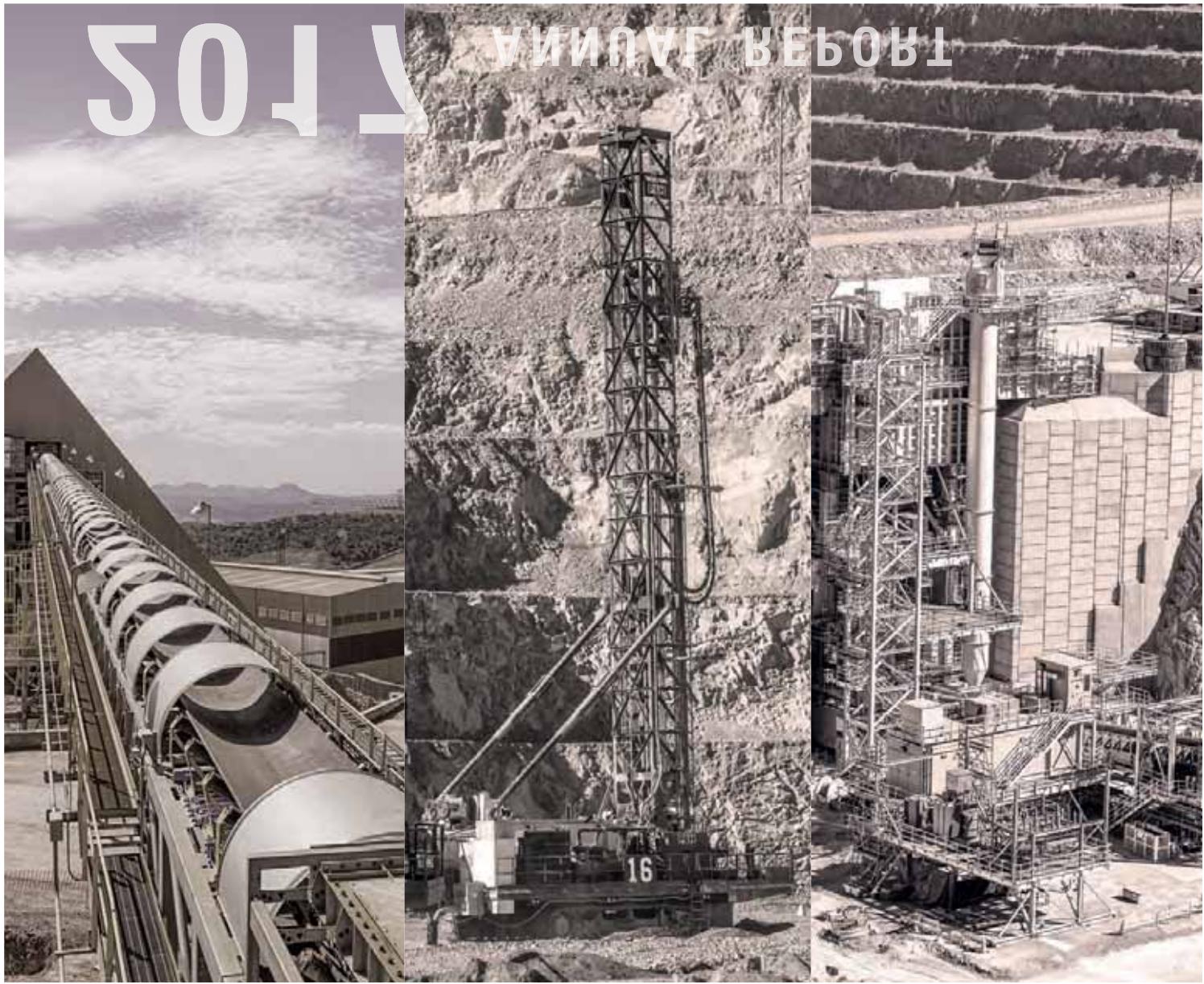


# 2017 ANNUAL REPORT

# SOUTH

ANNUAL REPORT 2017



## 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 2017. SCC takes responsibility for its contents according to applicable requirements."



ANDRES FERRERO G.

Assistant Secretary



RAUL JACOB RUISANCHEZ

Vice-President Finance and

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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## LETTER TO SHAREHOLDERS

During 2017, Southern Copper Corporation continued seeing the benefit of its expansion and cost reduction programs which, despite the 18% increase in diesel prices during 2017, yielded a cash cost reduction from \$0.95 to \$0.92 per pound, the lowest in the industry. SCC also continued with its capital program with investments in excess of \$1.0 billion. SCC believes that with these actions is in a great position to take advantage of the favorable price environment.

In 2018, SCC will complete the Peruvian Toquepala expansion project adding 100,000 tons to our annual copper production, allowing us to reach one million tons of annual copper production capacity with an even lower cash cost per pound of copper.

We believe, 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 only investment grade jurisdictions, continues to offer highly attractive growth opportunities. In addition, our robust capital structure provides the financial and strategic flexibility required for its execution.

In 2018, we plan to invest \$1,748.2 million in capital projects. In Mexico, the project is located within Buenavista facility and contemplates the development of a new concentrator to produce approximately 80,000 tons of zinc and 20,000 tons of additional copper per year that will allow us to double our current zinc production capacity. Pilares—Sonora: This project

will be developed as an open-pit mine operation with a capacity of 35,000 tons of copper in concentrates per year. The ore will be transported by truck from the pit to the primary crushers of the La Caridad copper concentrator.

In 2017, we started our new strategic plan to grow copper production capacity to exceed the 1 million ton milestone by mid-2018, with the operation of the Toquepala expansion project, and by 2023 we expect to reach 1.5 million copper tons. We are convinced that we can do it.

**Landscape of  
Buenavista del Cobre  
mine, Sonora, Mexico.**

Our copper reserves exceed 70 million tons of copper content, giving us a 63-year mine life expectancy at the current production



rate. We believe that SCC is the best company in its class in generating cash flow.

In Peru, we currently have a portfolio of projects with a total capital budget of \$2,900 million, out of which \$1,620 million have already been invested. This \$1,255.0 million project includes a new state-of-the-art concentrator that will increase Toquepala's annual copper production by 100,000 tons to reach 245,000 tons in 2019, a 69% production increase.

The project consisted of replacing rail haulage at the Cuajone mine by an in-pit primary crusher with a 7 km overland conveyor belt

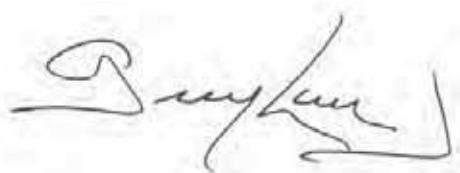
**Ore loading, Toquepala mine,  
Tacna, Peru.**



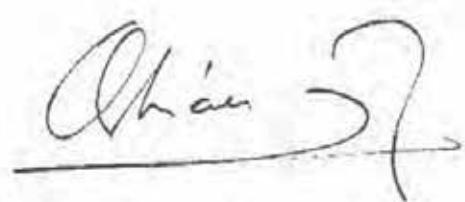
system to move ore to the concentrator. Operating savings are estimated at \$23 million annually. As of December 31, 2017 the project is already completed and in operation. Total investment was \$226 million as budgeted.

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 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**

