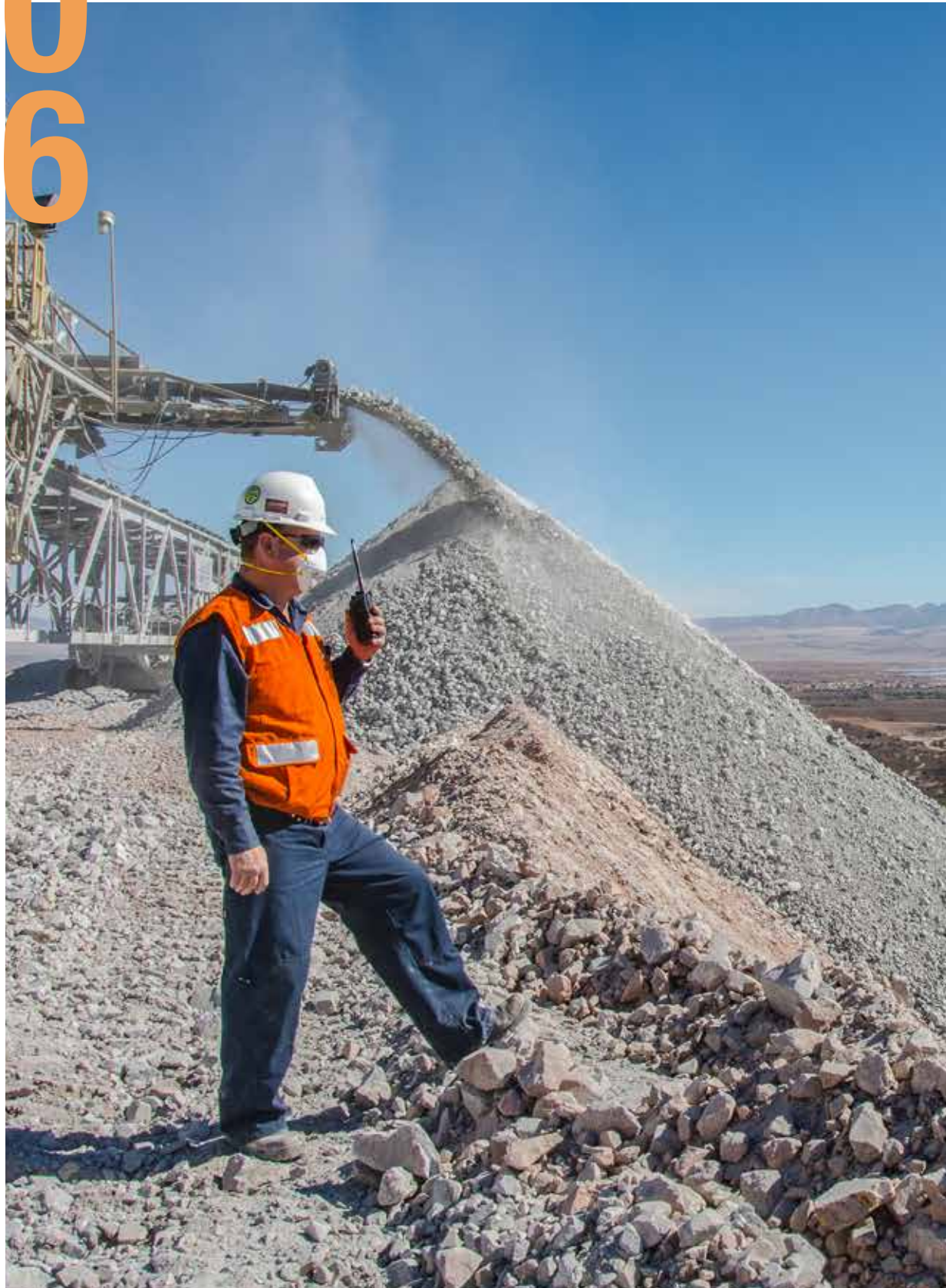




ANNUAL REPORT

# WHOLLY SOLID

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## STATEMENT OF RESPONSIBILITY

“To the best of our knowledge this document contains truthful and sufficient information regarding the development of the business of Southern Copper Corporation (“SCC”) during 2016. SCC takes responsibility for its contents according to applicable requirements”.



ANDRES FERRERO G.

Assistant Secretary



RAÚL JACOB RUISÁNCHEZ

Vice-President Finance and  
Chief Financial Officer

**CONVERSION INFORMATION:** All tonnages in this annual report are metric tons unless otherwise noted. To convert to short tons, multiply by 1.102. All distances are in kilometers, to convert to miles, multiply by 0.62137. All ounces are troy ounces. U.S. dollar amounts represent either historical dollar amounts, where appropriate, or U.S. dollar equivalents translated in accordance with generally accepted accounting principles in the United States. “SCCO”, “SCC”, “Southern Copper” or the “Company” includes Southern Copper Corporation and its consolidated subsidiaries.

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Sunset in La  
Caridad, Sonora,  
Mexico.



## LETTER TO SHAREHOLDERS

2016 has been a truly remarkable year for Southern Copper: our Company record production of copper portrays the successful culmination of our first stage strategic growth plan executed to increase our production from 479,000 tons in 2010 to 900,000 tons in 2016.

We are extremely pleased with our growth initiatives, particularly the \$3.5 billion brownfield expansion of Buenavista in Mexico, swiftly and efficiently executed amidst a highly volatile and challenging commodities market environment, and which has become today a world-class copper mine with leading production, the largest reserves and one of the lowest cash cost.

At the same time, during 2016, SCC has become the highest margin copper producer globally. A keen and continued focus on operating efficiency and optimization have reduced our cash costs, after credits for by-products, to achieve \$0.95 per pound produced in 2016.

Southern Copper is uniquely positioned to continue delivering enhanced performance, sustainable growth and superior value. Our best-in-class low cost operations, coupled with a large, high-quality reserve base in investment grade jurisdictions, continues to offer highly attractive growth opportunities. Our robust capital structure and strong cash-flow generation provide the financial and strategic flexibility required for its execution.

The year 2017 will be the starting point of a new strategic plan: we will grow copper production capacity to exceed the 1 million ton milestone by mid-2018, and by 2023 we expect to reach 1.5 million copper tons." We are convinced that we can do it.

Our copper reserves exceed 71 million tons of copper content, giving us a 59-year mine life expectancy at the current production rate. We believe that SCC is the best company in its class in generating cash flow despite the cycle of low copper prices. In addition, we have solid balance sheets that provide great financial flexibility for the continuous growth that we have projected. We also have the best portfolio of Profitable Growth Projects: Copper Production from 900,000 tons to 1.5 million tons, representing a growth of more than 66%.

#### 4

Over the next seven years, we expect to increase production organically: In our Peruvian operations we expect: i) Toquepala, annual increase in copper production from 100,000 tons to 217,000 tons in 2018 and 260,000 tons in 2019 and 3,100 tons of molybdenum per year. (ii) Develop the Tia Maria project (with a production capacity of 120,000 tons of SW-EW copper per year) and Los Chancas project, which will be a combined SW-EW and concentrator operation with a production capacity of 100,000 tons of copper and 4,500 tons of molybdenum. Both mines will be open pit.

In Mexico we plan to develop the following open pit mines: i) Pillars, which will take advantage of the infrastructure of La Caridad mine. li) El Pilar will produce SW-EW copper, each one with a production capacity of 35,000 tons per year. lii) The Arc will be a combined SW-EW and concentrator operation with a copper production of 200,000 tons per year and a significant production of by-product of gold of 105,000 ounces per year. lv) Buenavista Zinc with a production capacity of 60,000 tons of zinc per year.

The \$ 3.5 billion investment program in Mexico has been executed optimally. The Buenavista program it is being completed on time and \$100 million below our budget, including the Crushing, Conveying and Spreading System for Leachable Ore (Quebalix IV). These projects will start operating during 2017 and they have as main objective to reduce processing time, as well as the costs of mining and hauling costs. Also, production will be increased by improving SW-EW copper recovery. The installed transport system is operating continuously. The project has reached a 99% advance and \$ 285.7 million has been invested from a budget of \$ 444.2 million.

In Peru we are working on five copper projects with a total capital investment of \$2.9 billion. The Toquepala Expansion Project, with a \$1.2 billion investment, includes a new-state-of-the-art concentrator which will increase annual copper production by 100,000 tons to 217,000 tons in 2018 and 260,000 tons in 2019, and will also increase annual molybdenum production by 3,100 tons. Through December 31, 2016, we have invested \$550.4 million in the project. The project has reached a 53% progress and is expected to be completed in the second quarter of 2018. Other projects are: i) Toquepala High Pressure Grinding Roll (HPGR) System, which will ensure that our existing concentrator will operate at its maximum capacity of 60,000 tons per day, even with an increase of the ore material hardness index. (ii) Cuajone's Heavy Mineral Management Optimizing Project, which consists of installing a primary crusher at the Cuajone mine pit, with conveyor system for moving the ore to the concentrator. The project aims to optimize the hauling



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**Mining  
Operations,  
Southern Copper  
Corporation.**



process by replacing rail haulage, thereby reducing operating and maintenance costs, as well as environmental impact. It is expected to be completed in the second quarter of 2017. (iii) Cuajone tailing thickener project, which will replace two of the three existing thickeners with a new hi-rate thickener in order to optimize the concentrator flotation process and improve water recovery efficiency, increasing the tailings solid content from 54% to 61%, thereby reducing fresh water consumption and replacing it with recovered water. We expect the project to be completed in the second quarter of 2017. iv) In relation to the Tia Maria project, we are currently working to obtain the construction license.

We believe that Southern Copper has solid foundations that guarantee its business success, as well as a proper return that allows us to finance - simultaneously - both

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**Panoramic view of Buenavista del Cobre mine, Sonora, Mexico**

6







the development of productive projects and important social programs that we execute in each of the countries where we are present, benefiting neighboring towns to our operational areas.

On behalf of Southern Copper Corporation's Board, we express our thanks to all our personnel for their effort, hard work and dedication, to our clients for their continued trust and loyalty, and to you, our shareholders, for your permanent support.

**GERMAN LARREA MOTA VELASCO**

CHAIRMAN OF THE BOARD

**OSCAR GONZALEZ ROCHA**

PRESIDENT AND CHIEF EXECUTIVE OFFICER



# PRODUCTION STATISTICS

## Southern Copper Corporation and Subsidiaries. Five-year Production Statistics

		2016	2015	2014	2013	2012
<b>Copper production Mines</b>						
	(tons)					
Mined Material	(thousand)	742,935	<b>764,532</b>	758,965	<b>641,456</b>	568,428
Copper in concentrates		715,360	<b>569,072</b>	532,291	<b>498,361</b>	516,572
Copper SX/EW		184,595	<b>173,921</b>	144,308	<b>118,658</b>	121,107
Total Copper		899,955	<b>742,993</b>	676,599	<b>617,019</b>	637,679
Molybdenum in concentrates		21,736	<b>23,347</b>	23,120	<b>19,897</b>	18,297
Zinc in concentrates		73,984	<b>61,905</b>	66,614	<b>99,372</b>	89,884
Silver in concentrates	(thousand ounces)	16,172	<b>13,288</b>	12,992	<b>13,513</b>	13,644
<b>Smelter/refineries production</b>						
Copper		591,339	<b>597,945</b>	561,939	<b>545,082</b>	558,998
Zinc		106,093	<b>100,576</b>	92,133	<b>97,692</b>	93,542
Silver	(thousand ounces)	15,196	<b>13,638</b>	13,348	<b>15,572</b>	13,867
<b>Toquepala</b>						
Mined Material	(thousand)	209,064	<b>193,013</b>	211,202	<b>169,808</b>	173,927
Copper in concentrates		116,525	<b>119,427</b>	114,828	<b>110,691</b>	120,108
Molybdenum in concentrates		6,324	<b>7,924</b>	6,100	<b>4,662</b>	4,468
<b>Cuajone</b>						
Mined Material	(thousand)	175,009	<b>191,651</b>	182,812	<b>173,277</b>	154,091
Copper in concentrates		171,448	<b>178,187</b>	178,337	<b>168,582</b>	158,793
Molybdenum in concentrates		3,926	<b>4,444</b>	4,001	<b>3,133</b>	2,861
<b>Smelter/refineries in Peru</b>						
SX/EW		24,880	<b>24,167</b>	25,675	<b>28,400</b>	32,194
Smelt concentrates		1,070,588	<b>1,143,682</b>	1,022,536	<b>1,072,826</b>	996,592
Blister produced		929	<b>2,800</b>	-	<b>1,670</b>	32,843
Anode produced		322,567	<b>338,893</b>	303,939	<b>322,637</b>	265,213
Cathode produced		270,183	<b>280,587</b>	257,926	<b>271,035</b>	215,666
<b>Mexicana de Cobre - Caridad</b>						
Mined Material	(thousand)	98,435	<b>94,283</b>	91,454	<b>88,595</b>	86,632
Copper in concentrates		104,949	<b>103,861</b>	101,062	<b>96,863</b>	97,847
Molybdenum in concentrates		9,911	<b>10,040</b>	10,800	<b>11,742</b>	10,968

	2016	2015	2014	2013	2012
<b>Buenavista</b>					
Mined material (thousand)	257,395	<b>282,954</b>	271,026	<b>206,710</b>	150,871
Copper in concentrates	140,661	<b>142,025</b>	132,853	<b>115,813</b>	133,966
<b>Smelter/Refineries in Mexico</b>					
SX/EW	159,715	<b>149,754</b>	118,633	<b>90,258</b>	88,913
Smelt concentrates	1,004,829	<b>933,403</b>	926,427	<b>722,597</b>	904,311
Anode produced	267,843	<b>256,252</b>	258,000	<b>220,775</b>	260,941
Cathode produced	224,158	<b>213,360</b>	204,302	<b>188,005</b>	213,734
Rod produced	144,516	<b>138,180</b>	129,078	<b>126,800</b>	120,791
<b>Underground Mines</b>					
Contents in concentrates (tons)					
Zinc	73,984	<b>61,905</b>	66,614	<b>99,372</b>	89,884
Lead	24,385	<b>20,693</b>	22,286	<b>23,918</b>	19,978
Copper in concentrates	6,428	<b>5,593</b>	5,211	<b>6,412</b>	5,858
Silver (thousand ounces)	5,622	<b>4,995</b>	4,945	<b>6,170</b>	5,974
Gold (thousand ounces)	6,420	<b>4,697</b>	4,857	<b>5,493</b>	5,210



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Buena Vista del  
Cobre, Sonora,  
Mexico

# COPPER RESERVES

THE FINANCIAL STRENGTH OF THE COMPANY ALLOWS IT  
**CONTINUOUS GROWTH.** DURING 2016, SOUTHERN COPPER  
CORPORATION HAD A SOLID BALANCE.





SX-EW III Plant  
Buenvista del Cobre, Sonora, Mexico.



## SOUTHERN COPPER CORPORATION AND SUBSIDIARIES COPPER RESERVES

We believe we hold the world's largest copper reserve position. At December 31, 2016, our copper ore reserves, calculated at a copper price of \$2.90 per pound, totaled 71.4 million tons of contained copper (In 2016, the average LME and COMEX per pound copper prices were \$2.21 and \$2.20, respectively), our internal ore reserve estimation value is as follows:

### COPPER CONTAINED IN ORE RESERVES (Thousand tons)

Mexican open-pit:		32,523
Peru operations		24,237
IMMSA		229
Development projects		14,392
Total		71,381

For more information on ore reserves refer to "Internal Ore Reserves Estimates", on page 60 in our 2016 Form 10-K.

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Casa Grande integrates with  
the communities nearby to its  
operations.





# SOUTHERN COPPER CORPORATION AND SUBSIDIARIES

## Five-Year Selected Financial and Statistical Data For the years ended December 31

(in millions, except per share amounts, employee data and stock and financial ratios)	2016	2015	2014	2013	2012
<b>Consolidated Statement of Earnings</b>					
Net sales	\$ 5,379.8	<b>\$ 5,045.9</b>	\$ 5,787.7	<b>\$ 5,952.9</b>	\$ 6,669.3
Operating costs and expenses	3,815.6	<b>3,631.5</b>	3,555.0	<b>3,420.8</b>	3,560.4
Operating income	1,564.2	<b>1,414.4</b>	2,232.7	<b>2,532.1</b>	3,108.9
Net income attributable to Non-controlling interest	2.3	<b>4.7</b>	4.9	<b>5.7</b>	6.7
<b>Net earnings attributable to SCC</b>					
	\$ 776.5	<b>\$ 736.4</b>	\$ 1,333.0	<b>\$1,618.5</b>	\$1,934.6
Per share amount:					
Earnings basic and diluted	\$ 1.00	<b>\$ 0.93</b>	\$ 1.61	<b>\$ 1.92</b>	\$ 2.28
Dividends paid	\$ 0.18	<b>\$ 0.34</b>	\$ 0.46	<b>\$ 0.68</b>	\$ 4.06
<b>Consolidated Balance Sheet</b>					
Cash and cash equivalents	\$ 546.0	<b>\$ 274.5</b>	\$ 364.0	<b>\$1,672.7</b>	\$2,459.5
Total assets	13,234.3	<b>12,593.2</b>	11,393.9	<b>10,970.0</b>	10,357.8
Total debt	5,954.2	<b>5,951.5</b>	4,180.9	<b>4,178.9</b>	4,188.0
Total equity	\$ 5,870.9	<b>\$ 5,299.2</b>	\$ 5,836.6	<b>\$5,561.8</b>	\$4,789.1
<b>Consolidated Statement of Cash Flows</b>					
Cash provided by operating activities	\$ 923.1	<b>\$ 879.8</b>	\$ 1,355.9	<b>\$ 1,859.1</b>	\$ 2,004.0
Dividends paid	139.3	<b>271.2</b>	381.0	<b>573.8</b>	3,140.0
Capital investments	1,118.5	<b>1,149.6</b>	1,529.8	<b>1,703.3</b>	1,051.9
Depreciation, amortization and depletion	\$ 647.1	<b>\$ 510.7</b>	\$ 445.0	<b>\$ 396.0</b>	\$ 325.7
<b>Capital Stock</b>					
Common shares outstanding – basic and diluted	773.0	<b>775.9</b>	812.6	<b>835.3</b>	845.6
NYSE price – high	\$ 34.98	<b>\$ 33.14</b>	\$ 33.54	<b>\$ 41.96</b>	\$ 38.94
NYSE price – low	\$ 22.29	<b>\$ 24.40</b>	\$ 26.08	<b>\$ 24.78</b>	\$ 28.16
Book value per share	7.54	<b>6.78</b>	7.14	<b>6.62</b>	5.64
P/E ratio	31.82	<b>28.19</b>	17.52	<b>14.95</b>	16.60
<b>Financial Ratios</b>					
Current assets to current liabilities	2.57	<b>2.70</b>	2.07	<b>4.36</b>	5.00
Net debt as % of Net capitalization <sup>(1)</sup>	47.7%	<b>48.9%</b>	37.3%	<b>29.2%</b>	25.0%
Employees (at year end)	13,414	<b>13,024</b>	12,735	<b>12,665</b>	12,085

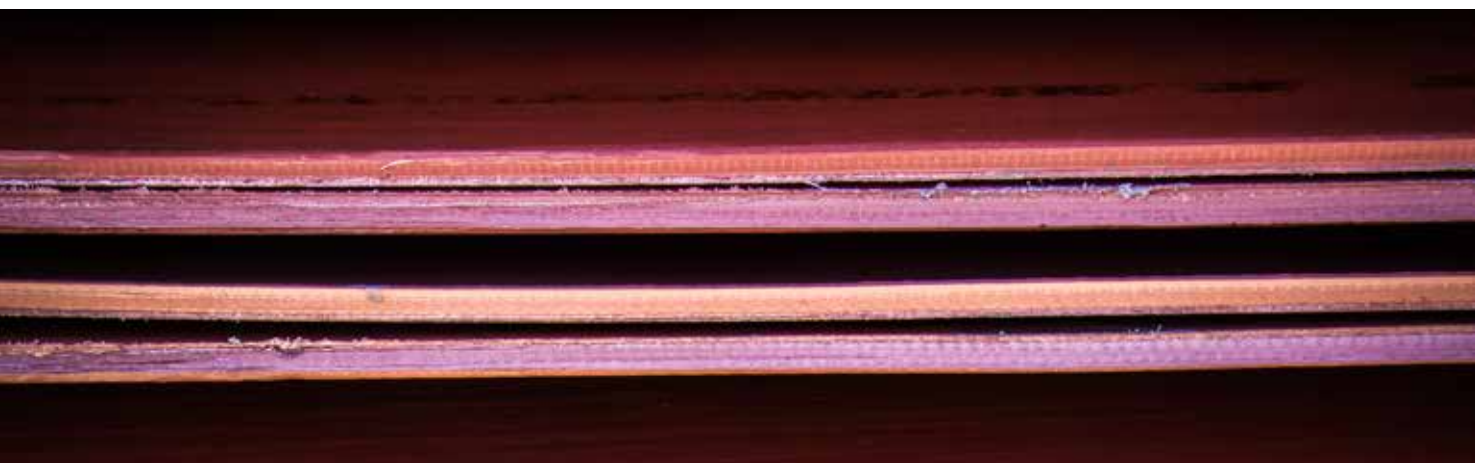
<sup>(1)</sup> Represents net debt divided by net debt plus equity. Net debt is defined as total debt minus cash, cash equivalents and short-term investments balance.



