may affect Hudbay’s ability to obtain additional financing on acceptable terms, 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 annual 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 annual 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 U.S. issuers.

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@hubbay.com.

For CSR matters, please contact David Clarry, Vice President, Corporate Social Responsibility, 416 362-7364, david.clarry@hubbay.com.

Annual and Special Meeting of Shareholders

May 4, 2017, 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

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

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