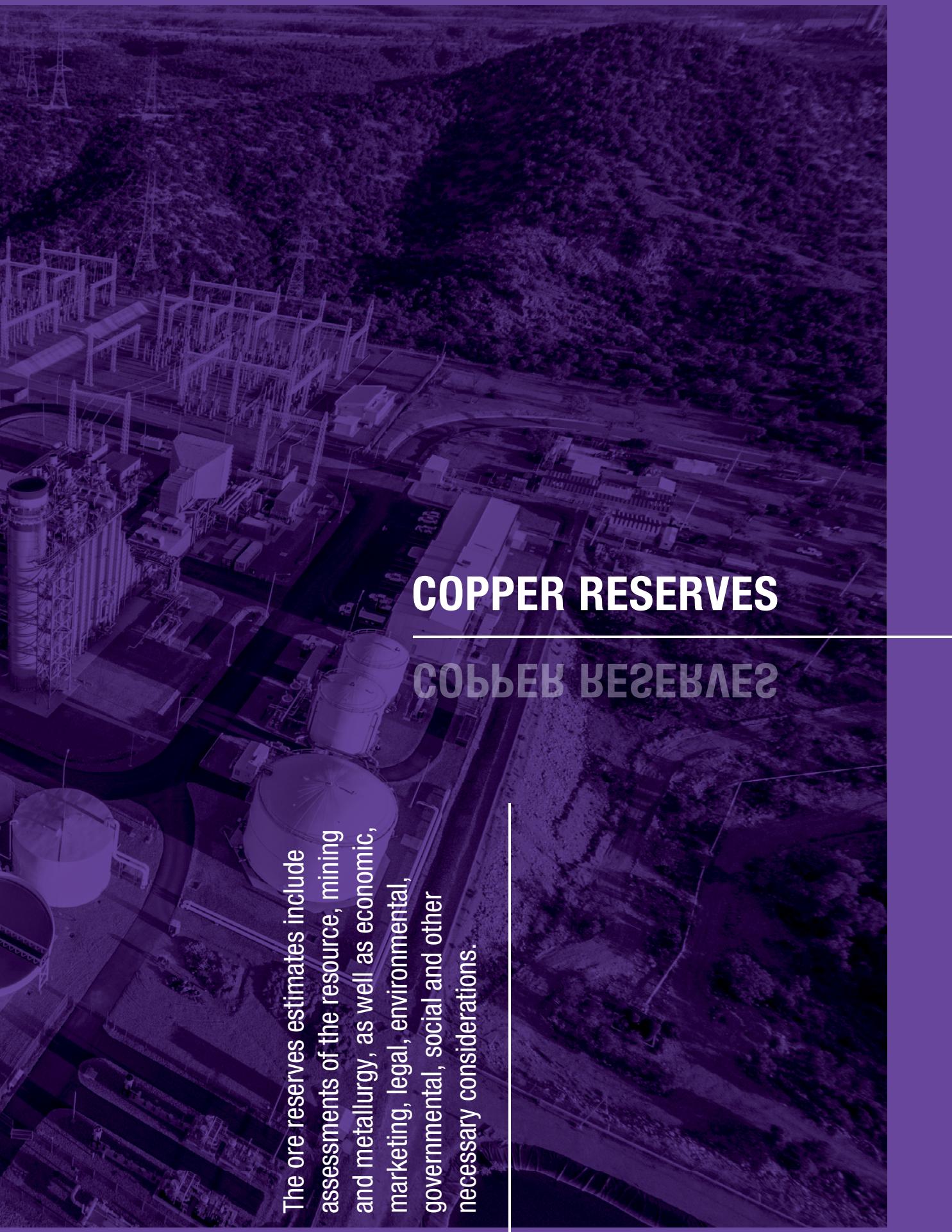
# PRODUCTION STATISTICS

Southern Copper Corporation and Subsidiaries  
Five-year Production Statistics

		2017	2016	2015	2014	2013
<b>COPPER PRODUCTION MINES</b>	(TONS)					
Mined Material	(thousand)	<b>743,163</b>	742,935	764,532	758,965	641,456
Copper in concentrates		<b>711,720</b>	715,360	569,072	532,291	498,361
Copper SX/EW		<b>165,259</b>	184,595	173,921	144,308	118,658
Total Copper		<b>876,979</b>	899,955	742,993	676,599	617,019
Molybdenum in concentrates		<b>21,328</b>	21,736	23,347	23,120	19,897
Zinc in concentrates		<b>68,665</b>	73,984	61,905	66,614	99,372
Silver in concentrates	(thousand ounces)	<b>15,926</b>	16,172	13,288	12,992	13,513
<b>SMELTER/REFINERIES PRODUCTION</b>						
Copper		<b>617,853</b>	591,339	597,945	561,939	545,082
Zinc		<b>104,402</b>	106,093	100,576	92,133	97,692
Silver	(thousand ounces)	<b>13,688</b>	15,196	13,638	13,348	15,572
<b>TOQUEPALA</b>						
Mined Material	(thousand)	<b>203,778</b>	209,064	193,013	211,202	169,808
Copper in concentrates		<b>122,949</b>	116,525	119,427	114,828	110,691
Molybdenum in concentrates		<b>4,184</b>	6,324	7,924	6,100	4,662
<b>CUAJONE</b>						
Mined Material	(thousand)	<b>149,265</b>	175,009	191,651	182,812	173,277
Copper in concentrates		<b>158,105</b>	171,448	178,187	178,337	168,582
Molybdenum in concentrates		<b>3,746</b>	3,926	4,444	4,001	3,133
<b>SMELTER/REFINERIES IN PERU</b>						
SX/EW		<b>25,093</b>	24,880	24,167	25,675	28,400
Smelt concentrates		<b>1,153,486</b>	1,070,588	1,143,682	1,022,536	1,072,826
Blister produced		<b>1,793</b>	929	2,800	-	1,670
Anode produced		<b>345,847</b>	322,567	338,893	303,939	322,637
Cathode produced		<b>291,373</b>	270,183	280,587	257,926	271,035
<b>MEXICANA DE COBRE - CARIDAD</b>						
Mined Material	(thousand)	<b>98,534</b>	98,435	94,283	91,454	88,595
Copper in concentrates		<b>106,271</b>	104,949	103,861	101,062	96,863
Molybdenum in concentrates		<b>9,934</b>	9,911	10,040	10,800	11,742

		2017	2016	2015	2014	2013
<b>BUENAVISTA</b>						
Mined material	(thousand)	<b>288,716</b>	257,395	282,954	271,026	206,710
Copper in concentrates		<b>135,690</b>	140,661	142,025	132,853	115,813
<b>SMELTER/REFINERIES IN MEXICO</b>						
SX/EW		<b>140,166</b>	159,715	149,754	118,633	90,258
Smelt concentrates		<b>997,657</b>	1,004,829	933,403	926,427	722,597
Anode produced		<b>270,213</b>	267,843	256,252	258,000	220,775
Cathode produced		<b>228,062</b>	224,158	213,360	204,302	188,005
Rod produced		<b>133,100</b>	144,516	138,180	129,078	126,800
<b>UNDERGROUND MINES</b>						
Contents in concentrates	(tons)					
Zinc		<b>68,665</b>	73,984	61,905	66,614	99,372
Lead		<b>20,246</b>	24,385	20,693	22,286	23,918
Copper in concentrates		<b>5,486</b>	6,428	5,593	5,211	6,412
Silver	(thousand ounces)	<b>4,760</b>	5,622	4,995	4,945	6,170
Gold	(thousand ounces)	<b>5,428</b>	6,420	4,697	4,857	5,493





## COPPER RESERVES

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## COPPER RESERVES

The ore reserves estimates include assessments of the resource, mining and metallurgy, as well as economic, marketing, legal, environmental, governmental, social and other necessary considerations.

## COPPER RESERVES

We believe we hold the world's largest copper reserve position. At December 31, 2017, our copper ore reserves, calculated at a copper price of \$2.90 per pound, totaled 70.6 million tons of contained copper (In 2017, the average LME and COMEX per pound copper prices were \$2.80), our internal ore reserve estimation value is as follows.

**2017 EBITDA was  
\$3,292.4 million, 48.8%  
more than 2016 and  
reached a range of 49.5%**

COPPER CONTAINED IN ORE RESERVES	THOUSAND TONS
Mexican open-pit	31,286
Peruvian operations	24,421
IMMSA	233
Development projects	14,685
Total	70,625