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Copper cathodes “Grade A” which are traded in the world market.

# Capital Expenditures and Exploration (Expansion and Modernization)





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**Panoramic view,  
Buenavista del Cobre,  
Sonora, Mexico.**

## **CAPITAL EXPENDITURES AND EXPLORATION**

We made capital investments of \$1,118.5 million in 2016, \$1,250.0 million in 2015 (including the El Pilar acquisition) and \$1,529.8 million in 2014. In general, the capital investments and projects described below are intended to increase production, decrease costs or address social and environmental commitments.

This is 2.7% lower than in 2015, and represented 144% of net income. Our growth program to develop the full production potential of our Company is underway. In addition, the Buenavista expansion program is largely completed.

For 2017, the Board of Directors approved a capital investment program of \$1,105.2 million. The year 2017 will be the starting point of a new strategic plan: we will grow copper production capacity

**DURING 2016, 2015 AND 2014,  
CAPITAL INVESTMENTS OF  
SOUTHERN COPPER RAISED UP  
TO \$3,898.3 MILLION.**

to exceed the one million ton milestone by mid-2018, and by 2023 we expect to reach 1.5 million copper tons.

In addition to our ongoing capital maintenance and replacement spending, our principal capital programs include the following:

**PROJECTS IN MEXICO:**

**Buenavista Projects—Sonora:** The Buenavista program is being completed on time and \$100 million below our budget, including the crushing, conveying and spreading system for leachable ore project (Quebalix IV). This project will reduce processing time as well as mining and hauling costs, increasing production by improving SX-EW copper recovery. The installed conveyor system is operating steadily. The project has reached 99% progress and \$285.7 million have been invested as of December 31, 2016 from a budget of \$444.2 million.

**PROJECTS IN PERU:**

We are currently working on five copper projects in Peru with a total capital investment for these projects of \$2,900 million.

**Toquepala Concentrator Expansion Project—Tacna:** This \$1.2 billion project includes a new state-of-the-art concentrator which will increase annual copper production by 100,000 tons to 217,000 tons in 2018 and 260,000 tons in 2019, and will also increase annual molybdenum production by 3,100 tons. Through December 31, 2016, we have invested \$550.4 million in the project. The project has reached 53% progress and is expected to be completed in the second quarter of 2018.

Drilling for mining operations.



The project to improve the crushing process at Toquepala with the installation of a High Pressure Grinding Roll (HPGR) system, has as its main objective, to ensure that our existing concentrator will operate at its maximum milling capacity of 60,000 tons per day, even with an increase of the ore material hardness index. Additionally, recoveries will be improved and production enhanced with a better ore crushing. The budget for this project is \$40 million and as of December 31, 2016, we have invested \$21.9 million in this project. We expect that it will be completed by the fourth quarter of 2017.



**Cuajone Projects—Moquegua:** The Heavy Mineral Management Optimizing Project consists of installing a primary crusher at the Cuajone mine pit with a conveyor system for moving the ore to the concentrator. The project aims to optimize the hauling process by replacing rail haulage, thereby reducing operating and maintenance costs as well as the environmental impact of the Cuajone mine. The crusher will have a processing capacity of 43.8 million tons per year. The main components, including the crusher and the seven kilometer overland conveyor belt, have been acquired and we are well underway with electromechanical assembly. As of December 31, 2016, we have invested \$150.9 million in this project out of the approved capital budget of \$215.5 million. The project has reached 80% progress and is expected to be completed by the second quarter of 2017.

The Cuajone tailing thickeners project at the concentrator will replace two of the three existing thickeners with a new hi-rate thickener. The purpose is to streamline the concentrator flotation process and improve water recovery efficiency, increasing the tailings solids content from 54% to 61%, thereby reducing fresh water consumption and replacing it with recovered water. As of December 31, 2016, we have almost completed the engineering and procurement process and have started the excavation and civil works. We have invested \$14.4 million in this project out of the approved capital budget of \$30 million. The project has reached 62% progress and we expect it to be completed by the second quarter of 2017.

**Tailings disposal at Quebrada Honda—Moquegua:** This project increases the height of the existing Quebrada Honda dam to impound future tailings from the Toquepala and Cuajone mills and will extend the expected life of this tailings facility by 25 years. The first stage and construction of the drainage system for the lateral dam is finished. We finished the engineering and procurement is in progress. In order to improve and increase the dam's embankment, we have assigned a construction contractor to install a new cyclone battery station that will allow us to place more slurry at the dams. The project has a total budgeted cost of \$116.0 million. We have invested \$71.7 million through December 31, 2016 and expect the project to be completed by the second quarter of 2018.



—  
Mills in Cujone Concentrator  
Moquegua, Peru.



# Community Outreach



Ite wetlands, Moquegua,  
Peru.



**SOUTHERN COPPER IS  
A LEADING COMPANY,  
WHICH INNOVATES,  
IT IS EFFICIENT AND  
WORKS SO THAT ITS  
OPERATIONS HAVE MORE  
AND BETTER RESULTS.**

## **ENVIRONMENTAL AND SOCIAL MEASURES**

Southern Copper Corporation is committed to generate the greatest value for our stakeholders, aligned with our business objectives. In this regard, we seek to achieve an increasingly responsible operation in the social, economic and environmental fields, considering the expectations of our stakeholders and aiming at the sustainability of the organization over time, to continue contributing directly and indirectly with the development of the country.

Our business goal is the Meaningful Development, with which we align our investments and the distribution of economic value, from the strengthening of the environment, from the human and environmental point of view among our employees, communities and other stakeholders. We do our best every day to consolidate the confidence they have in us, making them participants in management, communicating our performance and listening to their expectations, in order to create share value together.

**IN 2016, 4 UNITS WERE GRANTED THE  
ISO 14001:2004. THESE TOGETHER  
WITH THE 22 CLEAN INDUSTRY  
AND ENVIRONMENTAL QUALITY  
CERTIFICATIONS.**

## **OUR ENVIRONMENTAL COMMITMENT**

We maintain an ongoing commitment to advance in harmony with the challenges of expansion and modernization of the industry in which we participate. In this sense, we not only seek regulatory compliance, we also operate under the best environmental practices, in order to always achieve optimum environmental performance, to identify, evaluate and mitigate the impacts generated by our activities on the environment.

To do this, we have strategies that meet the specific environmental needs of each region in which we operate, and use an environmental management system that we have developed, with the following 9 lines of action.

These lines of action are carried out in compliance with international and local certifications that rule our operating units in countries where we are present.

In 2016, four of our units were granted the ISO 14001: 2004. These certifications, together with the 16 Clean Industry certifications and 6 Environmental Quality certifications, are the result of the efforts of all our employees and a comprehensive application of our environmental practices.

## IN HARMONY WITH THE ENVIRONMENT IN DETAIL

1. Responsible use of water and natural resources

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2. Prevention, control and reduction of air emissions

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3. Efficient use of energy

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4. Reduction of GHG emissions per ton produced

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5. Reduction in waste generation and integrated management

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6. Mine closure

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7. Biodiversity conservation

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8. Reforestation

---

9. Compliance with environmental regulations

## ENVIROMENTAL EXPENDITURES

(MILLION DOLLAR)

	SCC
Air	\$ 97.26
Ground	\$ 93.99
Waste	\$ 40.35
Biodiversity	\$ 3.86
Management	\$ 7.46
Water	\$ 14.88
Total	\$ 257.80

## ENERGY AND CLIMATE CHANGE

At SCC we are aware of the effects of climate change and its impact on our operations, so, by anticipating an increase in the probability of occurrence of extreme weather events such as hurricanes, droughts, floods and fires, we have identified potential risks from global warming. In addition to the risks arising from the increase in global temperature of the planet, we also face the impact of new environmental policies and regulations being adopted by governments of all countries.

Given these challenges, we are taking measures, which include:

- Using energy more efficiently.
- Diversifying our energy matrix.
- Developing and using renewable energy sources.
- Increasing the level of electric power self-sufficiency.
- Promoting efforts to capture greenhouse gases.

At SCC we have set a target to produce more with less, implementing energy efficiency initiatives in accordance with best practices. Therefore, we work on the redesign, conversion and adaptation of equipment, process improvement and reorganization, and training our employees to optimize energy use, making strong investments in this regard.

Accordingly, we are diversifying our sources of generation of clean, renewable energy for our supply. Our operations in Mexico have decreased their indirect greenhouse gas emissions by consuming clean energy supplied by SCC subsidiaries that generate electric power through its high efficient combined cycle and a wind farm. By replacing traditional sources of energy by more efficient and renewable sources, in 2016 we achieved a mitigation of 210,000 tons of CO<sub>2</sub>eq.

Simultaneously with our environmental policy, we continue to implement actions to maximize the generation of electricity by using our own energy sources. In the case of Mexico, we make use of the smelter gases for the heat recovery boiler to generate energy. In Peru, we generate energy from renewable sources, in particular from two hydroelectric plants with a combined capacity of 130 terajoules.

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**Exterior view of the geodesic dome in Buenavista del Cobre. Its function is storing coarse ore and avoiding dispersion of dust to the environment.**

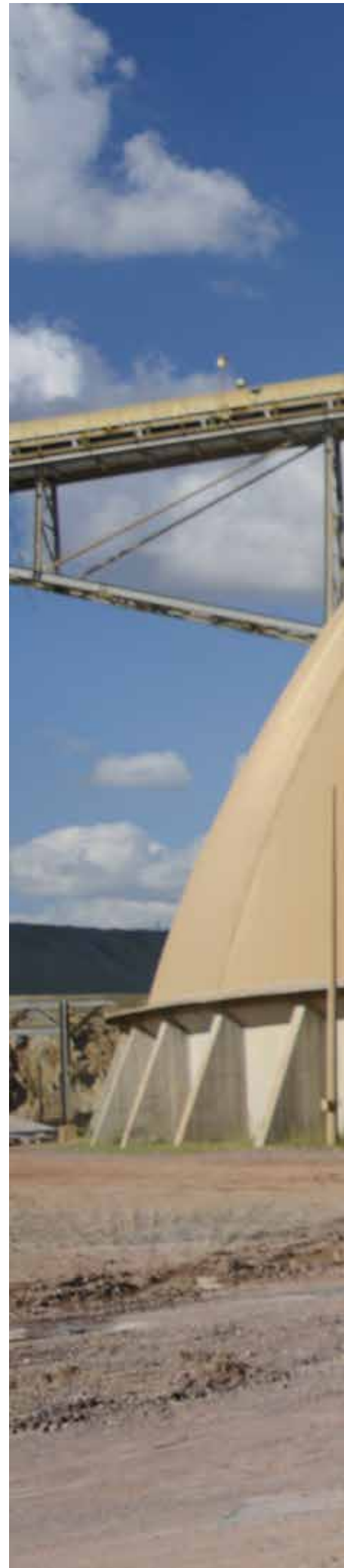
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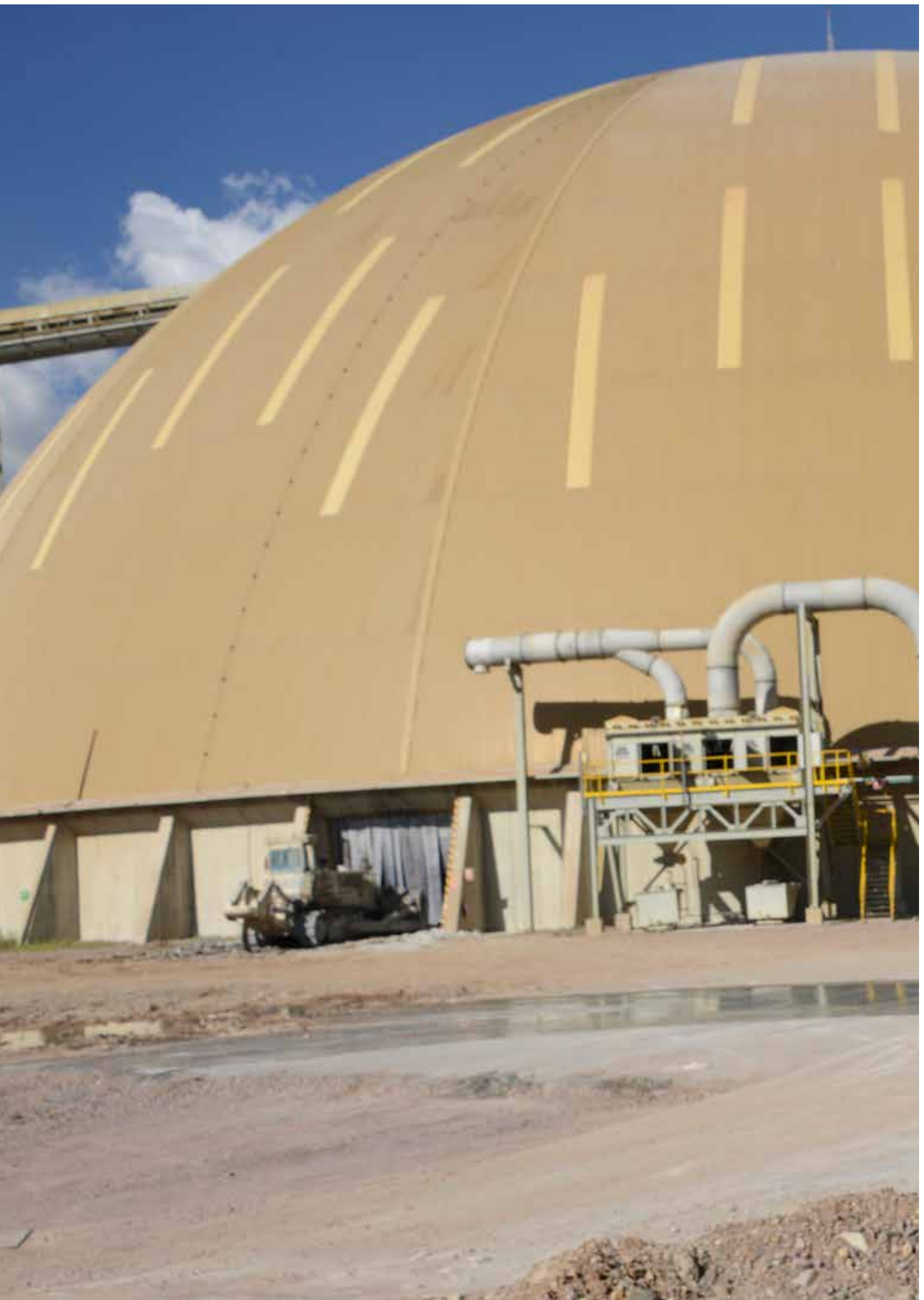
In addition to generating and consuming energy from renewable sources and cleaner fuels, we have also implemented the best practices that have resulted in higher energy efficiency in our operations, including the improvement, redesign, conversion and retrofitting of equipment, the rational use of resources, and the training of personnel to improve their performance during operations.

In the last three years, we have invested more than \$150 million in our Peruvian mining complexes at Cuajone and Toquepala. One of our projects of technological improvement in material transport systems will not only allow us to reduce operating costs, but also the amount of energy consumed and the intensity of emissions per ton produced of product.

Finally, it is important to highlight that in terms of climate change SCC, along with Grupo México, have been working together with non-governmental organizations to contribute in the fight against climate change. Such is the case of Grupo Mexico's first report in 2016 to the Carbon Disclosure Project, through which we have developed and reported our inventory of greenhouse gases at SCC.

With these actions, and others, SCC confirms the commitment to reduce its carbon footprint, meet their implications and enhance our position as a sustainable global company, thereby improving our competitiveness and contributing to shift towards an environmentally friendly economic development.







—  
Reforestation  
program in  
Mexico.

## **BIODIVERSITY**

In our operating units we have forest nurseries and greenhouses whose production of species native to the region are used to reforest and rehabilitate ecosystems, including those areas not adjacent to our operations.

Our reforestation projects provide a double value to the environment. On the one hand, they contribute to biological biodiversity and enrichment of flora and fauna; on the other, they act as carbon sinks, trapping CO<sub>2</sub> from the atmosphere.





As part of our conservation efforts, we have a 5.7 hectare Environmental Management Unit (EMU) that has been developed to replicate the wildlife environment of threatened and endangered species, including the Mexican Gray Wolf and the Turkey Gould, along with other species that are part of our program whose strategy focuses on breeding and release, as well as in the regeneration of their habitat.

The EMU is a clear sign of how we involve the community in the common challenge of protecting our environment, particularly biodiversity of Sonora. This is extensible to the Ecological Path, where the EMU, along 1.8 kilometers, offers educational and recreational activities, being visited by about 5,000 people and an average of 52 schools per year.

In the Peruvian region of Tacna, we continue to make significant environmental investments and conservation measures within the remediation program at the Ite Bay. With an area of 1,600 hectares, this successful program of contaminant removal has resulted in the largest and most diverse coastal waterfowl wetland in the country, and it has become also a tourist attraction that favors economic development.

## **WATER MANAGEMENT**

For our mining operations, water is the most important input, and in order to ensure the sustainability of the resource in areas where we operate, we develop projects to get the greater efficiency in their use, promote reuse and use water discharged by third parties.

The efficient use of water and savings programs are based on the implementation of pumping systems to recover water, continuous water recovery from tailings and thickener processes, implementation and maintenance of closed circuits to use the total volume of process water, and Implementation of the Zero Wastewater Discharge Program, looking for a more efficient management of water resource.