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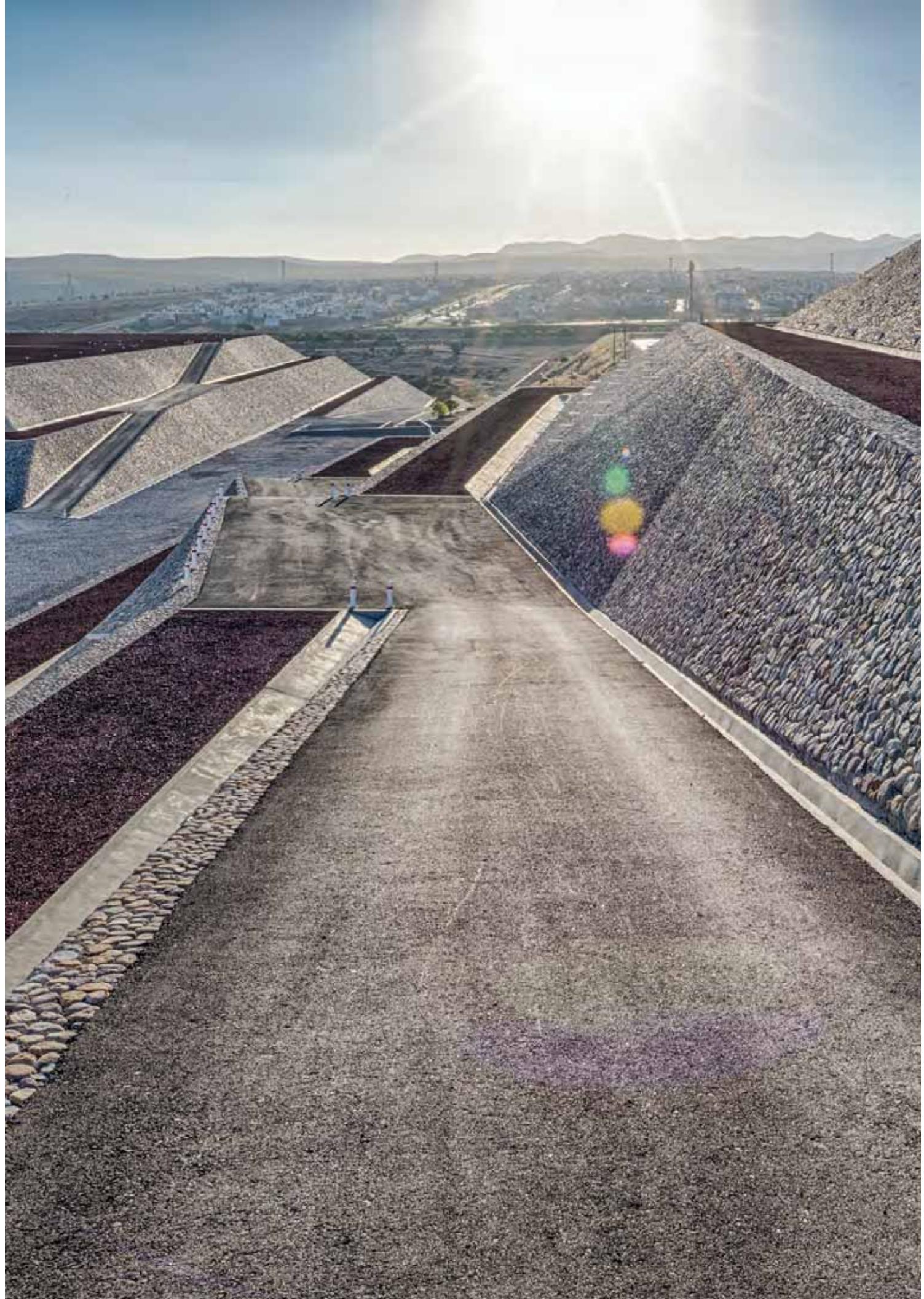
For further information about our ore reserves please refer to "Ore Reserves" at page 56 of our 10-K 2017 Form.

Tailings treatment plant, Toquepala, Tacna, Peru.

Next page

Confinement of waste, San Luis Potosi, Mexico.



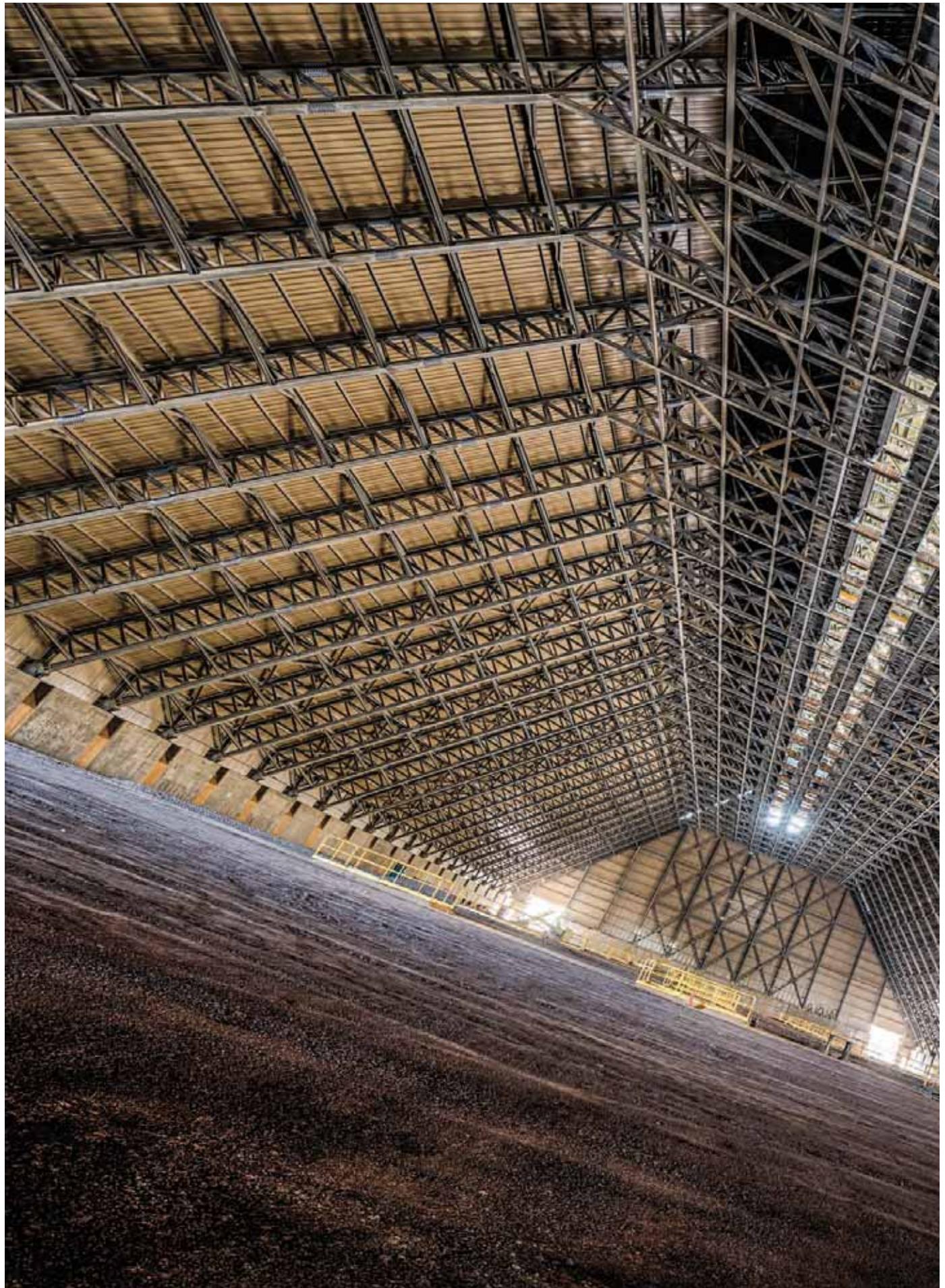


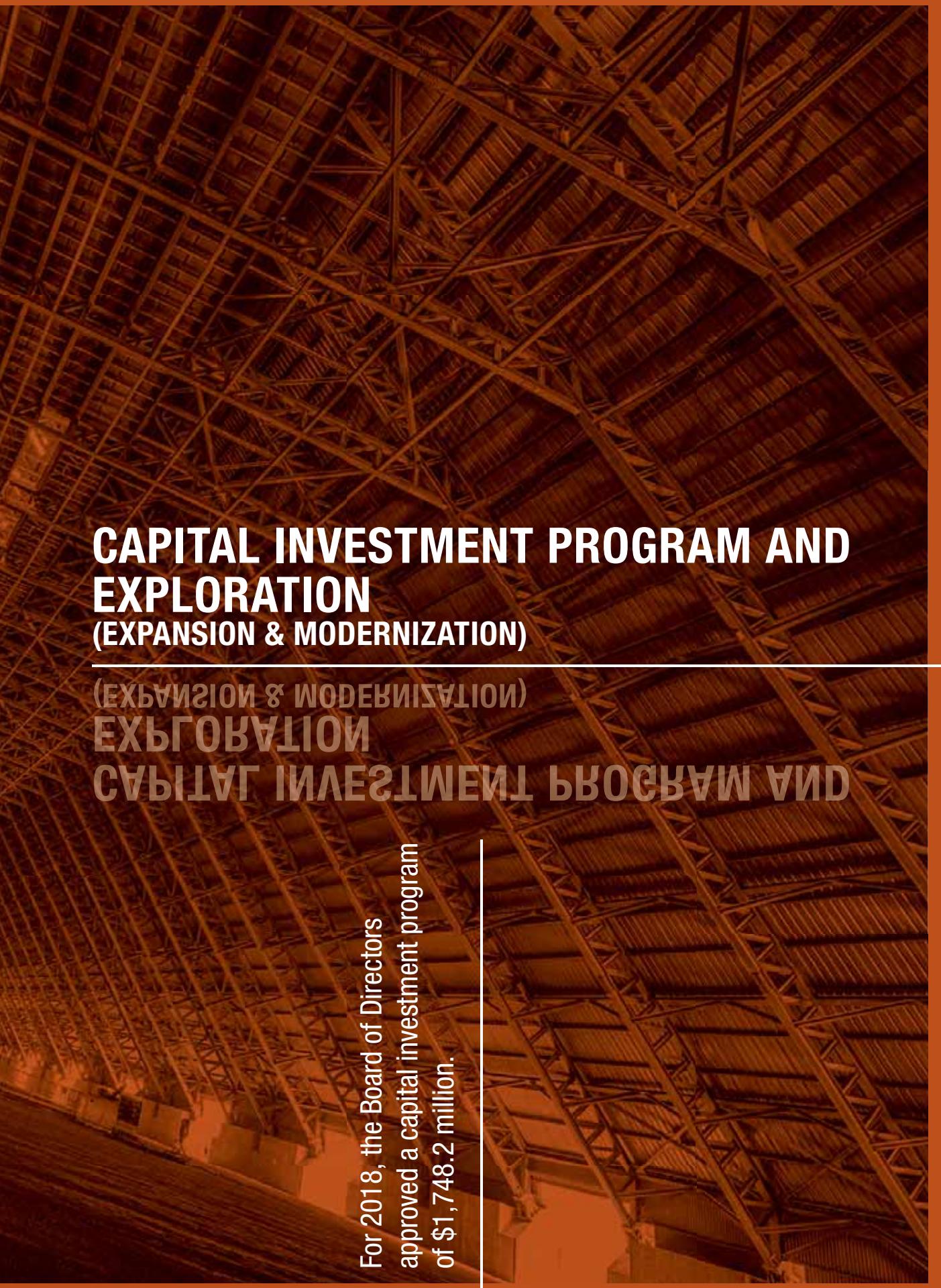
# SOUTHERN COPPER CORPORATION AND SUBSIDIARIES

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)	2017	2016	2015	2014	2013
<b>CONSOLIDATED STATEMENT OF EARNINGS</b>					
Net sales	<b>\$ 6,654.5</b>	\$ 5,379.8	\$ 5,045.9	\$ 5,787.7	\$ 5,952.9
Operating costs and expenses	<b>\$ 4,035.6</b>	3,815.6	3,631.5	3,555.0	3,420.8
Operating income	<b>2,618.9</b>	1,564.2	1,414.4	2,232.7	2,532.1
Net income attributable to					
Non-controlling interest	<b>3.9</b>	2.3	4.7	4.9	5.7
<b>NET EARNINGS ATTRIBUTABLE TO SCC</b>	<b>\$ 728.5</b>	\$ 776.5	\$ 736.4	\$ 1,333.0	\$ 1,618.5
Per share amount					
Earnings basic and diluted	<b>\$ 0.94</b>	\$ 1.00	\$ 0.93	\$ 1.61	\$ 1.92
Dividends paid	<b>\$ 0.59</b>	\$ 0.18	\$ 0.34	\$ 0.46	\$ 0.68
<b>CONSOLIDATED BALANCE SHEET</b>					
Cash and cash equivalents	<b>\$ 1,004.8</b>	\$ 546.0	\$ 274.5	\$ 364.0	\$ 1,672.7
Total assets	<b>\$ 13,780.1</b>	13,234.3	12,593.2	11,393.9	10,970.0
Total debt	<b>5,957.1</b>	5,954.2	5,951.5	4,180.9	4,178.9
Total equity	<b>\$ 6,149.4</b>	\$ 5,870.9	\$ 5,299.2	\$ 5,836.6	\$ 5,561.8
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>					
Cash provided by operating activities	<b>1,976.6</b>	\$ 923.1	\$ 879.8	\$ 1,355.9	\$ 1,859.1
Dividends paid	<b>456.1</b>	139.3	271.2	381.0	573.8
Capital investments	<b>1,023.5</b>	1,118.5	1,149.6	1,529.8	1,703.3
Depreciation, amortization and depletion	<b>671.1</b>	\$ 647.1	\$ 510.7	\$ 445.0	\$ 396.0
<b>CAPITAL STOCK</b>					
Common shares outstanding – basic and diluted	<b>773,028</b>	773.0	775.9	812.6	835.3
NYSE price – high	<b>\$ 47.63</b>	\$ 34.98	\$ 33.14	\$ 33.54	\$ 41.96
NYSE price – low	<b>\$ 32.38</b>	\$ 22.29	\$ 24.40	\$ 26.08	\$ 24.78
Book value per share	<b>7.90</b>	7.54	6.78	7.14	6.62
P/E ratio	<b>50.35</b>	31.82	28.19	17.52	14.95
<b>FINANCIAL RATIOS</b>					
Current assets to current liabilities	<b>2.71</b>	2.57	2.70	2.07	4.36
Net debt as % of Net capitalization (1)	<b>44.4%</b>	47.7%	48.9%	37.3%	29.2%
Employees (at year end)	<b>13,135</b>	13,414	13,024	12,735	12,665

(1) 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.





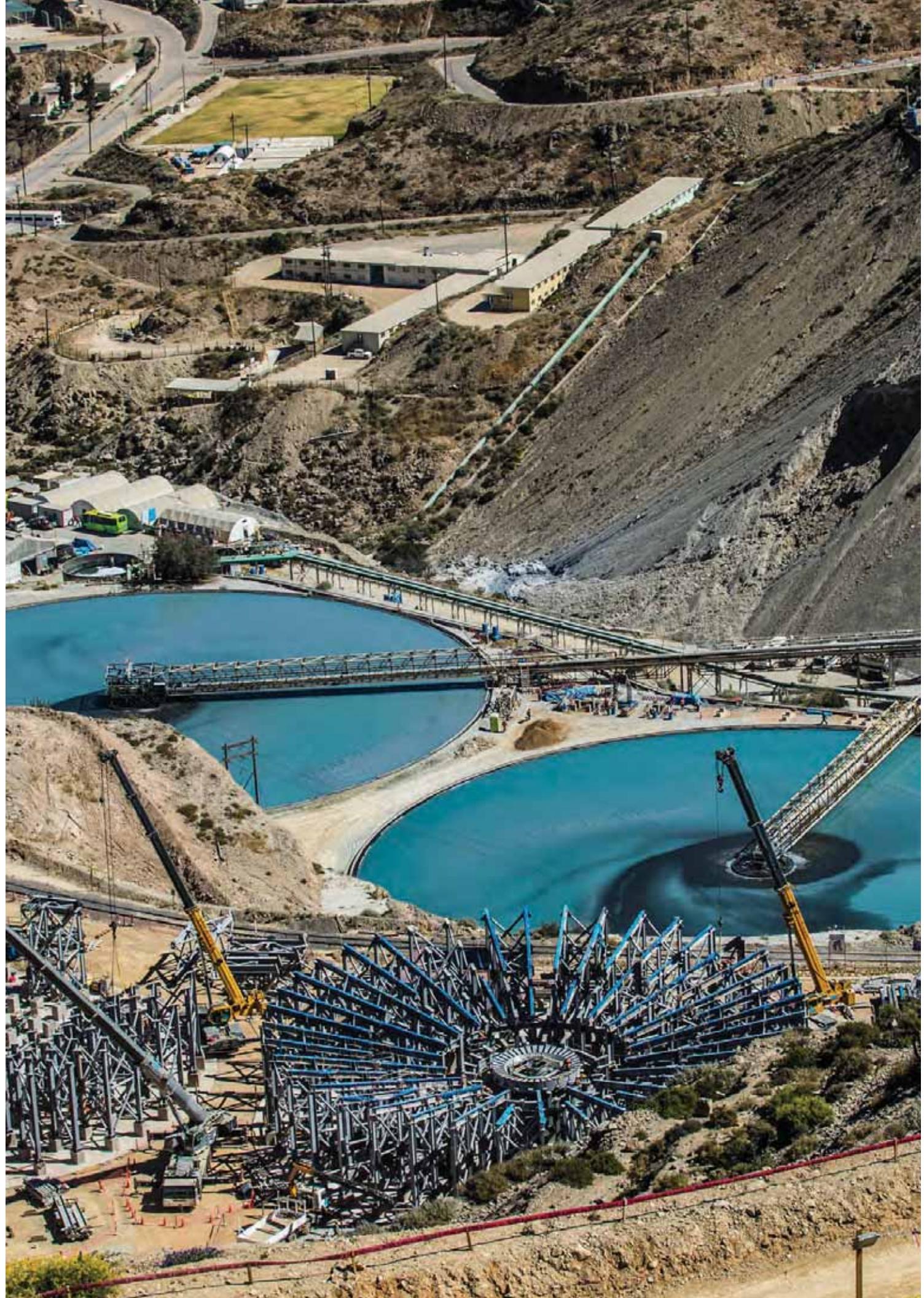
# **CAPITAL INVESTMENT PROGRAM AND EXPLORATION (EXPANSION & MODERNIZATION)**

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**EXPLORATION & MODERNIZATION  
NOTIFICATION  
AND CAPITAL INVESTMENT**

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For 2018, the Board of Directors  
approved a capital investment program  
of \$1,748.2 million.



## CAPITAL EXPENDITURES AND EXPLORATION (EXPANSION & MODERNIZATION)

We made capital investments were \$1,023.5 million for 2017, \$1,118.5 million in 2016 and \$1,250.0 million in 2015 (including the El Pilar acquisition). Capital investments in 2017 were 8.5% lower than in 2016, and represented 140% of net income. Our growth program to develop the full production potential of our Company is underway. In addition, the Buenavista expansion program was completed on time and under budget.