These programs have enabled us to obtain a large proportion of our total water consumption from reclaimed water. In 2016, 71% of total water consumption at our mining operations was reclaimed water, minimizing consumption and demand for fresh water.

**WITH PROJECTS BY CALL, NAMED AS SEED CAPITAL, AND COMMUNITY COMMITTEES, WE ENCOURAGED THE FORMATION OF DEVELOPMENT GENERATORS AND PROACTIVE LEADERS THAT STRENGTHEN THE WELL-BEING IN THEIR COMMUNITIES.**

32

In some of our units, we make use of municipal wastewater treatment utilities, as is the case of our operations in San Luis Potosi (Mexico), so that the availability of fresh water is largely for the local population.

In SCC, being consistent with our commitments, we continue to carry out the environmental and sanitary monitoring of the Sonora and Bacanuchi rivers to ensure the stability of the ecosystem.

## OUR COMMUNITIES

Our model of community development starts with an approach whose main objective is to contribute to generate internal processes of transformation to create opportunities in these communities. This model is implemented through different tools, including, community committees, Casa Grande, social investment fund, calls for projects and corporate volunteer.

We understand social welfare as the synergy of different factors that we aim to strengthen through a multi-strategy, in close dialogue with communities. Therefore we strengthen health, education, culture and sports in each location where we operate.

From community dialogues, where local people are involved, we identify the needs and expectations to prioritize working opportunities, which are channeled through the Casa Grande model. This model consists of own company initiatives materialized through our team of experts, volunteers from the Company, the community, and community centers created as a meeting point, coexistence and building of shared value.

In 2016, we highlight the participation of 10,287 community volunteers who were key to increased social capital in the communities in which we operate. With projects named as seed capital, and summer camps we encouraged the formation of development generators and proactive leaders that strengthen the well-being in their communities. This generates a dynamic of shared responsibility between the company, the society and the environment.

In addition, calls in order to encourage community organizations to submit their own initiatives are made. In 2016, education and environment were established as key themes of work, as well as health and safety and productive development as complementary subjects. Also, for SCC, children and youth are a priority, because we know that giving them special attention, we go beyond the generations that will set the standard in the future. The projects presented in these calls are evaluated by community committees, mixed composed groups in which both, SCC and the community, participate, promoting dialogue and citizen participation.

During 2016, there were 108 active projects in the 16 operational and exploration areas in Mexico. These



The program Casa Grande of Southern Copper provides training workshops to young volunteers of communities next to its operations.

## INVESTING IN COMMUNITY DEVELOPMENT

(Dollars)

PROGRAM	SCC
Community development	
Community development programs social linking	\$ 9,659,918
Sponsorships and donations	\$ 5,789,581
Infrastructure and equipment in neighboring communities	\$ 22,190,200
Employees and communities	
Investment in Education	\$ 1,684,643
Sport and cultural programs	\$ 1,045,327
Investment in town site infrastructure	\$ 13,868,900
<b>Total</b>	<b>\$ 54,238,569</b>

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Casa Grande  
also supports the  
promotion of sport  
among children of  
the close schools.



**IN SOUTHERN COPPER CORPORATION WE  
ARE COMMITTED TO EQUAL OPPORTUNITIES.  
THEREFORE, WOMEN AND MEN ARE IN THE  
CENTER OF OUR ACTIONS TO PROMOTE  
DEVELOPMENT WITH A PURPOSE.**

projects, by call, promote the installation of capacities, and allow us to build our long-term vision and the construction of strategic alliances to strengthen each of the communities in which we are present. An example of this can be the improvement of educational environments and the construction of infrastructure in San Martín, in Zacatecas, or the call “Participate for Cananea”, in Buenavista del Cobre.

In Peru, our commitment to the community focused in three areas: education and capacity building, health and nourishment, and infrastructure and support for the farming industry.

Our operations are located in an area where water is a key resource because it is a region where agriculture and livestock are fundamental parts of the economic dynamic. In this sense, at SCC we seek to deepen the development and self-management capacities of the communities, and for this we contribute to the expansion of water supply infrastructure and projects of irrigation modernization in our neighboring communities in Moquegua and Tacna. An example of this is the work during 2016 for the improvement of the irrigation infrastructure in Torata, in the department of Moquegua. The work included improvement of water reservoirs, installation of pipelines, construction of support walls, and other maintenance work on the water infrastructure.

Supporting women’s entrepreneurial programs is also one of our program goals, thereby creating opportunities for professional development and contributing to strengthen the economy of families. In the Peruvian province of Mariscal Nieto the program of the “Women Entrepreneur of Torata” has

—  
Workers and trucks in  
La Caridad Mine,  
Sonora, Mexico.





become a success case, resulting in the formation of the company Frutylac SAC. The women entrepreneurs of this program are dedicated to the elaboration of canned goods, regional breads and other local products. To expand their horizons, the women of this successful program participated in the International Fair of Tacna FERITAC 2016, exhibiting their achievements and promoting their products of Torata.

Also, we continued with the Forging Future Program aimed at the training and job inclusion of people living in the communities close to our operations, which seeks to improve the employability conditions of the young population in our areas of influence. Since its creation in 2013, 395 young people have been trained in different technical occupations.

Similarly, we are working on the implementation of public infrastructure for the community, and was the first contributor to the Consortium of Companies with Major Investment Commitment, effort awarded in 2016 by the private investment promotion agency, Proinversion. In addition, in collaboration with the various governmental entities in Peru, we seek to develop projects that deliver high social performance and contribute prominently to the development of the regions where we operate.

At Southern Copper Corporation we will keep our commitment to continually improve the quality of life of the communities where we operate, by encouraging community integration structures and collective involvement, which will result in the common good and make people the key agents of development.



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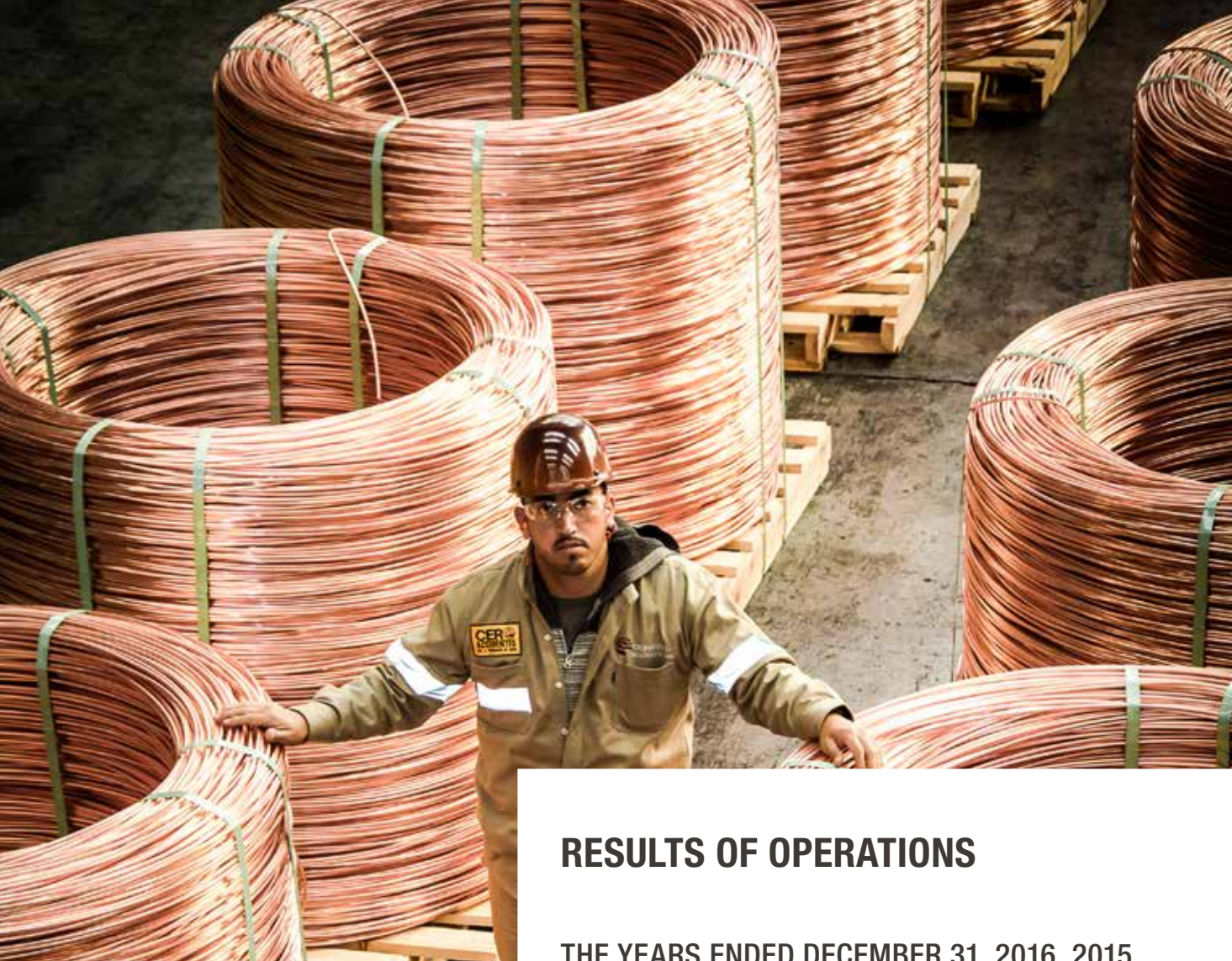
**Progress in the Toquepala Concentrator  
Expansion, Tacna, Peru.**



# Results of Operations

**IN 2016, COPPER PRODUCTION REACHED A NEW HISTORICAL RECORD OF 1,054,414 TONS, WHICH IT MEANS AN INCREASE OF 16% COMPARED TO 2015. THE INCREASE IN LOW-COST PRODUCTION NOT ONLY IMPACTS ON OUR VOLUMES, BUT ALSO HAS A POSITIVE IMPACT IN OUR COST STRUCTURE, STRENGTHENING OUR PRIVILEGED POSITION AS LOW COST PRODUCERS.**





**Wire rod. Nacozari  
Metallurgical Complex,  
Sonora, Mexico.**

**WE ARE THE  
LEADING COMPANY  
IN COSTS OF THE  
INDUSTRY WITH AN  
EXTRACTION COST  
OF US \$ 1.08 PER  
POUND OF COPPER.**

## RESULTS OF OPERATIONS

### THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014.

Our net income attributable to SCC in 2016 was \$ 776.5 million or diluted earnings per share of \$1.00, compared with net income attributable to SCC of \$736.4 million or diluted earnings per share of \$0.93 in 2015, and net income attributable to SCC of \$1,333.0 million or diluted earnings per share of \$ 1.61 in 2014.

The Company presents its operating costs both including and excluding the revenues of its byproducts (molybdenum, silver, sulfuric acid, etc.). Excluded from its calculation of operating cash cost are the cost of purchases of third parties metal, depreciation, amortization and depletion, exploration, workers participation provisions and other items of non-recurring nature, and the royalty charges.

The Company's operating cash cost, as previously defined, for the three years ended December 31, is as follows:

	<b>2016</b>	2015	2014
	(dollar per pound)		
<b>Operating Cash Cost without by-product revenues</b>	<b>1.45</b>	1.65	1.89
<b>Operating Cash Cost with by-product revenues</b>	<b>0.95</b>	1.11	1.07

As seen on the chart above, our 2016 operating cash cost per pound of copper without by-product revenues was \$0.20 per pound lower than in 2015, a decrease of 12.1%. This was due to lower costs per pound from production costs, as a result of higher production at a lower per-unit cost from the Buenavista projects, lower fuel costs and lower costs per pound from selling, general and administrative expenses and inventory change, partially offset by higher treatment and refining charges and premiums.

**Net Sales: 2016-2015:** Net sales in 2016 were \$5,379.8 million, compared to \$5,045.9 million in 2015, an increase of \$333.9 million or 6.6%. The increase was principally the result of higher sales volume of copper (+18.3%) and silver (+18.9%), partially offset by lower prices for copper and molybdenum.

**2015-2014:** Net sales in 2015 were \$5,045.9 million, compared to \$5,787.7 million in 2014, a decrease of \$741.8 million or 12.8%. The decrease was principally the result of lower metal prices, partially offset by an increase in copper and zinc sales volumes, which increased 12.3% and 10.3%, respectively.



Smelter, Ilo, Moquegua, Peru.



Prices: Sales prices for the Company's metals are established, mainly by reference to the prices quoted in the London Metal Exchange (LME) and The New York Commodity Exchange (COMEX), or published in the Platt's Metals Week, for dealer oxide mean prices for molybdenum.

PRICE/VOLUME DATA	2016	2015	2014
<b>Average metal prices</b>			
Copper (per pound - LME)	\$ 2.21	\$ 2.50	\$ 3.11
Copper (per pound - COMEX)	\$ 2.20	\$ 2.51	\$ 3.12
Molybdenum (per pound)	\$ 6.42	\$ 6.59	\$ 11.30
Zinc (per pound - LME)	\$ 0.95	\$ 0.88	\$ 0.98
Silver (per ounce - COMEX)	\$ 17.10	\$ 15.68	\$ 19.04
<b>Sales Volume (in thousands)</b>			
Copper (pounds)	1,923.9	1,625.8	1,448.0
Molybdenum (pounds) <sup>(1)</sup>	47.9	51.2	51.0
Zinc (pounds)	232.4	222.2	201.5
Silver (ounces)	17.2	14.5	14.6

<sup>(1)</sup>The Company's molybdenum production is sold in the form of concentrates. Volume represents pounds of molybdenum contained in concentrates..

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Suches lake,  
Tacna, Peru.



# Environmental <sup>45</sup> matters

WE WORK HARD TO KEEP OUR STAKEHOLDERS INVOLVED IN OUR COMPANY AND MAKE THEM PARTICIPANTS IN MANAGEMENT AND KEEP THEM INFORMED OF OUR PERFORMANCE ALWAYS TAKING INTO ACCOUNT THEIR EXPECTATIONS.





Blue Garcita,  
Ite Wetlands,  
Tacna, Peru.

## ENVIRONMENTAL MATTERS

The Company has instituted extensive environmental conservation programs at its mining facilities in Peru and Mexico. The Company's environmental programs include, among others, water recovery systems to conserve water and minimize the impact on nearby streams, reforestation programs to stabilize the surface of the tailings dams and the implementation of scrubbing technology in the mines to reduce dust emissions.

Environmental capital expenditures in years 2016, 2015 and 2014, were as follows (in millions):

	2016	2015	2014
Mexican operations	\$ 140.1	\$ 22.0	\$ 24.4
Peruvian operations	\$ 110.3	\$ 98.8	\$ 127.8
Total	\$ 250.4	\$ 120.8	\$ 152.2



## MEXICAN OPERATIONS

The Company's operations are subject to applicable Mexican federal, state and municipal environmental laws, to Mexican official standards, and to regulations for the protection of the environment, including regulations relating to water supply, water quality, air quality, noise levels and hazardous and solid waste.

The principal legislation applicable to the Company's Mexican operations is the Federal General Law of Ecological Balance and Environmental Protection (the "General Law"), which is enforced by the Federal Bureau of Environmental Protection ("PROFEPA"). PROFEPA monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and official standards. It may also initiate administrative proceedings against companies that violate environmental laws, which in the most extreme cases may result in the temporary or permanent shutdown of non-complying facilities, the revocation of operating licenses and/or other sanctions or fines.

In 2011, the General Law was amended, giving an individual or entity the ability to contest administrative acts, including environmental authorizations, permits or concessions granted, without the need to demonstrate the actual existence of harm to the environment as long as it can be argued that the harm may be caused. In addition, in 2011, amendments to the Civil Federal Procedures Code ("CFPC") were enacted. These amendments establish three categories of collective actions by means of which 30 or more people claiming injury derived from environmental, consumer protection,

financial services and economic competition issues will be considered to be sufficient in order to have a legitimate interest to seek through a civil procedure restitution or economic compensation or suspension of the activities from which the alleged injury derived. The amendments to the CFPC may result in more litigation, with plaintiffs seeking remedies, including suspension of the activities alleged to cause harm.

In 2013, the Environmental Liability Federal Law was enacted. The law establishes general guidelines for actions to be considered to likely cause environmental harm. If a possible determination regarding harm occurs, environmental clean-up and remedial actions sufficient to restore environment to a pre-existing condition should be taken. Under this law, if restoration is not possible, compensation measures should be provided. Criminal penalties and monetary fines can be assessed under this law.

On August 6, 2014, an accidental spill of approximately 40,000 cubic meters of copper sulfate solution occurred at a leaching pond that was under construction ten kilometers from the mine of Buenavista del Cobre, S.A. de C.V. ("BVC") a subsidiary of the Company. The accident was caused by a rock collapse that affected the system's pumping station and by a construction defect in the seal of a pipe in the leaching system containment dam, a part of the new SX-EW III plant. This solution reached the Bacanuchi River and the Sonora River. Immediate actions were taken in order to contain the spill, and to comply with all the legal

requirements. In August 2014, the Company hired contractors including environmental specialists and more than 1,200 of its own workers to clean the river.

In addition, the Company developed a service program to assist the residents of the Sonora River region, which included (i) water distribution provisions, and infrastructure development within the affected region, (ii) the expansion of the current Community Development program to communities further downstream that were affected and previously not within the scope of the Company's program, (iii) meetings with local farmers and producers in coordination with the Federal Ministry of Agriculture, Livestock, Rural Development, Fisheries, and Nutrition in order to revamp and promote the activities of local farmers and producers, (iv) the implementation of sustainable productive projects at each affected site, as well as (v) the establishment of service desks to address specific complaints and concerns of the community.

The National Water Commission, the Federal Commission for the Protection of Sanitary Risk and PROFEPA initiated administrative proceedings regarding the spill to determine possible environmental and health damages. On August 19, 2014, PROFEPA, as part of the administrative proceeding initiated after the spill, announced the filing of a criminal complaint against BVC in order to determine those responsible for the environmental damages. The Company is vigorously defending itself against this complaint. As of December 31, 2016, the case remains in the procedural stages and is pending resolution.

On September 15, 2014, BVC executed an administrative agreement with PROFEPA, providing for the submission of a remediation action plan to the Mexican Ministry of Environment and Natural Resources (Secretaria de Medio Ambiente y Recursos Naturales "SEMARNAT"). The general remediation program submitted to SEMARNAT was approved on January 6, 2015. This program is being developed in five different zones all of which have obtained approval from SEMARNAT. The Company is complying with the remedial program.

The Company also created a trust with Nacional Financiera S.N.C., a Mexican development bank, acting as a Trustee to support environmental remedial actions in connection with the spill, to comply with the remedial action plan and to compensate those persons adversely affected by the spill. The Company committed up to two billion Mexican pesos



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**By participating in initiatives for transparency on climate change, we consolidate in our role as sustainability leaders.**

(approximately \$150 million) of which approximately one billion Mexican pesos have already been contributed. A technical committee for the trust was created with representatives from the federal government, the Company and specialists assisted by a team of environmental experts to ensure the proper use of the funds. Along with the administrative agreement executed with PROFEPA, the trust serves as an alternative mechanism for dispute resolution to mitigate public and private litigation risks.

As a result of the administrative proceeding, conducted by PROFEPA, on March 2, 2015 a final ruling imposed a fine of \$1.7 million.