For 2018, the Board of Directors approved a capital investment program of \$1,748.2 million. We are currently developing a new organic growth plan to increase our copper volume production to 1.5 million tons by 2025 with the development of new projects.

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

### PROJECTS IN MEXICO

**Buenavista Zinc, Sonora.** This project is located within the Buenavista facility and contemplates the development of a new concentrator to produce approximately 80,000 tons of zinc and 20,000 tons of additional copper per year that will allow us to double our current zinc production capacity. We have concluded the basic engineering and we are working on the purchasing process for the main project components. We estimate an investment of \$413 million for this project and expect to initiate operations in 2020.

**This \$1.2 billion project includes a new state-of-the-art concentrator which will increase Toquepala's annual copper production by 100,000 tons, a 69% production increase.**

Construction of new tailing thickeners, Toquepala, Tacna, Peru.

Previous page

**Pilares, Sonora.** This project, located six kilometers from La Caridad, will be developed as an open-pit mine operation. The ore will be transported by truck from the pit to the primary crushers of the La Caridad copper concentrator, significantly improving the over-all mineral ore grade



(from 0.34% at La Caridad to 0.78% expected from Pilares). Currently, we continue with the mine plan preparation, including the final outline design for the road through which the ore will be transported to the La Caridad mill. An investment of \$159 million is estimated to produce 35,000 tons of copper in concentrates per year. We expect this project to start operations in 2019.

## PROJECTS IN PERU

We currently have a portfolio of projects in Peru, with a total capital budget of \$2,900 million, out of which \$1,620 million have already been invested.

- 18 **Toquepala Expansion Project, Tacna.** This \$1.2 billion project includes a new state-of-the-art concentrator which will increase Toquepala's annual copper production by 100,000 tons to reach 245,000 tons in 2019, a 69% production increase. Through December 31, 2017,

Advances in Toquepala Expansion Project, Tacna, Peru.

**\$1,023.5**  
**MILLION**  
**INVESTED IN**  
**MILLION**  
**IN 2017**

we have invested \$892.9 million in this expansion. The project has reached 87% progress and is expected to initiate production in June 2018.

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 annual production capacity of 117,000 tons of copper while reducing operating costs through ore crushing efficiencies, even with an increase of the ore material hardness index. The budget for this project is \$50 million and as of December 31, 2017, we have invested \$38.9 million in this project. We expect that it will be completed by the first quarter of 2018.

**Cuajone Projects – Moquegua:** The Mineral Crushing and Hauling Project consisted of replacing rail haulage at the Cuajone mine by an in-pit primary crusher with a 7 km overland conveyor belt system to move ore to the concentrator. Operating savings are estimated at \$23 million annually. As of December 31, 2017, the project is already completed and in operation. Total investment was \$226 million, as budgeted.

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. Equipment assembly is completed and we are in the commissioning process. As of December 31, 2017, we have invested \$27.6 million in this project out of the approved capital budget of \$30 million. We expect the project to be completed by the end of the first quarter of 2018.

**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 second stage with the installation of a new cyclone battery station that allows us to place more slurry at the dams. We are in a bidding process for a new stage which will improve the operational processes. The project has a total budgeted cost of \$116.0 million. We have invested \$85.7 million through December 31, 2017 and expect the project to be completed by the fourth quarter of 2018.

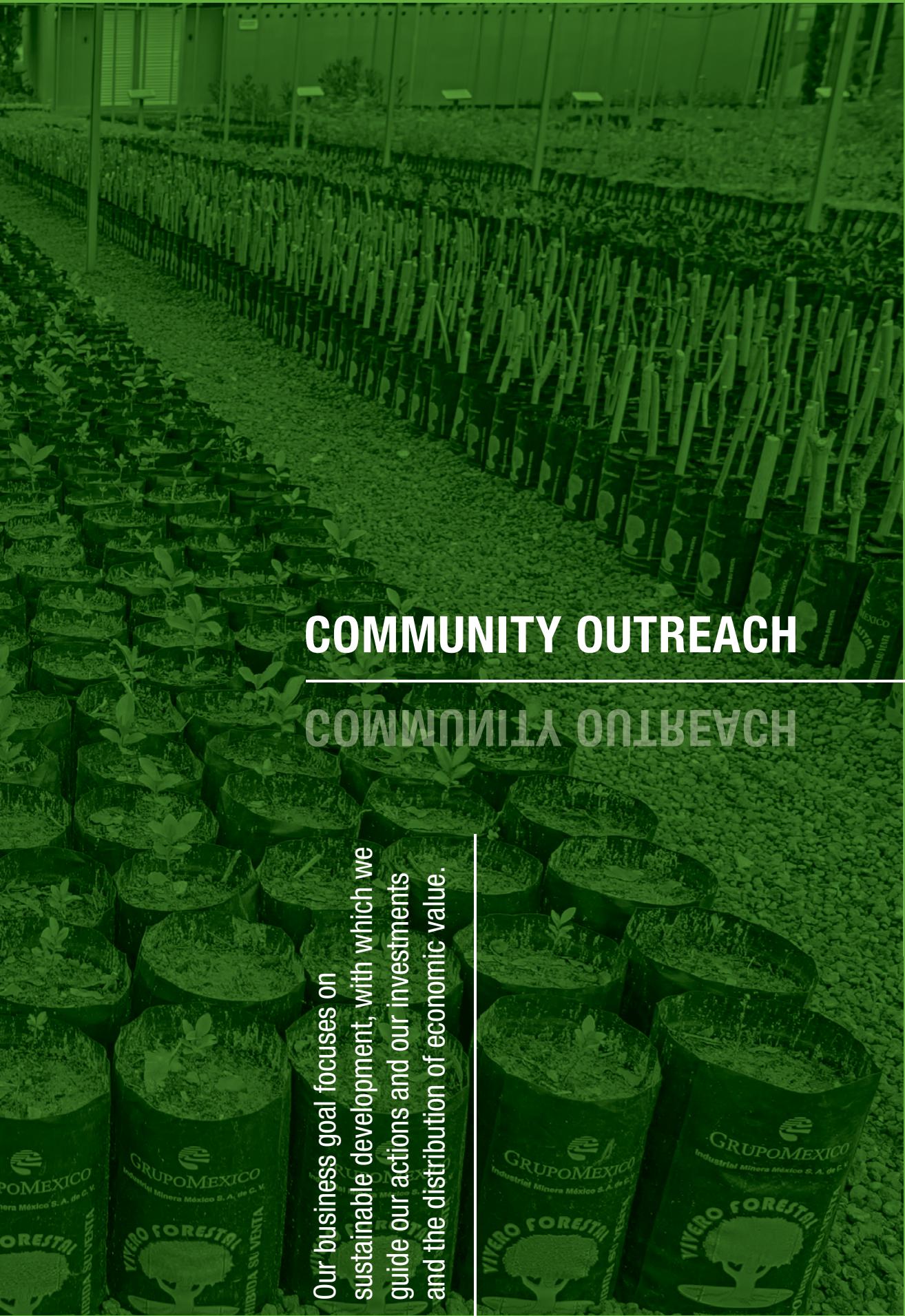




## COMMUNITY OUTREACH

## COMUNITARIO Y TERRITORIAL

Our business goal focuses on sustainable development, with which we guide our actions and our investments and the distribution of economic value.



## COMMUNITY OUTREACH

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.

Southern Copper Corporation (SCC) is a state-of-the-art, integrated mining company whose innovative style lies not only in the utilization of more efficient processes and new technologies, but also in our day-to-day operations, where we work to have more and better results, always aiming at the sustainability of the organization over time. We constantly strive to ensure that the Company's performance in the social, economic and environmental areas takes into account the expectations of our stakeholders.

Our business goal focuses on sustainable development, with which we guide our actions and our investments and the distribution of economic value. Every day we work to consolidate the confidence of our stakeholders by making them participants in management, communicating our performance and listening to their expectations.

## OUR ENVIRONMENTAL COMMITMENT

We maintain an ongoing commitment to advance with the challenges of our expansion and modernization programs in harmony with our environment. 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.

**SCC confirms its commitment to reduce carbon footprint, and enhance its position as a sustainable global company, thereby improving competitiveness and contributing to shift towards an environmentally friendly economic development.**

- In order to succeed, we have strategies to meet the specific environmental needs of each region in which we operate, and use an environmental management system that we have developed, which has 9 lines of action.
- Responsible use of water and natural resources
  - Prevention, control and reduction of air emissions
  - Efficient use of energy

**At SCC, we operate under the best environmental practices, in order to always achieve optimum environmental performance.**

- Reduction of green-house-gas emissions per ton produced
- Reduction in waste generation and its integrated management
- Mine closure
- Biodiversity conservation
- Reforestation
- Compliance with environmental regulations

These lines of action are carried out in compliance with international and local certifications that rule our operating units in the countries where we are present. In 2017, four of our units were granted the ISO 14001: 2004. These certifications, together with the 15 Clean Industry

certifications and Environmental Quality Certifications, are the result of the efforts of all our employees and result from a comprehensive application of our environmental practices.