Through the first half of 2015, six collective action lawsuits were filed in federal courts in Mexico City and Sonora against two subsidiaries of the Company seeking economic compensation, clean up and remedial activities in order to restore the environment to its pre-existing conditions. Four of the collective action lawsuits have

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Participants of the program “Women Entrepreneur of Torata”, Torata, Moquegua, Peru



**SOUTHERN COPPER CORPORATION  
MEANS PRODUCTION, PROGRESS,  
DEVELOPMENT AND GENERATION  
OF WELL-BEING FOR THOUSANDS  
OF PEOPLE.**

been dismissed by the court.

The plaintiffs in these six lawsuits are: Acciones Colectivas de Sinaloa, A.C. which established two collective actions (one of which was dismissed on September 26, 2016); Filiberto Navarro Soto et al (dismissed on July 14, 2015); Defensa Colectiva A.C. (dismissed on August 7, 2015); Ismael Navarro Babuca et al (dismissed on August 17, 2015); and Ana Luisa Salazar Medina et al. which has been granted a collective action certification and the plaintiffs have requested cautionary measures on the construction of facilities for the monitoring of public health services and the prohibition of the closure of the Rio Sonora Trust.

For a description of the regulations related to collective actions in Mexico, please refer to the 2011 amendments to the CFPC described above.

Similarly, during 2015, eight civil action lawsuits were filed against BVC in the state courts of Sonora seeking damages for alleged injuries and for moral damages as a consequence of the spill. The plaintiffs in the state court lawsuits are: Jose Vicente Arriola Nunez et al; Santana Ruiz Molina et al; Andres Nogales Romero et al; Teodoro Javier Robles et al; Gildardo Vasquez Carvajal et al; Rafael Noriega Souffle et al; Grupo Banamichi Unido de Sonora El Dorado, S.C. de R.L. de C.V; and Marcelino Mercado Cruz. In the first quarter of 2016, one additional civil action lawsuit, claiming the same damages, was filed by Juan Melquicedec Lebaron. Additionally, during the second half of 2016, two additional civil action lawsuits, claiming the same damages, were filed by Blanca Lidia Valenzuela Rivera et al and Ramona Franco Quijada et al.

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View from the new HPGR plant in the Toquepala Concentrator, Tacna, Peru.





During 2015, four constitutional lawsuits (juicios de amparo) were filed before Federal Courts against various authorities and against a subsidiary of the Company, arguing; (i) the alleged lack of a waste management program approved by SEMARNAT; (ii) the alleged lack of a remediation plan approved by SEMARNAT with regard to the August 2014 spill; (iii) the alleged lack of community approval regarding the environmental impact authorizations granted by SEMARNAT to one subsidiary of the Company; and (iv) the alleged inactivity of the authorities with regard of the spill in August 2014. The plaintiffs of those lawsuits are: Francisca Garcia Enriquez, et al which established two lawsuits, Francisco Ramon Miranda, et al and Jesus David Lopez Peralta et al.

In the first quarter of 2016, an additional constitutional lawsuit, claiming same damages was filed by Oscar Encinas Gamez et al (dismissed in December, 2016); and during the third quarter of 2016, three additional constitutional lawsuits, claiming same damages were filed by Maria Elena Heredia Bustamante et al; Martin Eligio Ortiz Gamez et al; and Maria de los Angeles Enriquez Bacame et al.

It is currently not possible to determine the extent of the damages sought in these state and federal lawsuits but the Company considers that these lawsuits are without merit. Accordingly, the Company is vigorously defending against these actions. Nevertheless, the Company considers that none of the legal proceedings resulting from the spill, individually or in the aggregate, would have a material effect on its financial position or results of operations.

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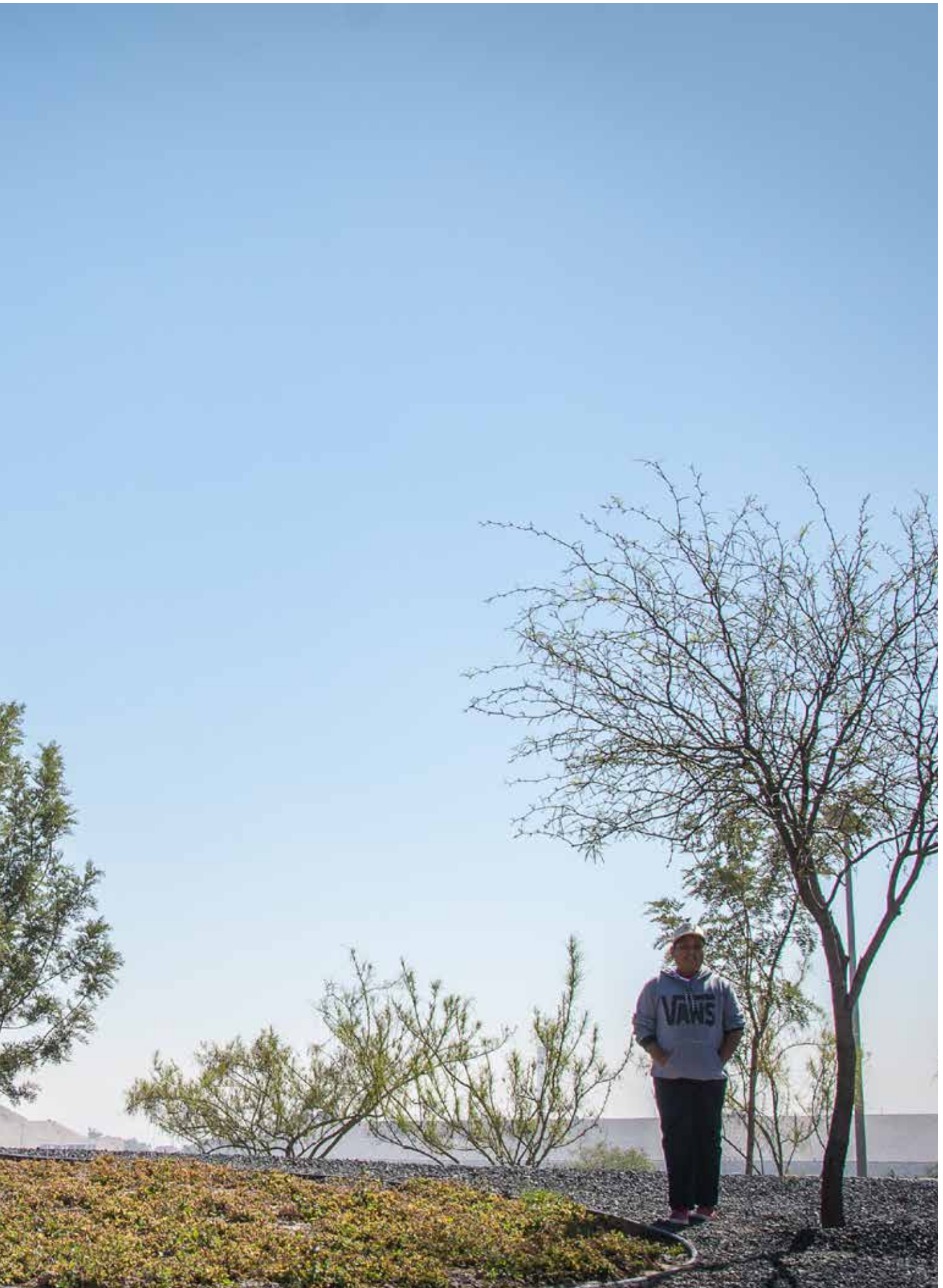
## Reforestation programs, Mexico.

As of December 31, 2016, BVC estimated total damages at \$136.4 million, of which \$42.5 million was paid with the Company's funds, and approximately one billion Mexican pesos (approximately \$74.9 million) was deposited in the trust. These funds have been available and are being used to compensate claims as they arise. This deposit was classified as restricted cash and was recorded as an operating expense in the Company's results.

On December 1, 2016, SEMARNAT issued its final resolution which established that all remediation actions contained in the Remediation Plan, as approved by the same authority, have been fully complied with no pending obligations according to such Plan, except for biological monitoring activities at the Sonora river that will be continued until the first semester of 2019. Also, on January 26, 2017, PROFEPA issued its final resolution under which it declared all mitigation actions as complete and its investigation procedure is definitely closed. In light of the above, the Company has obtained all necessary formal decisions from SEMARNAT and PROFEPA. On February 7, 2017, the Company proceeded to close the trust created with the purpose of complying with all remediation activities. Therefore, this matter is closed.









## PERUVIAN OPERATIONS

The Company's operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through the Ministry of Environment ("MINAM") conducts annual audits of the Company's Peruvian mining and metallurgical operations. Through these environmental audits, matters related to environmental obligation, compliance with legal requirements, atmospheric emissions, effluent monitoring and waste management are reviewed. The Company believes that it is in material compliance with applicable Peruvian environmental laws and regulations.

Peruvian law requires that companies in the mining industry provide assurances for future mine closure and remediation. In accordance with the requirements of this law, the Company's closure plans were approved by MINEM.

See Note 10 "Asset retirement obligation," for further discussion of this matter. In accordance with the requirements of the law, in 2015, the Company submitted the closure plans for the Tia Maria project and for the Toquepala expansion. The process of review and approval of closure plans usually takes several months. In March 2016, MINEM approved the Mining Closure Plan for the Toquepala expansion project. The closure plan for the Tia Maria project is pending approval.



**Mining operation  
in Peru.**

In 2008, the Peruvian government enacted environmental regulations establishing more stringent air quality standards (“AQS”) for daily sulfur dioxide (“SO<sub>2</sub>”) in the air for the Peruvian territory. These regulations, as amended in 2013, recognize distinct zones/areas, as atmospheric basins.

MINAM has established three atmospheric basins that require further attention to comply with the air quality standards. The Ilo basin is one of these three areas and the Company’s smelter and refinery are part of the area. A supreme decree issued on April 8, 2014, indicates that mining companies should review their compliance with these regulations and develop a modification plan to reach compliance. At December 31, 2016, the Company continues to work with an environmental technical study group, established by a MINAM resolution to identify activities, goals, deadlines, timetables and to develop an action plan in order to achieve compliance with AQS.

While the Company believes that a potential loss contingency may exist, it cannot currently estimate the amount of such contingency. The Company and other

industries affected by this supreme decree believe that the lack of further regulations and direction from the government has delayed the full review and analysis of the necessary actions to establish compliance. Pending further government action, the Company will continue to work with its study group to analyze this issue. Furthermore, the Company does not believe it can estimate a reasonable range of possible costs until additional guidance is received from the government. Therefore, currently the Company is not able to disclose a range of costs that is meaningful.

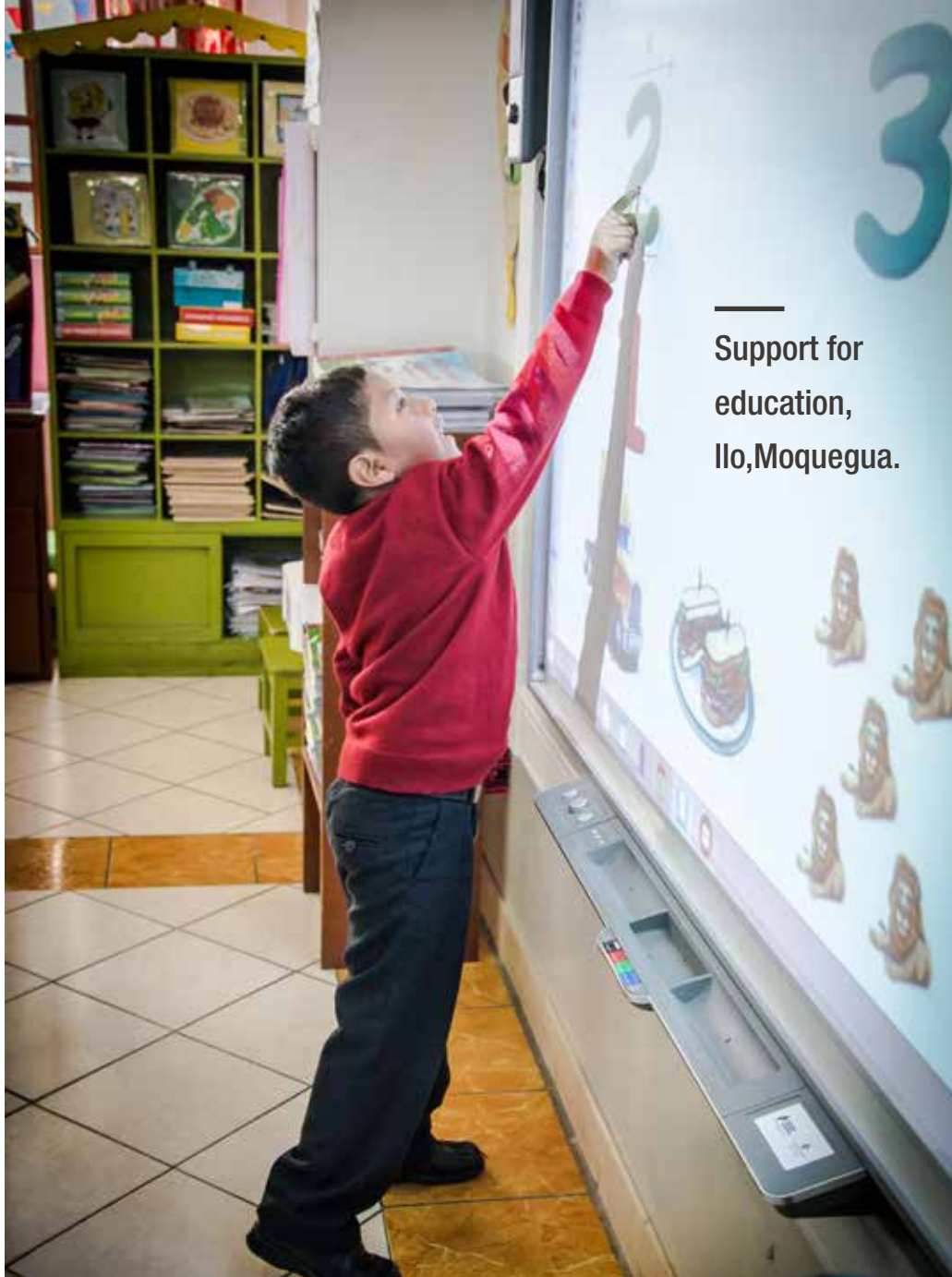
In 2013, the Peruvian government enacted new soil environmental quality standards (“SQS”) applicable to any existing facility or project that generates or could generate risk of soil contamination in its area of operation or influence. In March 2014, MINAM issued a supreme decree, which establishes additional provisions for the gradual implementation of SQS. Under this rule the Company had twelve months to identify contaminated sites in and around its facilities and present a report of identified contaminated sites. This report was submitted to MINEM in April 2015. After a review, MINEM should evaluate and issue a report to the Company, which will allow it to continue to the next phase. At December 31, 2016, the Company is awaiting an official response from MINEM. Once MINEM notifies the Company, it must prepare a characterization study to determine the depth, extent and physio-chemical composition of the contaminated areas and to define an appropriate remediation plan and the time-frame in which it will take place. In addition, the Company must submit for approval a Soil Decontamination Plan (SDP)

## 176 INSTITUTIONS ATTENDED THE EVENT, WHICH REPLICATED LEARNING IN THEIR ORGANIZATIONS AND IN THEIR SOCIAL PROGRAMS.

within 24 months after being notified by the authority. This SDP shall include remediation actions, a schedule and compliance deadlines. Also under this rule, if deemed necessary and given reasonable justification, the Company may request a one year extension for the decontamination plan.

Soil confirmation tests must be carried out after completion of decontamination actions (within the approved schedule) and results must be presented to authorities within 30 days after receiving such results. Non-compliance with this obligation or with decontamination goals will carry penalties, although no specific sanctions have been established yet. During compliance with this schedule, companies cannot be penalized for non-compliance with the SQS.

While the Company believes that there is a reasonable possibility that a potential loss contingency may exist, it cannot currently estimate the amount of the contingency. The Company believes that a reasonable determination of the loss will be possible once the characterization study and the SDP are substantially completed. At that time the Company will be in a position to estimate the remediation cost. Further, the Company does not believe



Support for  
education,  
Ilo, Moquegua.

that it can estimate a reasonable range of possible costs until the noted studies have substantially progressed and therefore is not be able to disclose a range of costs that is meaningful.

The Company believes that all of its facilities in Peru and Mexico are in material compliance with applicable environmental, mining and other laws and regulations.

The Company also believes that continued compliance with environmental laws of Mexico and Peru will not have a material adverse effect on the Company's business, properties, result of operations, financial condition or prospects and will not result in material capital investments.





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Port maneuvers  
at the SPCC Pier,  
Ilo, Moquegua - Peru.

# GENERAL INFORMATION

OUR OPERATIONS MAKE US ONE OF THE LARGEST MINING COMPANIES IN PERU AND ALSO IN MEXICO. WE ARE ONE OF THE LARGEST COPPER MINING COMPANIES IN THE WORLD WITH SIGNIFICANT COPPER RESERVES.



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Panoramic view,  
Cujajone Mine,  
Moquegua - Peru.



## GENERAL INFORMATION

Information related to its constitution and their inscription in the Public Registry: See: "Brief historical review from the constitution of the Company" on page 74. Brief Description: Southern Copper Corporation is one of the largest integrated copper producers in the world. We produce copper, molybdenum, zinc, lead, coal and silver. All of our mining, smelting and refining facilities are located in Peru and in Mexico and we conduct exploration activities in those countries and in Chile, Ecuador and Argentina. Our operations make us one of the largest mining companies in Peru and also in Mexico. We are one of the largest copper mining companies in the world with significant copper reserves. We were incorporated in Delaware in 1952 and have conducted copper mining operations since 1960. Since 1996, our common stock has been listed on both the New York and the Lima Stock Exchanges.

Our Peruvian copper operations involve mining, milling and flotation of copper ore to produce copper concentrates and molybdenum



concentrates, the smelting of copper concentrates to produce anode copper, and the refining of anode copper to produce copper cathodes. As part of this production process, we also produce significant amounts of molybdenum concentrate and refined silver. We also produce refined copper using SX/EW technology. We operate the Toquepala and Cuajone mines high in the Andes Mountains, approximately 860 kilometers southeast of the city of Lima, Peru. We also operate a smelter and refinery west of the Toquepala and Cuajone mines in the coastal city of Ilo, Peru.

Our Mexican operations are conducted through our subsidiary, Minera Mexico S.A. de C.V. (“Minera Mexico”), which we acquired in 2005. Minera Mexico engages principally in the mining and processing of copper, molybdenum, zinc, silver, gold and lead. Minera Mexico operates through subsidiaries that are grouped into three separate units. Mexicana de Cobre S.A. de C.V. (together with its subsidiaries, the “Mexcobre unit”) operates La Caridad, an open-pit copper mine, a copper ore concentrator, a SX/EW plant, a smelter, refinery and a rod plant.

Operadora de Minas e Instalaciones Mineras S.A de C.V. (the “Buenavista unit”) Operates Buenavista, formerly named Cananea, an open-pit copper mine, which is located at the site of one of the world’s largest copper ore deposits, a copper concentrator and two SX/EW plants. The Buenavista mine was operated until December 11, 2010 by Mexicana de Cananea S.A. de C.V. and by Buenavista del Cobre S.A. de C.V. from that date until July 2012. Industrial Minera Mexico, S.A. de C.V. (together with its subsidiaries, the “IMMSA unit”) operates five underground mines that produce zinc, lead, copper, silver and gold, a coal mine and a zinc refinery. Effective February 1, 2012, Minerales Metalicos del Norte S.A was merged with Industrial Minera Mexico S.A. de C.V. (IMMSA). IMMSA absorbed Minerales Metalicos del Norte S.A.

We utilize modern/state of the art mining and processing methods, including global positioning systems and computerized mining operations. Our operations have a high level of vertical integration that allows us to manage the entire production process, from the mining of the ore to the production of refined copper and other products and most related transport and logistics functions, using our own facilities, employees and equipment.

## ECONOMIC GROUP

SCC, indirectly, is part of “Grupo Mexico S.A.B. de C.V.” which owns 100% of Americas Mining Corporation (“AMC”).

Name of the company	Several Activities	Location	Inscription in the RPMV	%
1	Grupo Mexico, S.A.B. de C. V.	Mexico		
2	Grupo Mexico Servicios, S.A. de C.V.	Mexico		100
	ACTIVIDADES DE TRANSPORTE FERROVIARIO			
3	Infraestructura y Transportes Mexico, S.A. de C. V.	Mexico		100
	MINING ACTIVITIES			
4	Americas Mining Corporation (“AMC”)	USA		100
5	Southern Copper Corporation (SCC)	USA		88.91
6	Minera Mexico, S. A. de C. V.	Mexico		99.96
7	Industrial Minera Mexico, S.A. de C. V.	Mexico		99.99
8	Buenavista del Cobre, S.A. de C. V.	Mexico		100
9	Mexicana de Cobre, S.A. de C. V.	Mexico		98.18
10	Southern Peru Copper Corporation, Agencia en Chile	Chile		100
11	Southern Peru Copper Corporation, Sucursal del Peru	Peru	✓	99.29 <sup>1</sup>
12	Compañía Minera Los Tolmos, S.A.	Peru		97.31

Corporate Capital and Common Stock	Shares
The authorized number of shares	2,000,000,000
Issues an Paid Capital: Common Shares	884,596,086
Nominal Value of Common Shares	\$ 0.01

Total number and percent of shares	Shares	Interest
Americas Mining Corporation	687,275,997	88.91%
Common Shares	88,666,273	11.09%
Total	775,942,270	100.0%

<sup>1</sup>Include 82.69% of common shares and 16.60% of investment shares.

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**Mining operations  
in Sonora,  
Mexico.**



## **OPERATIONS IN MEXICO**

### **LA CARIDAD MINE**

“La Caridad Concentrator” began operations in 1979. The concentrator has a current capacity of 94,500 tons of ore per day. “Molybdenum Plant” started operations in 1982, with a production capacity of 2,000 tons of copper-molybdenum concentrate per day.

-“La Caridad SX-EW” has an annual production capacity of 21,900 tons of copper cathodes. Approximately 790.6 million tons of leaching ore with an average grade of approximately 0.25312% copper have been extracted from the La Caridad open-pit mine and deposited in leaching dumps from May 1995 to December 31, 2016.



—  
**Drilling machine  
operator in  
Cvajone Mine,  
Moquegua, Peru.**



## **LA CARIDAD METALLURGIC COMPLEX**

La Caridad Smelter started operations in July, 1986, with a production capacity of 493 tons of anode per day and was expanded to 822 tons in March, 1997. The actual installed capacity of the smelter is 1,000,000 tons per year.

“La Caridad Refinery” started operations in July, 1997, with a production capacity of 493 tons of copper cathode per day and was expanded to 822 tons in January, 1998. The installed capacity of the refinery is 300,000 tons per year.

“La Caridad Precious Metals Plant” started operations in May, 1999, with a production capacity of 43,836 ounces of silver per day, 247 ounces of gold per day and 342 kilograms of selenium per day.

“La Caridad Wire Rod Plant”, a rod plant at the La Caridad complex began operations in 1998 and reached its full annual operating capacity of 150,000 tons in 1999. The plant is producing eight millimeter copper rods with a purity of 99.99%.

Effluent and Dust Treatment Plant, a dust and effluent plant with a treatment capacity of 5,000 tons of smelter dusts per year which will produce 1,500 tons of copper by-products and 2,500 tons of lead sulfates per year. This plant started its operating in 2012.

## **BUENAVISTA MINE**

“Buena Vista Concentrator”, the original concentrator currently has a nominal milling capacity of 76,700 tons per day. The second concentrator began operations in 2015 with a nominal milling capacity of 100,000 tons per day.

“Buena Vista SX/EW I Plant” started operating in 1980, with a capacity of 30 tons per day.

“Buena Vista SX/EW II Plant” started operating in 1989, with a capacity of 66 tons per day and was expanded to 120 tons per day in 2001.

“Buena Vista SX/EW III Plant” started operating during the fourth quarter of 2014, we completed the construction of a new SX-EW plant that will significantly increase production of leachable material by approximately 120,000 tons per year. The SX-EW facilities have a cathode production capacity of 174,470 tons per year.

## **UNDERGROUND MINES**

- 1.- The Santa Barbara Unit with a milling capacity of 5,800 tons of ore per day.
- 2.- The Santa Eulalia Unit with a milling capacity of 1,450 tons of ore per day.
- 3.- The San Martin Unit with a milling capacity of 4,400 tons of ore per day.
- 4.- The Charcas Unit with a milling capacity of 4,100 tons of ore per day. In 2016, operations took place normally and a production compliance of 97% was reached.
- 5.- The Taxco Unit with a milling capacity of 2,000 tons per day.
- 6.- Coquizadora Coal Plant, in Coahuila Unit, with a capacity of 105,000 tons of coke per year.
- 7.- The Zinc Refinery with a capacity of 288 tons per day.

SOUTHERN COPPER OPERATES  
OPEN PIT MINES AS WELL AS  
UNDERGROUND MINES, WHICH  
GIVE US GREAT EXPERIENCE  
IN THE DEVELOPMENT OF  
PROJECTS.

## PERUVIAN OPERATIONS

### TOQUEPALA

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**1.- Toquepala Concentrator.** Directorial Resolution No.455-91-EM/DGM/DCM dated July 5, 1991 approved the operation of the Toquepala Concentrator. The resolution granted 240 hectares of surface land and authorized a throughput of 39,000 tons/day.

Based on Report No. 413-97-EM/DGM/DPDM dated July 7, 1997, the “Director General de Minería” authorized the expansion of the Toquepala Concentrator to a 43,000 tons/day throughput.


Based on Report N° 547-2002-EM/DGM/DPDM, dated November 6, 2002, the “Director General de Minería” authorized the expansion of the Toquepala Concentrator to a capacity of 60,000 MT per day.

**2.- Toquepala Leaching Plant (SX/EW).** Directorial Resolution No. 166-96-EM/DGM dated May 7, 1996, approved the operation of the Toquepala SX/EW plant. The resolution granted 60 hectares of surface land and authorized a throughput of 11,850 tons/day.

Based on Report No. 660-98-EM-DGM/DPDM dated November 10, 1998 the “Director General de Minería” authorized construction and expansion of Toquepala SX/EW plant to 18,737 tons/day throughput. Directorial Resolution dated May 19, 2003, based on Report No. 291-2003-EM-DGM/DPDM, authorized operation of the SX/EW plant to a throughput of 18,737 tons/day.

Buena Vista del Cobre  
Mine, Sonora, Mexico.



A photograph showing the grinding area of a concentrator plant. The scene is filled with industrial machinery, including large cylindrical grinding mills, metal pipes, and structural steel beams. The lighting is somewhat dim, with some blue and yellow highlights. The text is overlaid on the left side of the image.

Grinding area,  
Cujone concentrator,  
Moquegua, Peru.

## CUAJONE

1.- **Botiflaca Concentrator in Cujone.** Directorial Resolution No. 150-81-EM/DCM dated August 14, 1981 approved the operation of Botiflaca Concentrator. The resolution granted 56 hectares of surface land.

Based on Report No. 266-99-EM/DGM/DPDM dated July 20, 1999 the “Director General de Minería” authorized the expansion of Botiflaca Concentrator to 87,000 MT per day throughput.

Resolution N° 379-2010-MEM-DGM/V dated October 7, 2010, based on Report N°312-2010-MEM-DGM-DTM/PB, authorized construction and expansion of Botiflaca Concentrator to 90,000 MT per day throughput.

For operating reasons as part of the crusher process optimization, on November 8, 2012, we requested to the Peruvian authorities through resources N° 214491 to add three additional facilities (HPGR mill and others).





With Directorial Resolution N° 153-2012-MEM-DGM-V based on report 165-2012-MEM-DGM-DTM-PB. MEM approved and authorized the project to include three additional facilities aforementioned on the procedure of the amendment and increase of the installed capacity from 87,000 to 90,000 MT per day.

- 2.- Cuajone Leaching Plant (LX/EW). Directorial Resolution No.155-96-EM/DGM dated May 6, 1996 approved the operation of the Cuajone Leaching plant. The resolution granted 400 hectares of surface land and authorized a throughput of 2,100 MT per day. Based on Report No. 988-2009-MEM-DGM/V, dated December 16, 2009, Cuajone SX plant operation was approved and authorized the of the, with a capacity of 3100 MT per day.

## ILO

- 1.- **Ilo Smelter.** Authorized (definitely) by Directorial Resolution No. 078-69-EM/DGM dated August 21, 1969 approved the operation of the Ilo Smelter. The resolution authorized a production of 400 Short tons/day of blister copper.

Based on Report No.204-2000-EM-DGM-DPDM dated June 20, 2000 the “Director General de Minería” authorized the expansion of the Ilo Smelter to a 3,100 MT per day throughput of copper concentrates.

On February 4, 2010, the Company began the process to obtain authorization from the MINEM to operate a capacity of 3,770 MT per day, which is included as an ancillary facility to Acid Plant No. 2, with a capacity of 2,880 MT per day or 1,051,200 MT per year.

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- 2.- **Ilo Refinery.** Authorized by Report No. 056-94-EM/DGM/DRDM dated May 27, 1994 the “Director General de Minería” authorized the operation of the Ilo Copper Refinery at 533 MT per day throughput of blister copper.

Based on Report No. 506-97-EM/DGM/DPDM dated September 2, 1998 the “Director General de Minería” authorized the expansion of Ilo Copper Refinery to a capacity of 658 MT per day throughput.

Based on Report N° 080-2002-EM-DGM/DPDM, dated March 14, 2002, the “Director General de Minería” authorized the expansion of the Ilo Copper Refinery to a capacity of 800 MT per day.

Resolution N°520-2010-MEM-DGM/V dated December 30, 2010, based on Report N° N°414-2010-MEM-DGM-DTM/PB, authorized changes in Ilo copper refinery without expanded its capacity throughput.

- 3.- **Sulfuric Acid Plant.** Authorized by Directorial Resolution No. 024-96-EM/DGM dated January 19, 1996, approved the operation of the sulfuric acid plant, installed at the smelter, at a production rate of 150,000 tons per year.

Based on Report No. 313-98-EM/DGM/DPDM dated May 21, 1998 the “Director General de Minería”, authorized the expansion of the Ilo Sulfuric Acid Plant to a capacity of 300,000 tons per year production.



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Aerial view Ilo  
Operations,  
Moquegua,  
Peru.

4.- **“Coquina Wash Plant and Sea shell Concentrates”**. authorized to operate by Directorial Resolution N° 110-93-EM/DGM of August 3, 1993. The plant processes 95 TC/h of raw material (coquina) recovered from nearby mines. Seashell is produced separating sand and other materials from the coquina using sea water washing screens.

Resolution N°038-2011-MEM-DGM-DTM/PB dated February 2, 2012, based on Report N°035-2011-MEM-DGM-DTM/PB, authorized modification in the concession of “Coquina Wash Plant and Sea shell Concentrates” to a classified dry sea shell plant without expanded its capacity throughput, which represents 2,068 tons/day.

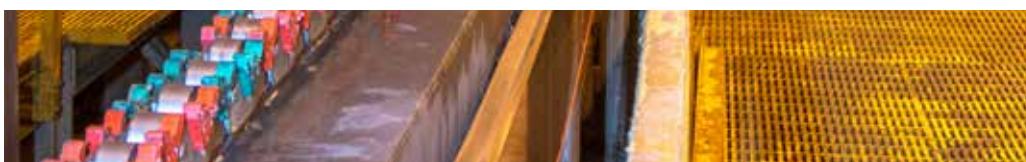


Copper cathodes  
“Grade A “  
obtained from the  
leaching process.

## DESCRIPTION OF OPERATIONS AND DEVELOPMENT REGARDING THE ISSUING ENTITY PURPOSE

### THE PURPOSE

The purpose of Southern Copper Corporation (SCC) is to engage in activities allowed by the laws of the State of Delaware. Its main activity is to extract, mill, concentrate, smelt, treat, prepare for market, manufacture, sell, exchange and, in general, to produce and negotiate for sales of copper, molybdenum, gold, silver, lead, zinc, iron and any other class of minerals and materials or other materials, effects and goods of any nature or description; as well as to explore, exploit, sample, examine, investigate,



recognize, locate, appraise, buy, sell, exchange, etc., mining concessions and mining deposits. SCC belongs to the CIU 1320 group.

The term of duration of the Company is indefinite.

#### **BRIEF HISTORICAL REVIEW FROM THE CONSTITUTION OF THE COMPANY:**

The Company was organized on December 12, 1952, according to the Laws of the State of Delaware of the United States of America, under the original denomination of Southern Peru Copper Corporation (“SPCC”), which was renamed on October 11, 2005, to Southern Copper Corporation (SCC).

In 1954, SCC established a Branch in Peru to carry out mining activities in this country. The Branch was established under public instrument certified by Public Notary from Lima, Dr. Ricardo Fernandini Arana, on November 6, 1954.

The Branch is registered in the Electronic Record N° 03025091 of the Juridical People of the Registry Office of Lima and Callao.

#### **ACTIONS FOLLOWING COMPANY INCORPORATION:**

##### **Capital increase:**

By Public Deed dated May 31, 1995, signed before notary public of Lima, Dr. Carlos A. Sotomayor Bernos, the Branch capital increase was formalized. It was made through money contribution by the Company in favor of its Peru Branch and by the owners of labor shares, pursuant to Legislative Decree No. 677. The capital contribution made by the Company was aimed at increasing the capital allotted to the Branch by the headquarters and registered in Peru. The capital contribution made by the Labor Shares (today Investment Shares) owners was assigned to the Labor Shares account of the Branch for issuing new Labor Shares.

Part of the money contribution made by the Company in favor of its Branch and by the Labor Shares owners was applied as a capital premium to the Resident account as Additional Capital.

#### **EXCHANGE OF INVESTMENT SHARES (LABOR SHARES) FOR COMMON SHARES:**

Dated September 7, 1995, “Southern Peru Copper Holding Company” was also incorporated pursuant to the Laws of the State of Delaware, aiming at acting as a holding company that owns all Southern Peru

Copper Corporation shares, and at performing an exchange of the shares that were then called “Labor Shares” (today Investment Shares) issued by the branch in Peru, delivering the owners of labor shares a certain number of common shares issued by SPCC in the United States. As a consequence of this share exchange, former owners of Labor Shares acquired 17.31% of SPCC’s Capital, and this company acquired ownership of 80.77% of Labor Shares (today Investment Shares).

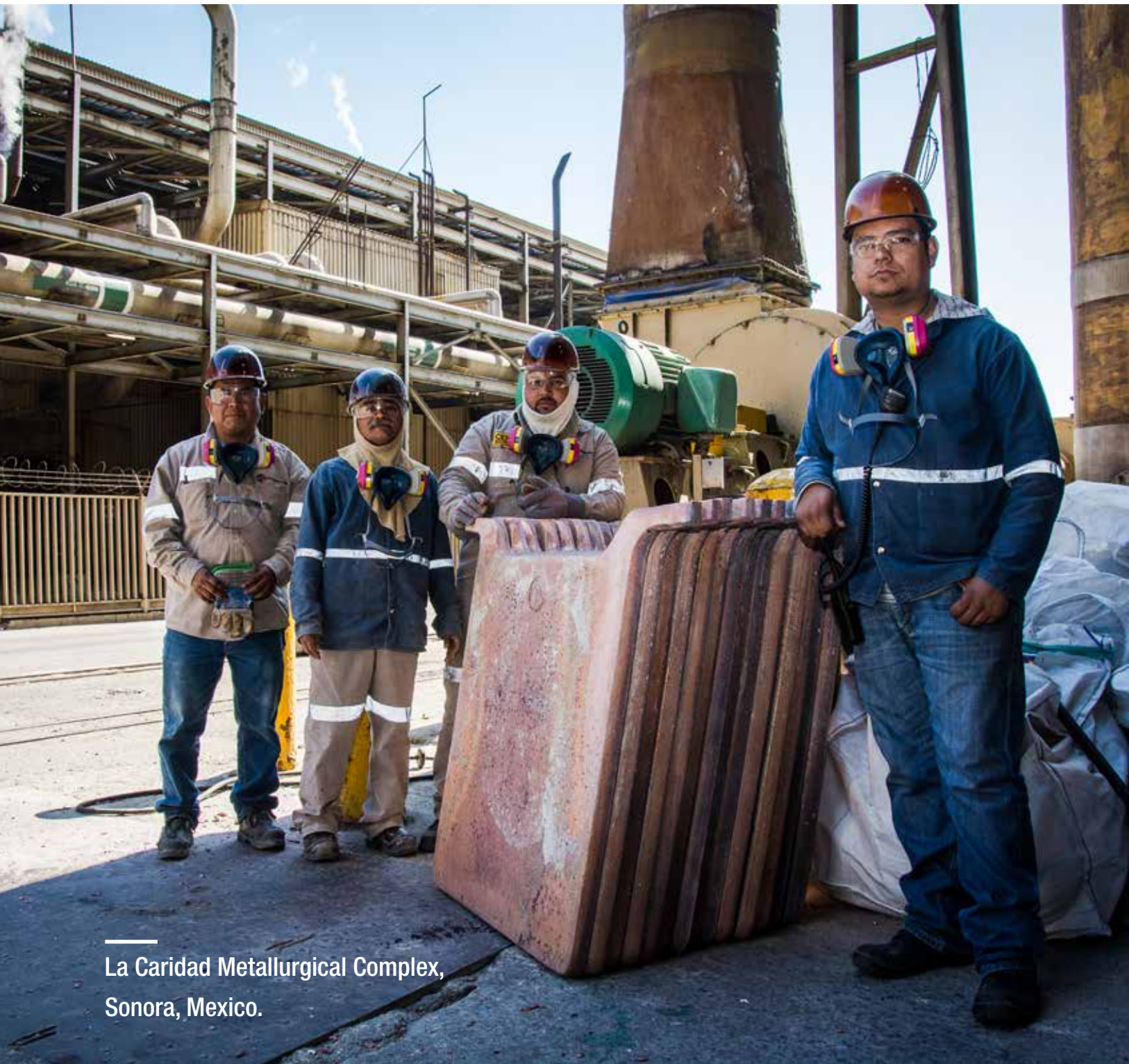
On December 31, 1995, Southern Peru Copper Corporation changed its corporate name to “Southern Peru Limited”, and “Southern Peru Copper Holding Company” changed its corporate name to Southern Peru Copper Corporation.