**ENVIRONMENTAL EXPENDITURES  
(MILLION DOLLAR)**

SCC		
Air	\$	88.41
Ground	\$	58.31
Waste	\$	36.40
Biodiversity	\$	3.12
Management	\$	7.29
Water	\$	15.42
Total	\$	208.95

Copper cathodes, Ilo Smelter, Moquegua, Peru.



## **ENERGY AND CLIMATE CHANGE**

At SCC we believe that the fight against climate change is everyone's responsibility, including the private sector and the industries in which we participate. In addition, we are aware of the effects of climate change on our operations, so, by anticipating an increase in the probability of occurrence of extreme weather events, we have identified potential risks from global warming.

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.

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 efficiency combined cycle plant and a wind farm. By replacing traditional sources of energy with more efficient and renewable sources, in 2017 we achieved a mitigation of 552,973 tons of CO<sub>2</sub>eq., equivalent to taking 118,410 passenger vehicles out of circulation for a year.

Simultaneously with our environmental policy, we continue implementing actions to maximize electricity generation using our own energy sources. In Mexico, we use smelter' gases to recover boiler heat and generate energy. In Peru, we generate energy from renewable sources, in particular from two hydroelectric plants with a combined capacity of 130 terajoules.

In addition to generating and consuming energy from renewable sources and cleaner fuels, we have also implemented practices that have resulted in higher energy efficiency in our operations,

**In 2017, four of our units were granted the ISO 14001: 2004. These certifications, together with the 15 Clean Industry certifications and Environmental Quality Certifications, are the result of the efforts of all our employees and result from a comprehensive application of our environmental practices.**

**In 2017  
we achieved a  
mitigation of  
552,973 tons of CO<sub>2</sub>.**

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including the improvement, redesign, conversion and retrofitting of equipment, rational use of resources, and personnel training to improve their performance during operations.

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 second report in 2017 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 its commitment to reduce carbon footprint, and enhance its position as a sustainable global company, thereby improving competitiveness and contributing to shift towards an environmentally friendly economic development.

Greenhouse, Buenavista del Cobre, Cananea, Sonora, Mexico.



**In the last 5 years, we have increased our trees production annual capacity in 187%.**

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## BIODIVERSITY

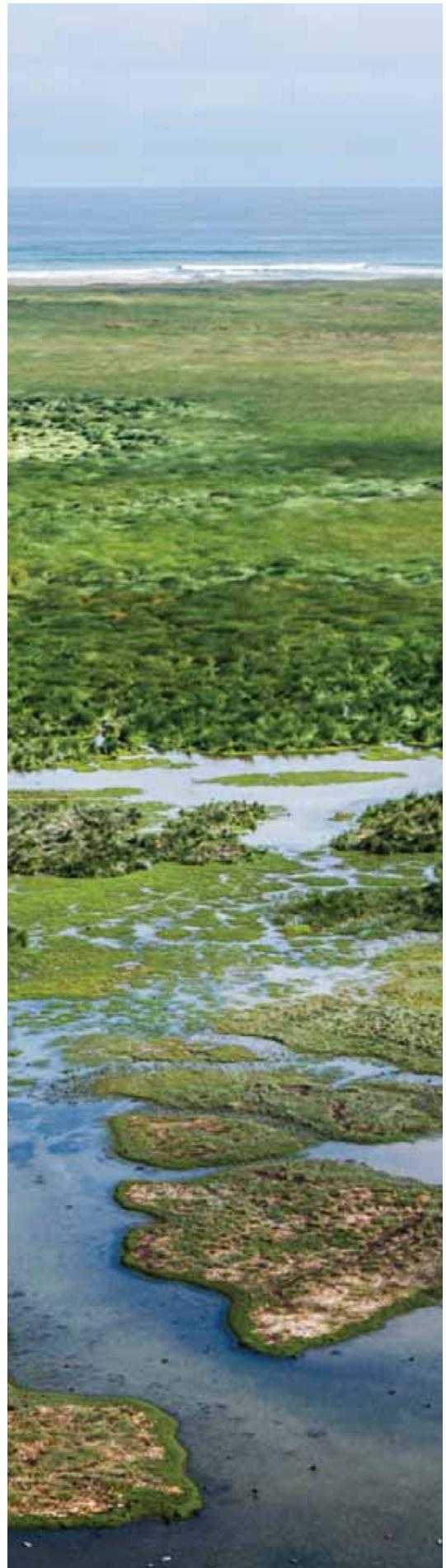
We are the Company with the highest productive capacity of trees in the mining industry in Mexico, we produced 4,966,200 trees in 2017. In the last 5 years, we have increased our trees production annual capacity in 187%.

In our operating units we have six forest nurseries and greenhouses whose production of regional native species is used to reforest and rehabilitate ecosystems, including those areas not adjacent to our operations. These forest nurseries contribute to biological biodiversity and enrichment of flora and fauna; and in addition, they act as natural 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 Mexican Gray Wolf and Turkey Gould, along with other species that are part of our program.

The EMU strategy is focuses on reproduction and release of species, as well as ecosystems regeneration. In addition, the program reflects our efforts to involve community in the protection of the environment, in particular, biodiversity of Sonora. In an Ecological Path, along 1.8 kilometers, EMU works offering educational and recreational activities, which involved 5,000 people and 52 schools per year in average.

In Peru, we continue making significant environmental expenditures in Ite bay remediation program in Tacna. In an area of 1,600 hectares, the contaminant removal program is successfully. It is the largest and most diverse coastal waterfowl wetland in the country, and it is also a tourist attraction that improve economic development.





## WATER MANAGEMENT

Water is the most important input for our mining operations. SCC develops projects to ensure water sustainability, does an efficient use of source, promotes, and reuse of 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 reused water programs represent a large portion of total water consumption. In 2017, 71% of total water consumption in mining operations was reclaimed water, which management results speaks by itself.

In Toquepala and Cuajone, Peru, we are installing 7 additional high efficiency thickeners that will allow us to recover 104,000 m<sup>3</sup> / day in each plant. Those equipment will increase water recovery 12%, which represents 320 liters per second.

In some of our units, SCC uses municipal wastewater, which are treated previously, such in San Luis Potosí and Cananea (Mexico), so that we support regular fresh water supply to local population.

## OUR COMMUNITIES

SCC looks to improves life quality in communities around its operations, promoting an approach based on management responsibility. SCC has developed a model which people become as generators of its own development.

This model is known as "Casa Grande", and it has been implemented through the following tools:

- **15 Community Development Centers**

Those are Open Houses for community, where courses and workshops are held to promote development.

- **Participatory Diagnostics**

Together, community and SCC participate carrying out development actions.

- **Community Committees**

Integrated by volunteer leaders from community, as well as members of the Company who collaborate in evaluating sustainable proposals.

- **Seed Capital**

As a result of the participation in social projects, it is possible to implement strategies to improve quality of life in community.

- **Productive Projects**

Projects that transform community lives by productive skills.

For SCC, social welfare represents: synergy of different factors that strengthen through a multi-strategy, and close dialogue with communities. Therefore, health, education, culture and sports in each location we operate are strengthened.

Participatory Diagnostics motivate local people to be part of the project to identify needs and expectations, prioritizing opportunities and start

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**In 2017, 71%  
of total water  
consumption in mining  
operations was  
reclaimed water.**

| Wetland, Ite Bay, Tacna, Peru.

Next page



working with them. Our Model, Casa Grande, permits recognize those opportunities. By this model, our team of experts materialize Company initiatives, includes its participation of SCC volunteers, community, and community centers are meeting point to generate shared value.

SCC organizes events to receive initiatives from communities, where education and environment are main axes. In addition, health, security and productive development programs are complementary axes. For us, children and young people are priority, because they will set future. The projects presented in those calls are evaluated by community services, media and citizen which participate in these events.

In 2017, SCC invested \$60 million in community development actions in areas as education, health, productive projects and development of infrastructure and services.

Together, SCC' social team and volunteers from communities neighboring developed projects in 2017. We carried out 1,283 activities and more than 110 projects, 12,868 community and corporate volunteers participated in these programs. With projects named as seed capital, and summer camps we encouraged the formation of

INVESTING IN COMMUNITY DEVELOPMENT PROGRAMS (US\$)	SCC
Community development programs, social linking and productive projects	\$ 4,995,021
Infrastructure and equipment in neighboring communities	\$ 37,558,049
Investment in town site infrastructure	\$ 17,944,493
<b>Total</b>	<b>\$ 60,497,563</b>

development generators and proactive leaders that strengthen the well-being in their communities.