As a consequence of this corporate name change, the mining activities of the Company in Peru started being performed under the name of Southern Peru Limited, Peru Branch (SPL).

On December 31, 1998, the merger between Southern Peru Copper Corporation and Southern Peru Limited was agreed. The first company absorbed the second one and assumed all its assets and liabilities, including the Branch in Peru. This merger did not imply any change to the share percentage in the corporate capital or in the Net Worth Share Account (investment shares), which were kept the unchanged.

As a consequence of the merger, the mining activities of the corporation in Peru were again carried out under the name of Southern Peru Copper Corporation, Peru Branch, or the abbreviated name of “Southern Peru” and/or the acronym SPCC.





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La Caridad Metallurgical Complex,  
Sonora, Mexico.



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**Spreading system  
for leachable ore.**



#### **CHANGE OF ECONOMIC GROUP:**

In November 1999, Grupo Mexico S.A.B. de C. V., a firm incorporated pursuant to the Laws of the Republic of Mexico, acquired in the United States 100% of ASARCO Incorporated, the main shareholder of Southern Peru Copper Corporation at that time. In this way, SPCC became a subsidiary of Grupo Mexico, who keeps its shareholding through Americas Mining Company (AMC).

#### **ACQUISITION OF MINERA MEXICO (“MM”), AND OTHER CORPORATE CHANGES:**

SCC shareholders, in a shareholder extraordinary meeting dated March 28, 2005, approved issuance of Common Shares and required actions related to the acquisition of MM, a firm incorporated pursuant to the Laws of the Republic of Mexico. This transaction was approved by more than 90% of the stocks and circulating capital of SCC. To acquire Minera Mexico, SCC issued 67,207,640 shares in exchange for MM shares. Once the shares related to the acquisition were issued, AMC increased its share in SCC from 54.2% to approximately 75.1%.



### **AMC Increased its Participation in SCC**

In 2008 and 2009 Grupo Mexico, through its wholly owned subsidiary AMC, purchased 11.8 million and 4.9 million shares of the Company's common Stock, respectively.

### **SCC \$500 Million Share Repurchase Program**

In 2008, our BOD authorized a \$500 million share repurchase program that has since been increased by the BOD and is currently authorized to \$3 billion. Since the inception of the program through December 31, 2016, we have purchased 119.5 million shares of our common stock at a cost of \$2.9 billion. These shares are available for general corporate purposes. We may purchase additional shares of our common stock from time to time based on market conditions and other factors. This repurchase program has no expiration date and may be modified or discontinued at any time.

At December 31, 2016, Grupo Mexico indirect ownership is 88.9%.

### **CHANGE IN THE CERTIFICATE OF INCORPORATION:**

On March 28, 2005, following Board of Directors recommendations, SCC shareholders approved in an extraordinary meeting the amendments to the Articles of Incorporation Deed, changing the composition and obligations of some Board committees.

### **SPECIAL INDEPENDENT DIRECTOR:**

The changes to the Articles of Incorporation Deed require the Board to include a certain number of special independent directors. A special independent director is a person who (i) complies with the independence standards of the New York Stock Exchange (or any other stock exchange or association in which Common Shares are listed) and (ii) is appointed by the Special Appointment Committee of the Board. A special independent director may only be removed from the Board upon a justified cause.



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SCC produces LME  
Copper Cathodes  
Grade A.

The minimum number of special independent directors in that Directory at any time shall equal (a) the total number of directors in the Board multiplied by (b) the percentage of Common Shares all the shareholders (that are not Grupo Mexico and its affiliates) have, rounding up to the following integer number. Notwithstanding the abovementioned, the total number of people appointed as special independent directors (not belonging to Grupo Mexico) cannot be less than two or more than six.

### **Special Nominating Committee**

The Special Nominating Committee functions as a special committee to nominate special independent directors to the Board. Pursuant to our Amended and Restated Certificate of Incorporation, as amended, a special independent director is any director who (i) satisfies the independence requirements of the New York Stock Exchange or NYSE (or any other exchange or association on which the Common Stock is listed) and (ii) is nominated by the Special Nominating Committee. The Special Nominating Committee has the right to nominate a number of special independent directors based on the percentage of our Common Stock owned by all holders of our Common Stock, other than Grupo Mexico and its affiliates.



The Special Nominating Committee consists of two directors (2) of whom are Luis Miguel Palomino and Carlos Ruiz Sacristan (each an “Initial Member” and, together with their successors, “Special Designees”) and such other director, currently Xavier Garcia de Quevedo Topete, as may be appointed by the Board of Directors or the “Board Designee”. The Board Designee will be selected annually by the Board of Directors. The Special Designees will be selected annually by the members of the Board who are special independent directors or Initial Members. Only special independent directors can fill vacancies on the Special Nominating Committee. Any member of the Special Nominating Committee may be removed at any time by the Board of Directors for cause. The unanimous vote of all members of the nominating committee will be necessary for the adoption of any resolution or the taking of any action.

Our Amended and Restated Certificate of Incorporation, as amended, provides that the minimum number of special independent directors on the Board of Directors at any given time shall be equal to (a) the total number of directors on the Board of Directors multiplied by (b) the percentage of Common Stock owned by all of the stockholders (other than Grupo Mexico and its affiliates), rounded up to the next whole number. Notwithstanding the

foregoing, the total number of persons nominated as special independent directors cannot be less than two or greater than six.

Notwithstanding the foregoing, the power of the Special Nominating Committee to nominate special independent directors is subject to the rights of the stockholders to make nominations in accordance with our by-laws.

The provisions of the Amended and Restated Certificate of Incorporation, as amended, relating to special independent directors may only be amended by the affirmative vote of a majority of the holders of shares of Common Stock (calculated without giving effect to any super majority voting rights) other than Grupo Mexico and its affiliates.

#### **TRANSACTIONS WITH AFFILIATES:**

The Company has entered into certain transactions in the ordinary course of business with parties that are controlling shareholders or their affiliates. These transactions include the lease of office space, air transportation, construction services and products and services related to mining and refining. The Company lends and borrows funds among affiliates for acquisitions and other corporate purposes. These financial transactions bear interest and are subject to review and approval by senior management, as are all related party transactions. It is the Company's policy that the Audit Committee of the Board of Directors shall review all related party transactions. The Company is prohibited from entering or continuing a material related party transaction that has not been reviewed and approved or ratified by the Audit Committee.



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Cuajone Mine,  
Moquegua,  
Peru.



#### **CHANGE OF CORPORATE NAME AND OTHER CORPORATE CHANGES:**

On September 20, 2005, by written consent instead of an extraordinary shareholder meeting, the majority shareholder approved the corporate name change of Southern Peru Copper Corporation to Southern Copper Corporation or SCC. The change was adopted because the new corporate name reflects more precisely the Company's operational reach outside the Republic of Peru after its acquisition of Minera Mexico and the latter's presence in the Republic of Chile through the acquisition of some mining exploration concessions, and its exploration activities in the Republics of Argentina and Ecuador.

Additionally, on the same date, the majority shareholder approved an amendment of our Articles of Incorporation Deed to remove others' provisions in our Deed related with our Class A Common Shares that were formerly in circulation, which were converted to Common Shares on May 19, 2005, and to change the number of Corporate directors from fifteen to a number that will be regularly established following agreement of most of Board members stipulating the number of directors will not be less than six or more than fifteen.

The Deed amendment was submitted to the Secretary of State of the State of Delaware, and came into effect on October 11, 2005.

#### **PERU BRANCH NAME:**

Generally, the change of headquarters corporate name should comprise the corresponding name of the ancillary organizations linked to it, as is the case of the Peru Branch through which the Corporation develops its mining activities in Peru.

After consulting with Peruvian lawyers, the Board of Directors, taking into consideration the net worth and assets importance of the Branch, the need to continue acknowledging the position of the Peruvian Branch with its local and international copper clients, the need to preserve its proceeds and its position in good name in the copper market, and the need to prevent any possible client loss, as well as to guarantee the revenue flow from sales, its financial and economic revenues and its

solvency, the Board of Directors agreed to maintain the original corporate name to the Peru Branch, that is, Southern Peru Copper Corporation, Peru Branch, or the abbreviated name “Southern Peru” and/or the acronym SPCC.

### **Changes in the Certificate of Articles of Incorporation and Bylaws**

Dated January 26, 2006, the Board approved amendment to Southern Copper Corporation’s bylaws (i) aiming at removing the provisions related to Class A Common Shares among other changes.(ii) adding a new provision for advance notice to shareholders seeking to nominate directors or to propose other business at annual or special meetings of the Common Stockholders (as applicable) (iii) substitute Grupo Mexico for ASARCO Incorporated in the “Change in Control” definition in the Corporation’s by-laws (iv) and eliminate the 80% supermajority vote requirement for certain corporate actions. The modification of the Modified Certificate of Incorporation increased the capital stock from 167,207,640 shares to 320,000,000 shares. These modifications were submitted for approval of the shareholders at the shareholders annual meeting held on April 27, 2006 which was adjourned and reconvened for May 4, 2006, and later on adjourned and reconvened for May 11, 2006.

At the annual meeting, on April 27, 2006, the proposal to amend the by-laws to eliminate certain extraneous provisions relating to the retired series of Class A Common Stock had an affirmative vote of 79.85% of the required votes. Because the required vote for the approval of this proposal was 80% and because there were still votes that needed to be tabulated, the annual meeting for this proposal was adjourned until May 4, 2006. On May 4, 2006, at the adjourned and reconvened meeting the stockholders approved the proposal with an affirmative vote of 80.61% of the required votes.

On April 27, 2006, stockholders approved (i) the amendment to the by-laws to introduce a new provision for advance notice to shareholders seeking to nominate directors or to propose other business at annual or special meetings of the Common Stockholders (as applicable); (ii) the amendment to the by-laws to substitute Grupo Mexico for ASARCO Incorporated in the “Change in Control” definition in the Corporation’s bylaws; (iii) the amendments to the Amended and Restated Certificate of Incorporation to increase the

number of shares of Common Stock, which the Corporation is authorized to issue from 167,207,640 shares to 320,000,000 shares; and (iv) the selection of the independent accountants.

On April 27, 2006, the proposal to amend the by-laws to eliminate the 80% supermajority vote requirement for certain corporate actions had received preliminary votes, representing an affirmative vote of 78.35% of the required votes. Because the required vote for the approval of this proposal was 80% and because there were still votes that needed to be tabulated, the annual meeting for this proposal was adjourned first until May 4, 2006, and subsequently until May 11, 2006. On May 11, 2006, at the adjourned and reconvened meeting stockholders did not approve the proposal having received an affirmative vote of 79.61% of the required votes.

SCC is indirectly, part of Grupo Mexico S.A.B. de C.V. which owns 100% of Americas Mining Corporation (AMC) shareholding, owner of 88.9% of SCC shares.

#### **INFORMATION ABOUT PLANS AND INVESTMENT POLICIES:**

See Capital Expenditures and Exploration on page 17.

#### **Relationship between the Issuer and the Government**

On November 20, 1996, SCC and the Peruvian Government (Ministry of Energy and Mines) signed a contract that remained effective until the year 2010 and guaranteed the tax stability and the availability of exchange to foreign currency of the Branch's earnings related to the operation of the SX/EW plant at Toquepala and the Solvent Extraction (SX) operation in Cuajone. Also, on April 18th, 1995, SCC and the Peruvian Government (CONITE) signed a contract that remained effective during ten years and guaranteed the availability of foreign currencies, free remittance of dividends to the exterior, among other guarantees related to the acid plant of the Ilo Smelter.





Primary crusher control room, Toquepala Mine, Tacna, Peru.

SCC obtains refunds for tax credits in Peru for the general sales tax (IGV) paid in connection with the acquisition of capital goods and other goods and services used in its operations, counting these credits as a paid expense in advance. By virtue of these refunds, SCC is entitled to credit the amount of the IGV against its Peruvian tax obligations or to receive a refund.

### Special Mining tax

In September 2011, the Peruvian government enacted a new tax for the mining industry. This tax is based on operating income and its rate ranges from 2% to 8.4%. It begins at 2% for the first 10% of operating income margin and for each additional 5% of operating income margin is increased by an additional rate of 0.4% until 85% of operating income margin is reached.

**IN THE LAST 5 YEARS, THE MINING DIVISION HAS REDUCED ITS RATE OF ACCIDENTS BY 40% AND THE SEVERITY OF THEM BY 60%.**

### **Mining Royalty**

In September 2011, the Peruvian Congress approved an amendment to the mining royalty charge. The new mining royalty charge is based on operating income margins with graduated rates ranging from 1% to 12%, with a minimum royalty charge assessed at 1% of net sales. If the operating income margin is 10% or less, the royalty charge is 1% and for each 5% increment in the operating income margin, the royalty charge rate increases by 0.75%, up to a maximum of 12%.

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## **SAFETY AND HEALTH – SOUTHERN COPPER CORPORATION**

In Southern Copper Corporation, caring for the life, health and integrity of our employees and their families is the number one priority in all our operations. No task is more important. Accordingly, our main commitment is to create optimal and safe work environments for our employees, applying the highest safety and occupational health standards. Our goal: ZERO accidents.

An Integrated Occupational Health and Safety Management System allows us to implement effective processes and provide our employees knowledge and skills necessary for the identification, control and mitigation of risks, prioritizing actions and the necessary care in preventing accidents.

In 2016 we maintained 12 units in Mexico and Peru whose Occupational Safety and Health Management System have been certified according to OHSAS 18001: 2007. Additionally, in Mexico we have 21 units certified with the Secretariat of Labour and Social Welfare in Self-Managed Occupational Health and Safety (PASST), endorsing our commitment to best practices in health and safety at work.

THE WELFARE OF OUR EMPLOYEES IS A TASK  
THAT CONCERNS EVERYONE. WE KNOW THAT  
TAKING CARE OF OUR TEAM PROVIDES PEACE OF  
MIND TO THEIR FAMILIES.

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Wire rod plant, Nacozeni, Sonora,  
Mexico.



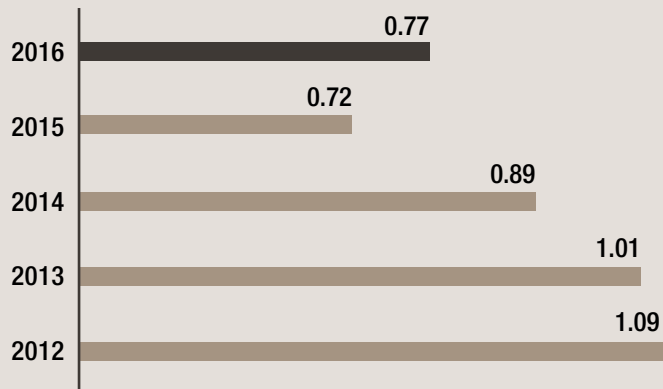
The accomplishments achieved in 2016 on occupational health and safety include:

- The Mining Chamber of Mexico (CAMIMEX) again awarded the “Jorge Rangel Zamorano” Silver Helmet Trophy to the SX-EW plant of Mexicana de Cobre. Also, the Lime Plant and the Santa Eulalia Unit received this trophy for achieving the lowest recorded accident rates in the industry, as for their efforts in the field of accident prevention.
- In Peru, we continue enhancing the Safety Based on Behavior-Program, hoping for the first results that will allow us to enrich the prevention culture among our collaborators, with the aim of reinforcing people’s safe behaviors through observation and feedback during daily work.
- In Mexico took place the Sixth Security Cells Forum, where our collaborators present projects to develop their activities in a safer and more productive way.

As a result of the work and commitment of our people to safety and health, in the past five years the accident rate (IR) decreased by 29% and the severity of them by 54%., showing that our activities to identify and address risks have significantly reduced the frequency and severity of accidents in our mining operations. Every year we seek to reinforce our risk identification and prevention strategy, which translates into actions aimed at improving our processes to take care of the physical integrity of our employees.

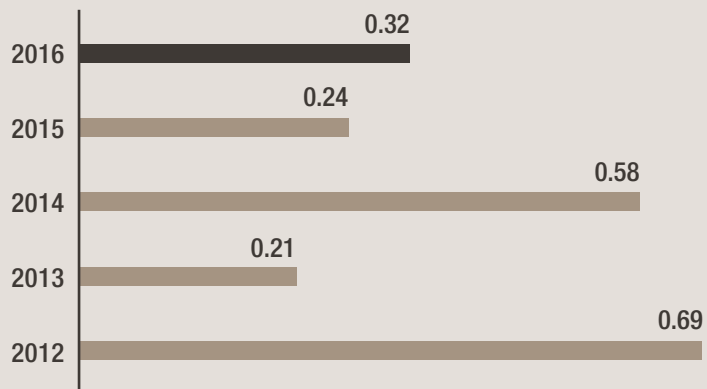
These results reflect the efforts in our culture of safety activities, the implementation of inspection plans and, especially, the work and commitment of our employees.

## ACCIDENT RATE (IR) SCC, 2012-2016



$$IR = \frac{\text{No. of disabling accidents}}{\text{No. of total men - hours worked}} \times 200,000$$

## SEVERITY RATE (SR) SCC, 2012-2016



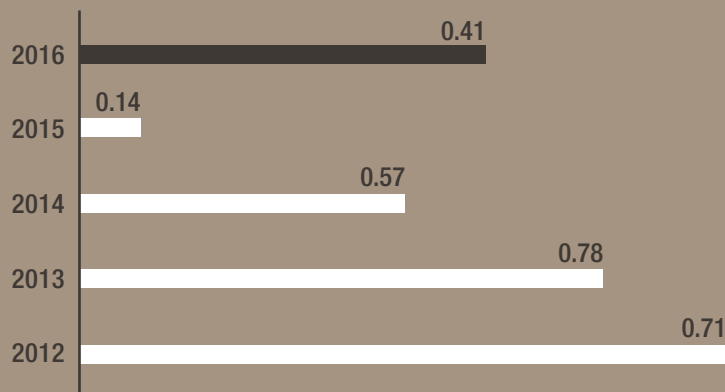
$$SR = \frac{\text{No. of days lost}}{\text{"No. of total men - hours worked"}} \times 1,000$$

## OCCUPATIONAL HEALTH

Healthy environments are part of the organizational culture and management system, as a responsibility of the Company that establishes a culture of involvement, participation and commitment to generate better health conditions that lead to improving the quality of life of our employees, their families and the communities in which we operate.

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### OCCUPATIONAL DISEASE RATE SCC 2012-2016



$$\text{ODR} = \frac{\text{No. of Cases of Occupational Diseases}}{\text{No. of Total men - hours worked}} \times 200,000$$

Despite the increase in the rate of occupational diseases in the last year, over the past five years we have reduced our rate of occupational diseases by 42%, as a result of the various programs on education, prevention and control of risks, as well as on treatment of diseases. These programs are offered to our employees and, in some cases, to their families, contractors, suppliers, institutions and the general public.

## ACTIVITIES:

### TARGETING WORKPLACE PERSONNEL

Security courses and conferences

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Expo safety

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Internal Security Forum

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Health Fair

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Health Career

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Awards to employees or  
Departments with ZERO ACCIDENTS

### TARGETING EMPLOYEES' FAMILIES AND COMMUNITY

Guided tours "Knowing my Company"

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Health career

---

Familiar contests to Promote values

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Firefighting courses

---

Familiar contests and parades

---

Health fair

## INVESTMENT IN SAFETY AND HEALTH

During 2016, we invested over \$100 million in occupational safety and health, focusing efforts on engineering works, purchase of personal protective equipment, training, coaching, and industrial hygiene studies. In terms of occupational health, we have invested in the development, promotion and protection of health, as well as in primary prevention, treatment and rehabilitation.

## INVESTMENT IN OCCUPATIONAL SAFETY

(in millions)

	SCC
Management costs	\$ 1.86
Training	\$ 4.78
Personal protection equipment	\$ 7.21
Industrial hygiene studies	\$ 0.62
Engineering works	\$ 82.76
<b>Total</b>	<b>\$ 97.23</b>

## INVESTMENT IN OCCUPATIONAL HEALTH

(in millions)

	SCC
Development, Promotion and Protection of Health	\$ 0.68
Detection and prevention	\$ 2.00
Treatment	\$ 0.30
Rehabilitation	\$ 0.03
<b>Total</b>	<b>\$ 3.01</b>

## OPERATIONS IN PERU 2016

The safety and health results in 2016, for the open pit mining operations at the Toquepala and Cuajone mines, metallurgical operations at the Ilo Unit, which includes smelter and refinery plants, were as follows: Frequency Index 1.9, Severity Index 157.4 and Accidentability rate 0.3; the Frequency Index which has a direct relation with the



number of accidents occurred improved in relation to the year 2015 (2.2) and the Accidentability Index remained the same (0.3), only increased the Severity Index due to an increase in the number days of breaks due to accidents. In 2016, as in 2015, there were no fatal accidents in the Company.

The Behavior-Based Safety (SBC) process was intensively worked in 2016 and has begun to improve in those Divisions that have frequently had several accidents in which they have begun to decline, good results are expected in the next two years.

## EMPLOYEES FOR THE YEAR ENDED DECEMBER 31TH

MEXICAN OPERATIONS	2016	2015	2014	2013	2012
Total	8,762	8,316	8,105	8,182	7,975
PERUVIAN OPERATIONS					
Total	4,562	4,602	4,524	4,430	4,566
ECUADOR OFFICE					
Total	47	52	52	17	18
ARGENTINA OFFICE					
Total	20	26	26	16	14
CHILE OFFICE					
Total	20	26	26	18	12
CORPORATE OFFICE					
Total	3	2	2	2	1
TOTAL EMPLOYEES IN SCC					
Total Mexico	8,762	8,316	8,105	8,182	7,975
Total Peru	4,562	4,602	4,524	4,430	4,566
Total Ecuador	47	52	52	17	18
Total Argentina	20	26	26	16	14
Total Chile	20	26	26	18	12
Total Corporate Office	3	2	2	2	1
Total	13,414	13,024	12,735	12,665	12,586

## **PRINCIPLES OF CORPORATE GOVERNANCE**

Resolution from the Superintendencia de Mercado de Valores –SMV- by its acronym in Spanish) N° 00012-2014-SMV/01.

The information referred to that resolution will be submitted to the SMV of the Republic of Peru, together with the Annual Report.

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Economic relations with other companies due to loans that commit more than 10% of the stockholder's equity of the issuing entity.

To date, there are no loans with other companies that compromise more than 10% of SCC's property.

Administrative Judicial or Arbitration Processes

Litigation: See Note 13 “Commitments and Contingencies” to our Consolidated Financial Statements.

Changes of those responsible for the preparation and revision of the financial Information.

At December 31, 2016, no changes have been done.

## **INFORMATION RELATED TO THE STOCK ENTERED IN THE STOCK MARKET PUBLIC**

### **Common Stock**

On November 29, 1995 the Company offered to exchange the recently issued common shares for all and any labor shares of the Peruvian

Branch of the Company, at a ratio of one common share per four S-1 shares and one common share per five S-2 shares. The exchange expired on December 29, 1995, with 80.8% of the total labor shares in circulation exchange for 22,959,334 common shares. These common shares are quoted in New York Stock Exchange and the Lima Stock Exchange and are entitled to one vote per share.

Along with the exchange of labor shares the holders of common shares of the Company exchanged their shares for Class A common shares, with the right to five votes per share.

In connection with the Minera Mexico acquisition (April 1, 2005), 134,415,280 new common shares were issued and class A common shares of the Company were converted to common shares, and preferential votes were eliminated. On June 9, 2005, Cerro Trading Company, Inc., SPC Investors L.L.C., Phelps Dodge Overseas Capital Corporation and Climax Molybdenum B.V., subsidiaries of two of SCC's founding shareholders and affiliates, sold their share in SCC.

On August 30, 2006 the Executive Committee of the Board of Directors declared a two-for-one split of the Company's outstanding common stock. On October 2, 2006 common shareholders of record at the close of business on September 15, 2006, received one additional share of common stock for every share owned. The Company's common stock began trading at its post-split price on October 3, 2006. The split increased the number of shares outstanding to 294,460,850 from 147,230,425.

On June 19, 2008 the Executive Committee of the Board of Directors declared a three-for-one split of the Company's outstanding common stock. On July 10, 2008 common shareholders of record at the close



of business on June 30, 2008, received two additional shares of common stock for every share owned. The split increased the number of shares outstanding to 883,410,150 from 294,470,050.

All share and per share amounts were retroactively adjusted to reflect the stock splits.

Since 2008 and 2016, the Company and AMC had bought shares periodically.

At December 31, 2016, there were of record 775,942,270 shares of common stock of the Company, par value \$0.01 per share, outstanding.

## **CORPORATE BONDS**

Between July 2005 and November 2012 the Company issued senior unsecured notes six times totaling \$4.2 billion as listed above. Interest on the notes is paid semi-annually in arrears. The notes rank pari passu with each other and rank pari passu in right of payment with all of the Company's other existing and future unsecured and unsubordinated indebtedness.

The indentures relating to the notes contain certain restrictive covenants, including limitations on liens, limitations on sale and leaseback transactions, rights of the holders of the notes upon the occurrence of a change of control triggering event, limitations on subsidiary indebtedness and limitations on consolidations, mergers, sales or conveyances. Certain of these covenants cease to be applicable before the notes mature if the Company obtains an investment grade rating. The Company obtained investment grade rating in 2005.

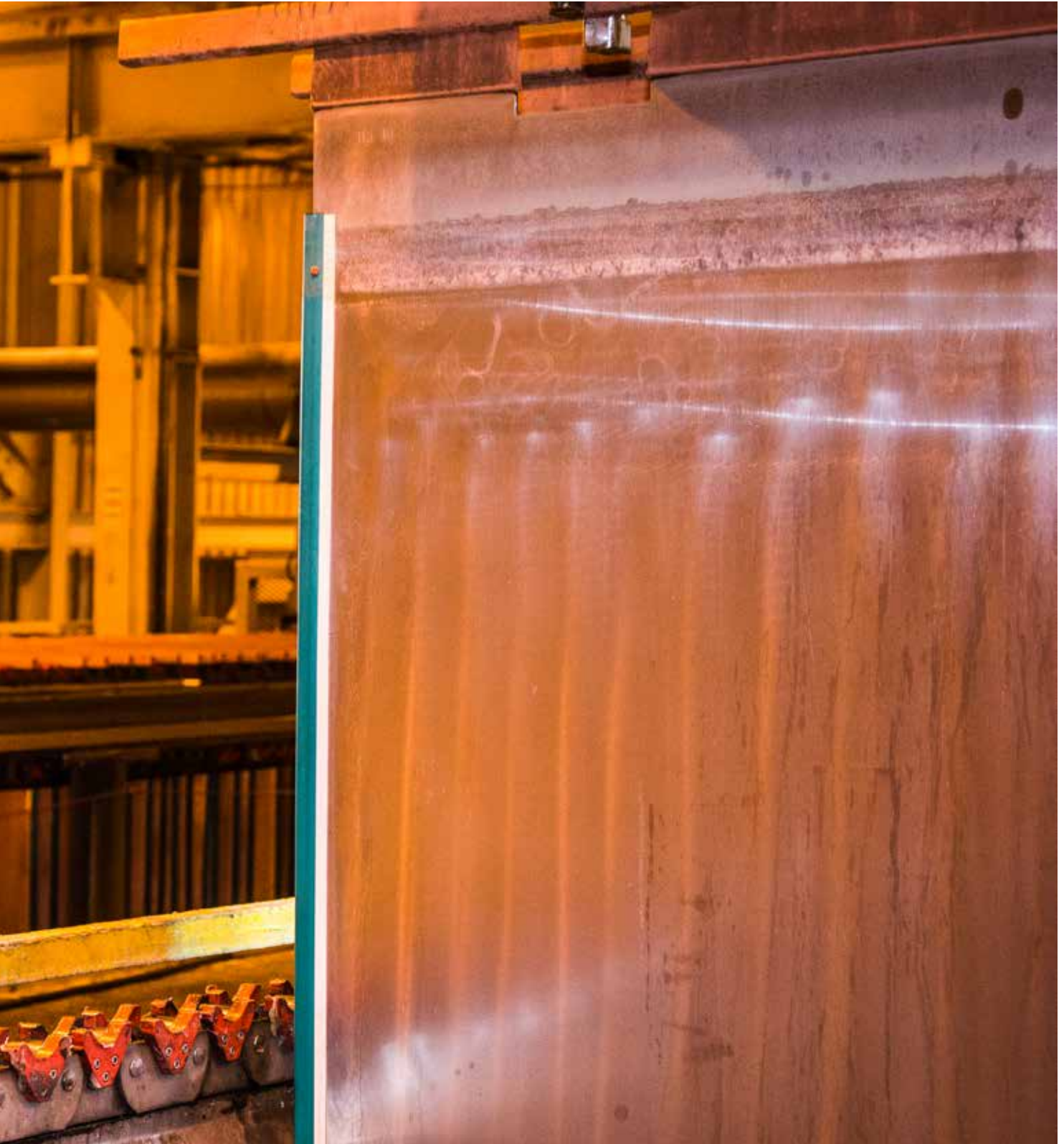
In addition, the Company's Mexican operations hold \$51.1 million in bonds referred above as "Yankee bonds", contain a covenant requiring Minera Mexico to maintain a ratio of EBITDA to interest expense of not less than 2.5 to 1.0 as such terms are defined in the debt instrument.

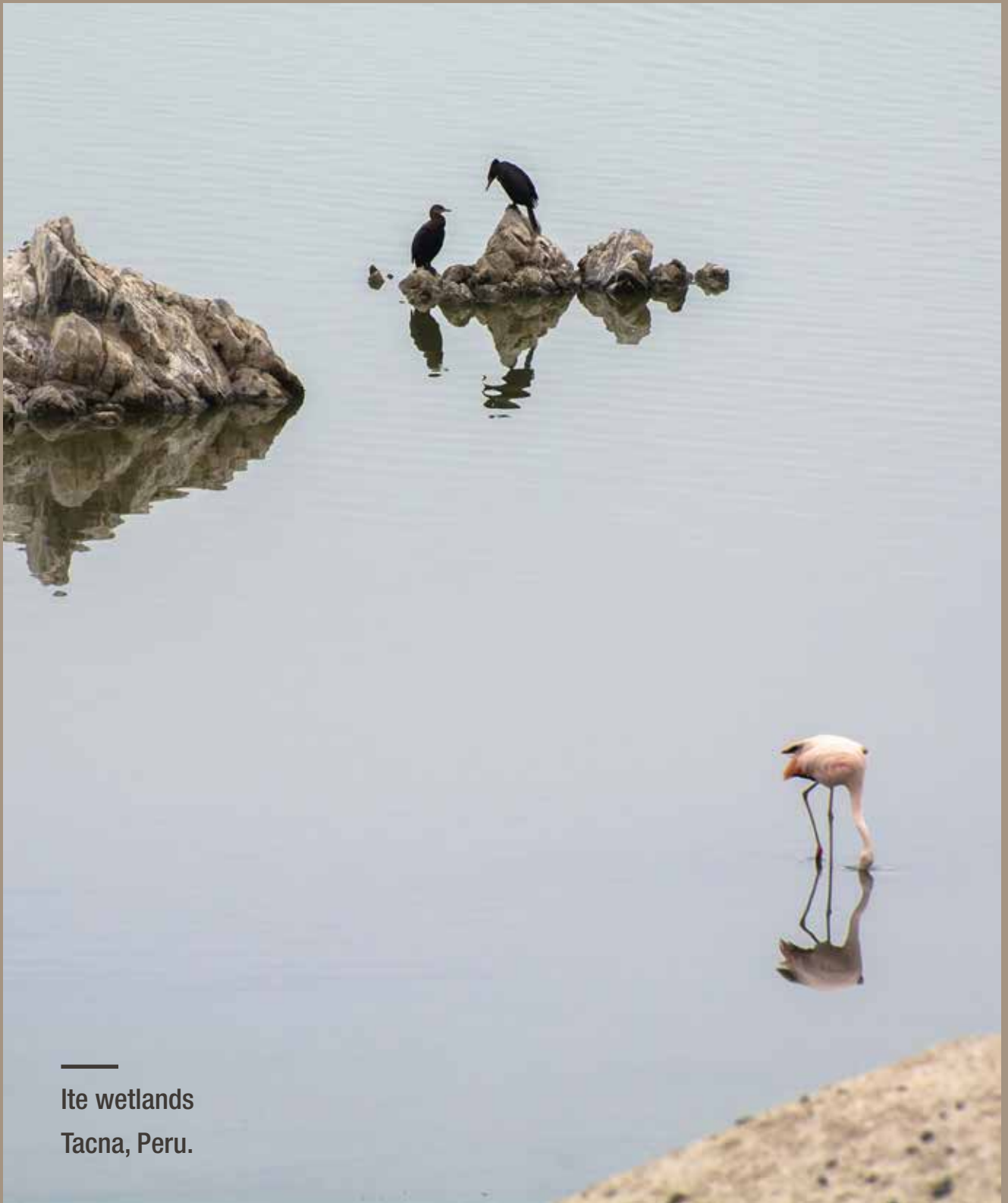
At December 31, 2016, the Company was in compliance with this covenant.

Please see Note 11 "Financing" for a discussion about the covenants requirements related to our long-term debt, on Form 10-K 2016.

Leaching process,  
SX-EW Plant.







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Ite wetlands  
Tacna, Peru.



## MEMBERS OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2016

### GERMAN LARREA MOTA-VELASCO

#### Director.

Mr. Larrea has been Chairman of the Board of Directors since December 1999, Chief Executive Officer from December 1999 to October 2004, and a member of our Board of Directors since November 1999. He has been Chairman of the board of directors, President and Chief Executive Officer of Grupo Mexico, S.A.B. de C.V. (“Grupo Mexico”) (holding) since 1994. Mr. Larrea has been Chairman of the board of directors and Chief Executive Officer of Grupo Ferroviario Mexicano, S.A. de C.V. (railroad company) since 1997. Mr. Larrea was previously Executive Vice Chairman of Grupo Mexico and has been member of the board of directors since 1981. He is also Chairman of the board of directors and Chief Executive Officer of Empresarios Industriales de Mexico, S.A. de C.V. (“EIM”) (holding) and Fondo Inmobiliario (real estate company), since 1992. He founded Grupo Impresa, a printing and publishing company in 1978, remaining as the Chairman and Chief Executive Officer until 1989 when the company was sold. He is a director of the Consejo Mexicano de Negocios since 1999, was a director of Banco Nacional de Mexico, S.A. (Citigroup) from 1992 to 2015 and was also a director of Grupo Televisa, S.A.B. from 1999 to 2014.

### OSCAR GONZALEZ ROCHA

#### Director.

Mr. Gonzalez Rocha has been our President since December 1999 and our President and Chief Executive Officer since October 21, 2004. He has been a director of the Company since November 1999. Mr. Gonzalez Rocha has been the President and Chief Executive Officer of Americas Mining Corporation (“AMC”) since November 1, 2014 and the Chief Executive Officer and a director of Asarco LLC (integrated US copper producer), an affiliate of the Company, since August 2010. Previously, he was the Company’s President and General Director and Chief Operating Officer from

December 1999 to October 20, 2004. Mr. Gonzalez Rocha has been a director of Grupo Mexico since 2002. He was General Director of Mexicana de Cobre, S.A. de C.V. from 1986 to 1999 and of Buenavista del Cobre, S.A. de C.V. (formerly Mexicana de Cananea, S.A. de C.V.) from 1990 to 1999. He was an alternate director of Grupo Mexico from 1998 to April 2002. Mr. Gonzalez Rocha is a civil engineer with a degree from the Autonomous National University of Mexico (“UNAM”) in Mexico City, Mexico.

## **EMILIO CARRILLO GAMBOA**

### **Director.**

Mr. Carrillo Gamboa has been a director of the Company since May 30, 2003 and is our fourth independent director nominee. Mr. Carrillo Gamboa is a prominent lawyer in Mexico and has been the Senior Partner of the Bufete Carrillo Gamboa, S.C., a law firm specializing in corporate, financial, commercial, and public utility issues, for the last five years. Mr. Carrillo Gamboa has extensive business experience and currently serves on the boards of many prestigious international and Mexican corporations, as well as charitable organizations. Since March 9, 2005, he has been Chairman of the board of The Mexico Fund, Inc. (NYSE—MXF), a nondiversified closed-end management investment company. Mr. Carrillo Gamboa held various offices with Telefonos de Mexico, S.A. de C.V. (“TELMEX”) from 1960 to 1987, the most recent being that of President and Chief Executive Officer from June 1975 to June 1987. He later served as Mexico's Ambassador to Canada from July 1987 to February 1989. Mr. Carrillo Gamboa served from 2002 through March 2010 on the board and on the audit committee of Empresas ICA, S.A.B. de C.V. (NYSE—ICA), an engineering, procurement and construction company. He has been a member of the valuation, contract review, nominating and corporate governance, and audit committees of The Mexico Fund, Inc. since

2002. Mr. Carrillo Gamboa has served on the board and audit committee of Grupo Mexico since 2004 and on the boards of Grupo Nacional Provincial S.A.B. (Mexican insurance company) since 2007, Grupo Posadas, S.A.B. de C.V. (Mexican hotel operation company) since 2006, Grupo Profuturo, S.A.B. de C.V. (Mexican insurance and pension holding company) since 2009, and Kimberly-Clark de Mexico, S.A.B. de C.V. (consumer products) since 2002. Mr. Carrillo Gamboa has a law degree from the UNAM in Mexico City, Mexico. He also attended a continuous legal education program at Georgetown University Law Center in Washington D.C., and practiced at the World Bank.

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## **ALFREDO CASAR PEREZ**

### **Director.**

Mr. Casar Perez has been a director of the Company since October 26, 2006. He has been a member of the board of directors of Grupo Mexico since 1997. He is also a member of the board of directors of Ferrocarril Mexicano, S.A. de C.V., an affiliated company of Grupo Mexico, since 1998 and its Chief Executive Officer since 1999. From 1992 to 1999, Mr. Casar Perez served as General Director and member of the board of directors of Compañía Perforadora Mexico, S.A. de C.V. and Mexico Compañía Constructora, S.A. de C.V., two affiliated companies of Grupo Mexico. Mr. Casar Perez served as Project Director of ISEFI, a subsidiary of Banco Internacional, in 1991 and Executive Vice President of Grupo Costamex in 1985. Mr. Casar Perez also worked for the Real Estate Firm, Agricultural Ministry, and the College of Mexico. Mr. Casar Perez holds a degree in Economics from the Autonomous Technological Institute of Mexico, ITAM, and one in Industrial Engineering from Anahuac University in Mexico City, Mexico. He also holds a Master's degree in Economics from the University of Chicago in Chicago, Illinois.