Moreover, SCC participated with other institutions supporting activities in favor to earthquakes victims in

**In 2017, we carried out 1,283 activities and more than 110 projects, 12,868 community and corporate volunteers participated in these programs.**

Greenhouse, Buenavista del Cobre, Cananea, Sonora, Mexico.

states of Oaxaca and Mexico City in September 2017. We support demolition, debris removal, food delivery, structural diagnostics of houses and buildings, and provisional spaces were developed; as well, we provided psychological and emotional care to these communities Juchitan and La Ventosa, Oaxaca.

In Mexico City, 24 members of our rescue brigade supported the activities of "Secretaría de Defensa Nacional y Protección Civil Estatal". We also activated 20 centers to receive donations along the country.



In Peru, our mining operations are located in southern with rural and remote characteristics. SCC contributes in close cooperation with authorities and local institutions to promote development of this area. Our commitment with the community is improving nutrition, health, education and population capacities, support agricultural sector and develop infrastructure.

SCC contributes to expand water supply in provinces where we operate, developing infrastructure and modern irrigation system, particularly in Torata, Moquegua region. Those consists in water reservoirs, installation of pipes, construction of support walls, and maintenance of watering infrastructure.

By dialogues, we promote in communities around us life quality improve, access to different sources of wealth and well-being. SCC supported transportation of more than 4,000 people, promotes commerce, education and economic diversification.

By the Act "Obras por Impuestos", SCC financed Ilabaya - Cambaya - Camilaca way which represents the largest investment in this kind of road, and it has increased connectivity between Andean communities. This road was promoted by Ilabaya Municipality in Jorge Basadre province. With an investment of more than US \$ 39 million, local commerce, safety road and regional tourism have benefited four communities in Tacna, Peru.

- 34 'Forjando Futuro' is another program promotes by SCC. It trainers local people to improve their capabilities according human resources demand in direct influence area of our operations. It also allows select workers from southern region for Cuajone and Toquepala mines and Ilo smelter.

**SCC contributes to expand water supply in provinces where we operate, developing infrastructure and modern irrigation systems.**



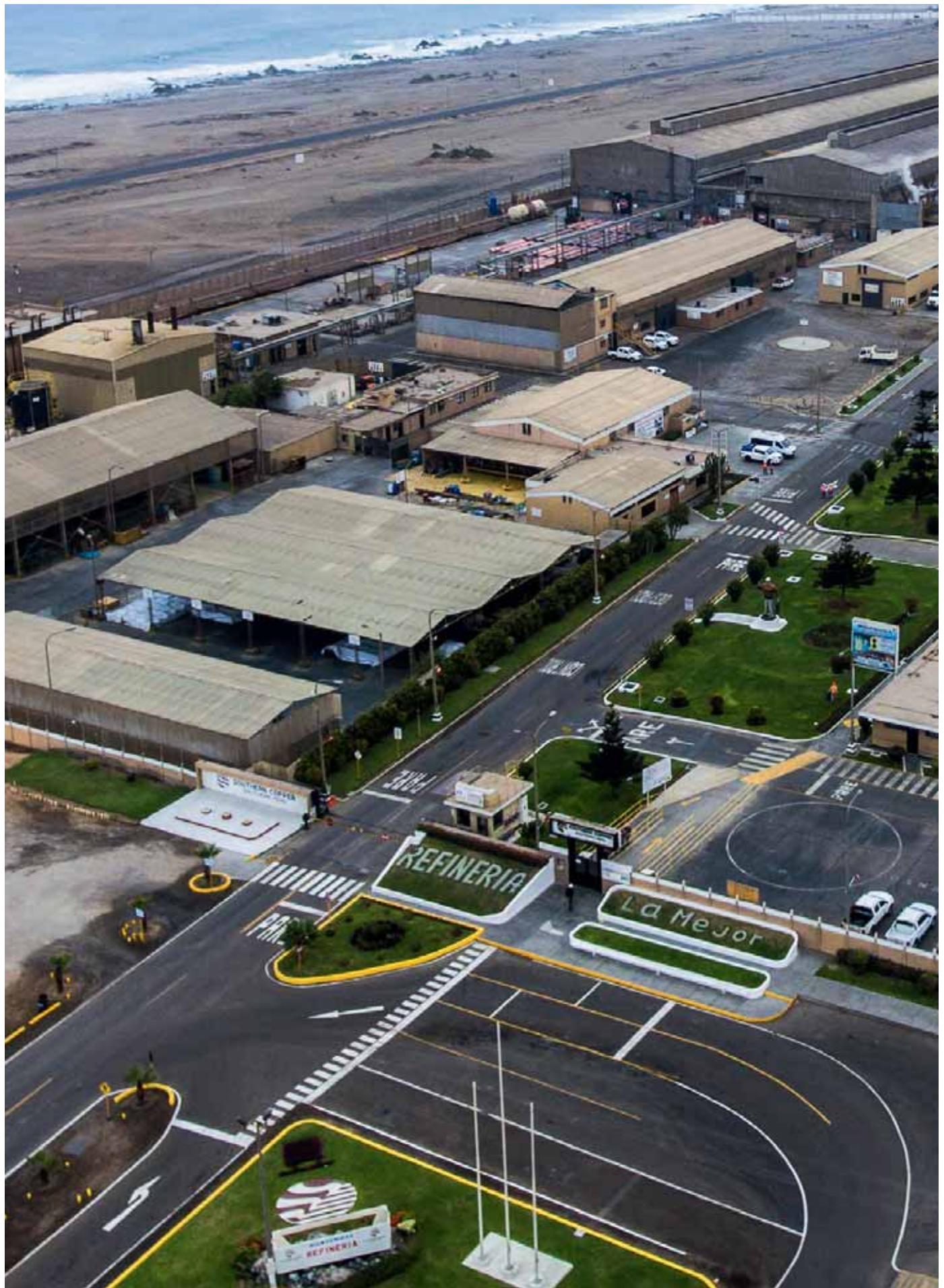
Geologist analyzing ore in the El Arco project, Baja California, Mexico.

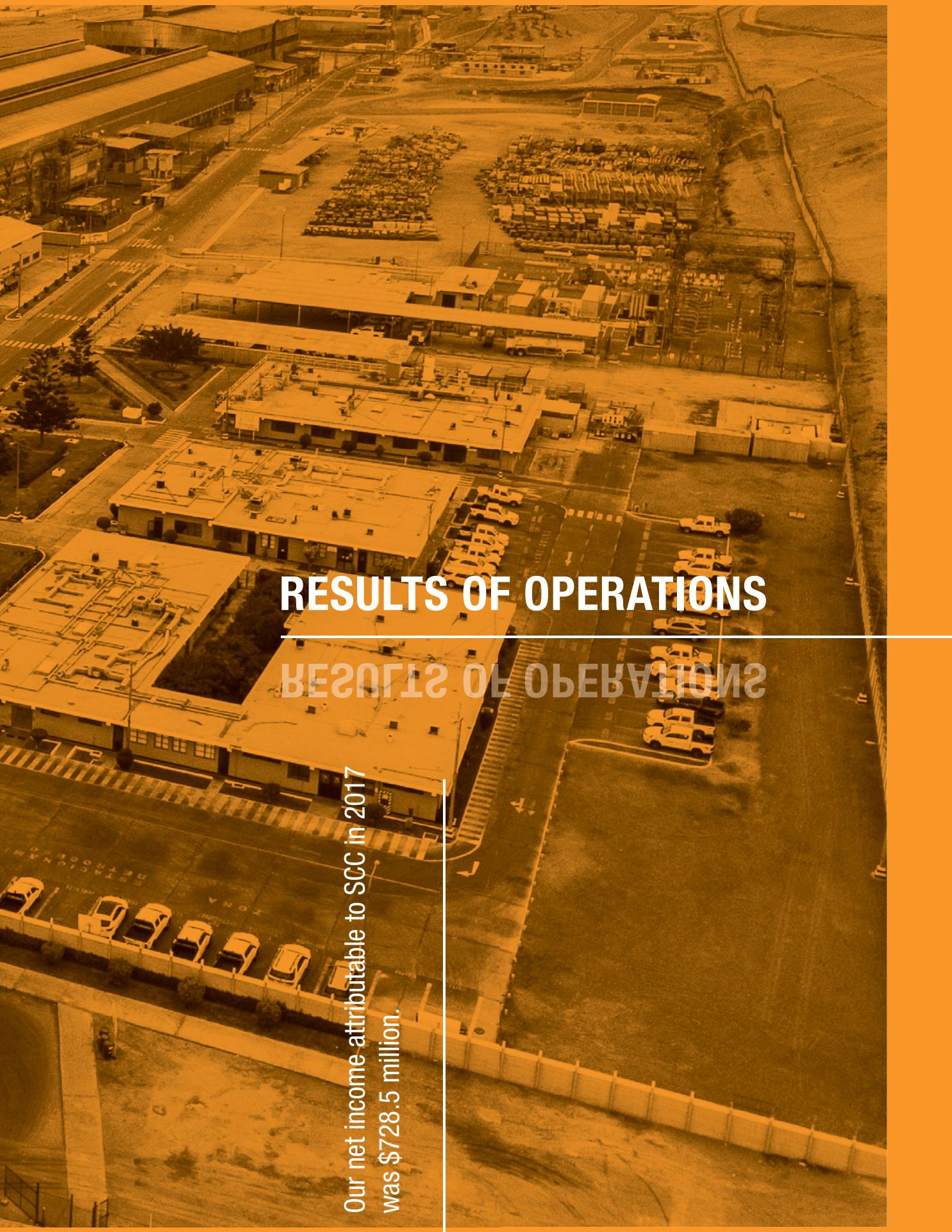
Finally, ICT project (Information and Communication Technologies) in Moquegua, which is very important, is reducing technological gap in rural areas in Peru. Through cooperation between Regional Government and SCC, ICT has incorporated in teaching and learning process, benefiting 33,560 students and teachers from Mariscal Nieto, Sánchez Cerro and Ilo provinces in this region, Peru.