## ENRIQUE CASTILLO SANCHEZ MEJORADA

### Director.

Mr. Castillo Sanchez Mejorada has been a director of the Company since July 26, 2010 and is our fifth independent director nominee. From May 2013 to date, Mr. Castillo Sanchez Mejorada has been Senior Partner of Ventura Capital Privado, S.A. de C.V. (Mexican financial company) and since October 2013 to date, he has been Chairman of the board of directors of Maxcom Telecomunicaciones, S.A.B. de C.V. (Mexican telecommunications company).

From April 2011 to May 2013, Mr. Castillo Sanchez Mejorada was a senior advisor at Grupo Financiero Banorte, S.A.B. de C.V. (“GFNorte”). From October 2000 to March 2011, Mr. Castillo Sanchez Mejorada was the Chairman of the board of directors and Chief Executive Officer of Ixe Grupo Financiero, S.A.B. de C.V., a Mexican financial holding company that merged into GFNorte as of April 2011. In addition, from March 2007 to March 2009, Mr. Castillo Sanchez Mejorada was the President of the Mexican Banking Association (Asociacion de Bancos de Mexico). Currently, Mr. Castillo Sanchez Mejorada is Chairman of the Board of Banco Nacional de Mexico, S.A. (Banamex), one of the largest banks in Mexico and serves as an independent director on the boards of directors of (i) Grupo Herdez, S.A.B. de C.V., a Mexican holding company for the manufacture, sale and distribution of food products; (ii) Alfa, S.A.B. de C.V., a Mexico-based holding company that, through its subsidiaries, is engaged in the petrochemical, food processing, automotive and telecommunication sectors; (iii) Medica Sur, S.A.B. de C.V., a Mexico-based company engaged in the hospital business and (iv) UNIFIN, an independent leasing company. He is also a Senior Advisor for General Atlantic in Mexico, a private equity firm based out of New York. From \_\_\_ to April 2016, Mr. Castillo Sanchez Mejorada served as a member of the board of directors of Organizacion Cultiba, S.A.B. de C.V. (formerly Grupo Embotelladoras Unidas, S.A.B.

de C.V.), a Mexico-based holding company primarily engaged in the beverage industry. From April 2012 until April 2014, Mr. Castillo Sanchez Mejorada served as an independent director on the board and as a member of the audit committee of Grupo Aeroportuario del Pacifico, S.A.B. de C.V., a Mexico-based and NYSE-listed company that operates, maintains and develops 12 airports in the Pacific and central regions of Mexico. Mr. Castillo Sanchez Mejorada was a member of the board of directors of Grupo Casa Saba, S.A.B. de C.V., a Mexican wholesale distributor of pharmaceutical, health, beauty and other consumer products and operator of a retail pharmacy chain, from April 2010 until 2013. Mr. Castillo Sanchez Mejorada has been a member of the audit committee of Alfa, S.A.B. de C.V. since 2010. Mr. Castillo Sanchez Mejorada holds a Bachelor's degree in Business Administration from the Anahuac University, in Mexico City, Mexico.

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## **XAVIER GARCIA DE QUEVEDO TOPETE**

### **Director.**

Mr. Garcia de Quevedo has been a director of the Company since November 1999. He was our Chief Operating Officer from April 12, 2005 until April 23, 2015. Since November 1, 2014 Mr. Garcia de Quevedo Topete serves as the President of the infrastructure division of Grupo Mexico, composed of the energy, gas, oil and construction subsidiaries of Grupo Mexico. He was the President and Chief Executive Officer of Southern Copper Minera Mexico from September 2001 until November 1, 2014. He was the President and Chief Executive Officer of Americas Mining Corporation from September 7, 2007 to October 31, 2014. From December 2009 to June 2010, he was Chairman and Chief Executive Officer of Asarco LLC, previously he was President of Asarco LLC from November 1999 to September 2001. Mr. Garcia de Quevedo began his professional career in 1969 with Grupo Mexico. He was President of Grupo Ferroviario Mexicano, S.A. de C.V. and of Ferrocarril Mexicano, S.A. de C.V. from December 1997 to December 1999, and Executive Vice-President of Exploration and Development of Grupo Mexico from 1994 to 1997. He has been a director of Grupo Mexico since April 2002. He was also Vice President

of Grupo Condumex, S.A. de C.V. (telecommunications, electronic and automotive parts producer) for eight years. Mr. Garcia de Quevedo was the Chairman of the Mining Chamber of Mexico from November 2006 to August 2009. He is a chemical engineer with a degree from the UNAM in Mexico City, Mexico. He also attended a continuous business administration and finance program at the Technical Institute of Monterrey in Monterrey, Mexico.

## **DANIEL MUÑIZ QUINTANILLA**

### **Director.**

Mr. Muñiz has been a director of the Company since May 28, 2008. He was appointed Executive Vice President of the Company on April 28, 2016. Mr. Muñiz has been the Chief Financial Officer of Grupo Mexico since April 2007. Prior to joining Grupo Mexico, Mr. Muñiz was a practicing corporate-finance lawyer from 1996 to 2006. During this time he worked at Cortes, Muñiz y Nuñez Sarrapy; Mijares, Angoitia, Cortes y Fuentes; and Baker & McKenzie (London and Mexico City offices). He holds a Master's degree in Financial Law from Georgetown University Law Center in Washington D.C., and a Master's degree in Business Administration from Instituto de Empresa in Madrid, Spain.

## **LUIS MIGUEL PALOMINO BONILLA**

### **Director.**

Dr. Palomino has been a director of the Company since March 19, 2004 and is a special independent director nominee. Dr. Palomino has been Chairman of the board of directors of Aventura Plaza, S.A. (commercial real estate developer and operator) since January 2008, Manager of the Peruvian Economic Institute (economic think tank) since April 2009, Partner of Profit Consultoria e Inversiones (a financial consulting firm) since July 2007, director of the Master in Finance Program at the University of the Pacific in Lima, Peru since July 2009, and a director and chairman of the audit committee of the Bolsa de Valores de Lima (Lima Stock Exchange) since March 2013. He was a member of the board of directors of Access SEAF SAFI from December 2007 to April 2010. Dr. Palomino was previously Principal and Senior Consultant of Proconsulta International (financial consulting) from September

2003 to June 2007. Previously he was First Vice President and Chief Economist, Latin America, for Merrill Lynch, Pierce, Fenner & Smith, New York (investment banking) from 2000 to 2002. He was Chief Executive Officer, Senior Country and Equity Analyst of Merrill Lynch, Peru (investment banking) from 1995 to 2000. Dr. Palomino has held various positions with banks and financial institutions as an economist, financial advisor and analyst. He has a PhD in finance from the Wharton School of the University of Pennsylvania in Philadelphia, Pennsylvania and graduated from the Economics Program of the University of the Pacific in Lima, Peru.

## **GILBERTO PEREZALONSO CIFUENTES**

### **Director.**

Mr. Perezalonso has been a director of the Company since June 2002 and is a special independent director nominee. Mr. Perezalonso was Chairman of the board of directors of Volaris Compañía de Aviación, S.A.P.I. de C.V. (airline) from March 2, 2011 to November 2014. He was Chief Executive Officer of Corporación Geo, S.A. de C.V. (housing construction) from February 2006 to February 2007. Mr. Perezalonso was the Chief Executive Officer of Aeroméxico (Aerovías de México, S.A. de C.V.) (airline company) from 2004 until December 2005. From 1998 until April 2001, he was Executive Vice President of Administration and Finance of Grupo Televisa, S.A.B. (media company). From 1980 until February 1998, Mr. Perezalonso held various positions with Grupo Cifra, S.A. de C.V. (department stores), the most recent position being that of General Director of Administration and Finance. Now he is a member of the advisory council of Banco Nacional de México, S.A. de C.V. (banking), the board of directors and the investment committee of Afore Banamex (banking), the board and the investment committee of Sifore Banamex No. 1 (banking), and is a member of the boards of directors of Gigante, S.A. de C.V. (retail), Masnegocio Co. S. de R.L. de C.V. (information technology), Intellego (technology), Telefonía

Moviles Mexico, S.A. de C.V. (wireless communication), Cruz Roja Mexicana (emergency and medical services), Construction Company Marhnos (housing construction), and Fomento de Investigacion y Cultura Superior, A.C. (Foundation of the Iberoamerican University). Mr. Perezalonso was a director of Cablevision, S.A. de C.V., Grupo Televisa, S.A.B. and a member of the audit committee of Grupo Televisa, S.A.B. from March 1998 to September 2009. Mr. Perezalonso has a law degree from the Iberoamerican University in Mexico City, Mexico and a Master's degree in Business Administration from the Business Administration Graduate School for Central America (INCAE) in Nicaragua. Mr. Perezalonso has also attended a Corporate Finance program at Harvard University in Cambridge, Massachusetts.

## **CARLOS RUIZ SACRISTAN**

### **Director.**

Mr. Ruiz Sacristan has been a director of the Company since February 12, 2004 and is a special independent director nominee. Since November 2001, he has been the owner and Managing Partner of Proyectos Estrategicos Integrales, a Mexican investment banking firm specialized in agricultural, transport, tourism, and housing projects. Mr. Ruiz Sacristan has held various distinguished positions in the Mexican government, the most recent being that of Secretary of Communications and Transportation of Mexico from 1995 to 2000. While holding that position, he was also Chairman of the board of directors of the Mexican-owned companies in the sector, and member of the board of directors of development banks. He was also the Chairman of the board of directors of Asarco LLC. Mr. Ruiz Sacristan was a member of the board of directors from 2007 to 2012 and of the audit, and environmental and technology committees of Sempra Energy (energy services). In 2012, Mr. Ruiz Sacristan was appointed



Chairman and Chief Executive Officer of IEnova, the Mexican operating subsidiary of Sempra Energy. He is a member of the boards of directors of Constructora y Perforadora Latina, S.A. de C.V. (Mexican geothermal exploration and drilling company), of Banco Ve Por Mas, S.A. (Mexican bank), of OHL Concesiones Mexico (a construction and civil engineering company), and of AMAIT (an international airport in Mexico). Mr. Ruiz Sacristan holds a Bachelor's degree in Business Administration from the Anahuac University in Mexico City, Mexico, and a Master's degree in Business Administration from Northwestern University in Chicago, Illinois.

## **EXECUTIVE OFFICERS**

**GERMAN LARREA MOTA-VELASCO**

Chairman of the Board of Directors

**OSCAR GONZALEZ ROCHA**

President and Chief Executive Officer

**DANIEL MUÑIZ QUINTANILLA**

Vicepresidente Ejecutivo

**RAUL JACOB RUISANCHEZ**

Vice-President, Finance Treasurer and Chief  
Financial Officer

**EDGARD CORRALES AGUILAR**

Vice-President, Exploration

**JORGE LAZALDE PSIHAS**

Secretary

**ANDRES FERRERO G.**

General Counsel

**LINA VINGERHOETS VILCA**

Comptroller

**RAFAEL FERNANDO LOPEZ ABAD**

General Auditor

## NEXT OF KIN

A company of which more than 50% of the voting power is held by a single entity, a “controlled company”, need not comply with the requirements of the New York Stock Exchange (“NYSE”) corporate governance rules requiring a majority of independent directors and independent compensation and nomination/corporate governance committees.

SCC is a controlled company as defined by the rules of the NYSE. Grupo Mexico owns indirectly 88.9 % of the stock of the Company, as of December 31, 2016. The Company has taken advantage of the exceptions to comply with the corporate governance rules of the NYSE. The Board of Directors of the Company determined that Messrs. Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, and Carlos Ruiz Sacristan, the three members of the Company’s Audit Committee, are independent of management and financially literate in accordance with the requirements of the NYSE and the Securities and Exchange Commission (“SEC”), as such requirements are interpreted by the Company’s Board of Directors in its business judgment. Additionally, Messrs. Emilio Carrillo Gamboa and Enrique Castillo Sanchez Mejorada are our fourth and fifth independent directors. At its meeting on January 28, 2016, the Board of Directors determined that Messrs. Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, Carlos Ruiz Sacristan, Emilio Carrillo Gamboa, and Enrique Castillo Sanchez Mejorada are independent of management in accordance with the requirements of the NYSE as such requirements are interpreted by our Board of Directors in its business judgment.

To the best of the Company’s knowledge, no relationship of affinity and/or consanguinity exists among the members of the Board, and between them and the Executive Officers of Southern Copper Corporation.

## SPECIAL COMMITTEES OF THE BOARD

SCC's Board of Directors has organized the following Special Committees:

1. Executive Committee. It is comprised of five members who substitute for the Board when sessions or decisions are required concerning urgent matters, or matters for which the Board would have expressly delegated its mandate.
2. Audit Committee. It is comprised of three independent Board members who are knowledgeable in accounting and financial matters. Its main purpose is to: (a) assist the Board in monitoring (i) the quality and integrity of the Company's financial statements; (ii) the qualifications and independence of the independent auditors; (iii) the performance of the internal audit function and of the independent auditors; and (iv) the Company's compliance with legal and regulatory requirements; and (b) prepare the report required by SEC rules.
3. Compensation Committee. It is comprised of four Board members and its principal objective is to evaluate and establish the remunerations of principal officers and key employees of the Company and its subsidiaries.
4. Special Nominating Committee. It is comprised of two independents Board members and one nominated by the Board and it has the exclusive authority to propose and evaluate individuals who are proposed as special independents directors.
5. Corporate Governance Committee. It is comprised of four Board members and has as its primary functions to consider and make recommendations to the Board concerning the appropriate function and needs of the Board, to develop and recommend to the Board corporate governance principles, to oversee evaluation of the Board and management, and to oversee and review compliance with the disclosure and reporting standards of the Company that require full, fair, accurate, timely, and understandable disclosure of material information regarding the Company in reports and documents that it files with the SEC, the NYSE and equivalent authorities in the countries in which the Company operates, as well as in other public communications that it regularly makes.
6. Administrative Committee. It is designated by the Named Fiduciary appointed by the Board for the benefit plans as required by the Employee Retirement Income Security Act – ERISA of the United States. ERISA is the law that covers employee retirement and other benefit plans. Mr. Daniel Muñoz Quintanilla is the Board-appointed Named Fiduciary for the Company's benefits plans subject to US regulations, including ERISA. This Officer appoints an Administrative Committee, which is comprised of three management members and its purpose is to administer and manage said plans and to oversee the performance of the trust agents and other fiduciaries charged with investing the plans' funds.

## **ADMINISTRATION AND BOARD INCOME**

Total remunerations of Board and Administration members, in relation to the Company's gross income is 0.07%.

## **ANNUAL MEETING**

The annual stockholders meeting of Southern Copper Corporation will be held at Edificio Parque Reforma, Campos Eliseos No. 400, 9th Floor, Col. Lomas de Chapultepec, Mexico City, C.P. 11000, Mexico, on Thursday, April 27, 2017 at 9:00 A.M., Mexico City time.

## **CORPORATE OFFICES**

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### **UNITED STATES**

1440 E. Missouri Avenue,  
Suite 160,  
Phoenix, AZ 85014, USA.  
Phone: +(602) 264-1375

### **MEXICO**

Edificio Parque Reforma, Campos  
Eliseos No. 400  
Col. Lomas de Chapultepec Mexico D.F.  
Phone: +(52-55) 1103-5000

### **PERU**

Caminos del Inca Avenue No. 171  
Chacarilla del Estanque  
Santiago de Surco Lima 33, Peru  
Phone: +(511) 512-0440, Ext. 3181

## **TRANSFER AGENT, REGISTRAR AND STOCKHOLDER SERVICES**

Computershare

480 Washington Boulevard

Jersey City, NJ 07310-1900

Phone: (1-866)230-0172

## **DIVIDEND REINVESTMENT PROGRAM**

SCC stockholders can have their dividends automatically reinvested in SCC common shares. SCC pays all administrative and brokerage fees. This plan is administered by The Bank of New York Mellon Corporation. For more information, contact The Bank of New York Mellon Corporation at phone +1(866) 230-0172.

## **STOCK EXCHANGE LISTING**

The principal markets for SCC's Common Stock are the New York Stock Exchange and the Lima Stock Exchange. Effective February 17, 2010, SCC's Common Stock changed its symbol from PCU to SCCO on both the NYSE and the Lima Stock Exchange.

## **OTHERS**

The Branch in Peru has issued, in accordance with Peruvian law, 'investment shares' (formerly named labor shares) that are quoted in the Lima Stock Exchange under the symbol SPCCPI1 and SPCCPI2.

Transfer Agent, registrar and stockholders services are provided by Banco de Credito of Peru at Avenue Centenario 156, La Molina, Lima 12, Peru.

Phone +(511) 313-2478, Fax +(511) 313-2556.

## **OTHER CORPORATE INFORMATION**

For other information on the corporation or to obtain additional copies of the annual report, Form 10-K 2015 contact to Investor Relations Department at our corporate offices:

Southern Copper Corporation

USA: 1440 East Missouri Avenue, Suite 160 Phoenix, Az. 85014, USA

Phone: (602)264-1375, Fax (602) 264-1397.

MEXICO: Campos Eliseos No. 400, 11 floor, Col. Lomas de Chapultepec Mexico D.F.

Phone +(52-55) 1103-5000, Extension 5855.

PERU: Caminos del Inca Avenue 171 (B-2), Chacarilla del Estanque, Santiago de Surco  
– Lima 33 - Peru.

Phone. +(511) 512-0440, Ext. 3442.

Web Page: [www.southerncoppercorp.com](http://www.southerncoppercorp.com)

Email address: [southerncopper@southernperu.com.pe](mailto:southerncopper@southernperu.com.pe)

### **FORM 10-K<sup>1</sup>**

Attached Form 10-K contains Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Combined Financial Statements and the accompanying notes are an integral part of these Annual Report.

<sup>1</sup>Form 10-K Phone. +(511) 512-0440, extension 3442 for Spanish

## MEMBERS OF THE BOARD OF DIRECTORS

German Larrea Mota-Velasco

Oscar Gonzalez Rocha

Emilio Carrillo Gamboa

Alfredo Casar Perez

Enrique Castillo Sanchez Mejorada

Xavier Garcia de Quevedo Topete

Daniel Muñiz Quintanilla

Luis Miguel Palomino Bonilla

Gilberto Perezalonso Cifuentes

Carlos Ruiz Sacristan

### Audit Committee

Emilio Carrillo Gamboa, Presidente del Comite,

Luis Miguel Palomino Bonilla

Gilberto Perezalonso Cifuentes

Enrique Castillo Sanchez Mejorada



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Tailing disposal,  
Quebrada Honda,  
Tacna, Peru.









# SOUTHERN COPPER CORPORATION

## **CORPORATE OFFICES**

### **UNITED STATES**

1440 E. Missouri Avenue,  
Suite 160, Phoenix, AZ 85014, U.S.A.  
Phone: +(602) 264-1375

### **MEXICO**

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Col. Lomas de Chapultepec, Mexico D.F.  
Phone: + (52-55) 1103-5000

### **PERU**

Caminos del Inca Avenue 171  
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Lima 33 - Peru  
Phone: +(511) 512-0440, Anexo 3354

Symbol: SCCO

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