To date, SCC has invested more than \$ 33 million to incorporate ICT. Students and teachers benefit with this program in Moquegua.

At Southern Copper Corporation, our business model is focused on continuously improving quality of life in communities around our operation areas, by encouraging meaningful development, and strengthening collective participation that will result in common good, placing people as central agents of development.

Our parent company, Grupo México was selected to be part of the S&P Dow Jones Sustainability Indices MILA Pacific Alliance (DJSI MILA) that includes the 42 leading sustainability companies in the countries that are part of the Pacific Alliance.





# RESULTS OF OPERATIONS

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## RESUMO DE RESULTADOS

Our net income attributable to SCCC in 2017  
was \$728.5 million.

# RESULTS OF OPERATIONS

THE YEARS ENDED DECEMBER 31, 2017, 2016 AND  
2015.

Our net income attributable to SCC in 2017 was \$ 728.5 million or diluted earnings per share of \$ 0.94, compared with net income attributable to SCC of \$776.5 million or diluted earnings per share of \$1.00 in 2016, and net income attributable to SCC of \$736.4 million or diluted earnings per share of \$0.93 in 2015.

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.

2017  
IN  
5.  
728.  
\$

**Net sales  
in 2017 were  
\$6,654.5 million,  
compared to  
\$5,379.8 million  
in 2016, an  
increase of  
\$1,274.7 million.**



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

	2017	2016	2015
	DOLLAR PER POUND		
Operating Cash Cost without by-product revenues	<b>1.49</b>	1.45	1.65
Operating Cash Cost with by-product revenues	<b>0.92</b>	0.95	1.11

Cuajone mine,  
Moquegua, Peru.

As seen on the chart above, our 2017 operating cash cost per pound of copper without by-product revenues was \$0.05 per pound higher than in 2016, an increase of 3.5%. This was due to higher production costs.

**2017-2016:** Net sales in 2017 were \$6,654.5 million, compared to \$5,379.8 million in 2016, an increase of \$1,274.7 million. This 23.7% increase was principally the result of higher metal prices as shown below, and also due to slightly higher sales volumes of copper (+1.8%) and zinc (+2.0%), partially offset by lower sales volumes of silver (2.1%) and molybdenum (1.7%).

**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

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 WeekMetals Week.

Maintenance plant,  
Toquepala, Tacna, Peru.



volume of copper (+18.3%) and silver (+18.9%), partially offset by lower prices for copper and molybdenum.

**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	2017	2016	2015
<b>AVERAGE METAL PRICES</b>			
Copper (per pound - LME)	<b>\$ 2.80</b>	2.21	2.50
Copper (per pound - COMEX)	<b>\$ 2.80</b>	2.20	2.51
Molybdenum (per pound)	<b>\$ 8.13</b>	6.42	6.59
Zinc (per pound - LME)	<b>\$ 1.31</b>	0.95	0.88
Silver (per ounce - COMEX)	<b>\$ 17.03</b>	17.10	15.68
<b>SALES VOLUME (IN THOUSANDS)</b>			
Copper (pounds)	<b>1,959.2</b>	1,923.9	1,625.8
Molybdenum (pounds) (1)	<b>47.1</b>	47.9	51.2
Zinc (pounds)	<b>237.2</b>	232.4	222.2
Silver (ounces)	<b>16.9</b>	17.2	14.5

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





## ENVIRONMENTAL MATTERS

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The Company has instituted extensive environmental conservation programs at its mining facilities in Peru and Mexico.

## SANTAM JATUNQIVINA

## 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 2017, 2016 and 2015, were as follows (in millions):

	2017	2016	2015
Mexican operations	\$ 128.9	\$140.1	\$ 22.0
Peruvian operations	\$ 93.1	\$110.3	\$ 98.8
Total	\$ 222.6	\$250.4	\$120.8

**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

**44** 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

**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").**

Coppers cathodes, SX-EW Plant,  
Toquepala, Tacna, Peru.





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 imposed under this law.

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2014 accidental spill at Buenavista mine: In 2014, an accidental spill of approximately 40,000 cubic meters of copper sulfate solution occurred at a Buenavista mine leaching pond. This solution

**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.**

Loading of sulfuric acid, Punta Tablones Pier, Ilo, Moquegua, Peru.

reached the Bacanuchi River and the Sonora River. The Company took immediate actions to contain the spill, and to comply with all necessary legal requirements. The Company hired contractors including environmental specialists and assigned more than 1,200 of its own personnel to clean the river. In addition, the Company developed a service program to assist the residents of the Sonora River region.

**Administrative proceedings:** 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 September 15, 2014, the Company 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.

The Company also created a trust with 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 (approximately \$150 million). 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 served as an alternative mechanism for dispute resolution to mitigate public and private litigation risks.

**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.**

On December 1, 2016, SEMARNAT issued its final resolution which held that all remediation actions contained in the remediation plan, had been fulfilled and that all requirements had been complied with, except for biological monitoring activities at the Sonora River that will continue until the first semester of 2019 pursuant to the plan. On January 26, 2017, PROFEPA issued its final resolution under which it declared all mitigation actions completed and its investigation closed. In light of the above, the Company has obtained all necessary formal rulings from SEMARNAT and PROFEPA. On February 7, 2017, the Company closed the trust. As a result, \$10.2 million of excess provision was credited to income in the first quarter of 2017. The total expense recorded for this accident in 2014 and 2015 was \$136.4 million. Therefore, the remediation concerns raised by SEMARNAT and PROFEPA have been addressed.

Other procedures: On August 19, 2014, PROFEPA, as part of the administrative proceeding initiated after the spill, announced the filing of a criminal complaint against Buenavista del Cobre S.A. de C.V. ("BVC"), a subsidiary of the Company, in order to determine those responsible for the environmental damages. The Company is vigorously defending itself against this complaint. As of December 31, 2017, the case remains pending resolution.

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. Two of the collective action lawsuits have been dismissed by the court. The plaintiffs in the four remaining lawsuits are: Acciones Colectivas de Sinaloa, A.C. which established two collective actions,

- 48** Defensa Colectiva A.C.; and Ana Luisa Salazar Medina et al. which has been granted a collective action certification. The remaining 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. As of December 31, 2017, these cases remain pending resolution.

**SCC with a power  
generation capacity  
of 574 megawatts (MW)  
using edge technology.**

Sunset in Combined Cycle plant,  
La Caridad, Nacoziari, Sonora,  
Mexico.

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 2016, three additional civil action lawsuits, claiming similar damages, were filed by Juan Melquicedec Lebaron; Blanca Lidia Valenzuela Rivera et al and Ramona Franco Quijada et al. In 2017, BVC was served with thirty-three additional civil action lawsuits, claiming similar damages.



During 2015, four constitutional lawsuits 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 these lawsuits are: Francisca Garcia Enriquez, et al which established two lawsuits, Francisco Ramon Miranda, et al and Jesus David Lopez Peralta et al. During the third quarter of 2016, four additional constitutional lawsuits, claiming similar damages were filed by Mario Alberto Salcido et al; Maria Elena Heredia Bustamante et al; Martin Eligio Ortiz Gamez et al; and Maria de los Angeles Enriquez Bacame et al. During the third quarter of 2017, BVC was served with another constitutional lawsuit filed by Francisca García Enriquez et al. As of December 31, 2017, these cases remain pending resolution.

It is not currently 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 them. Nevertheless, the Company considers that none of the legal proceedings resulting from the spill, individually or in the aggregate, would

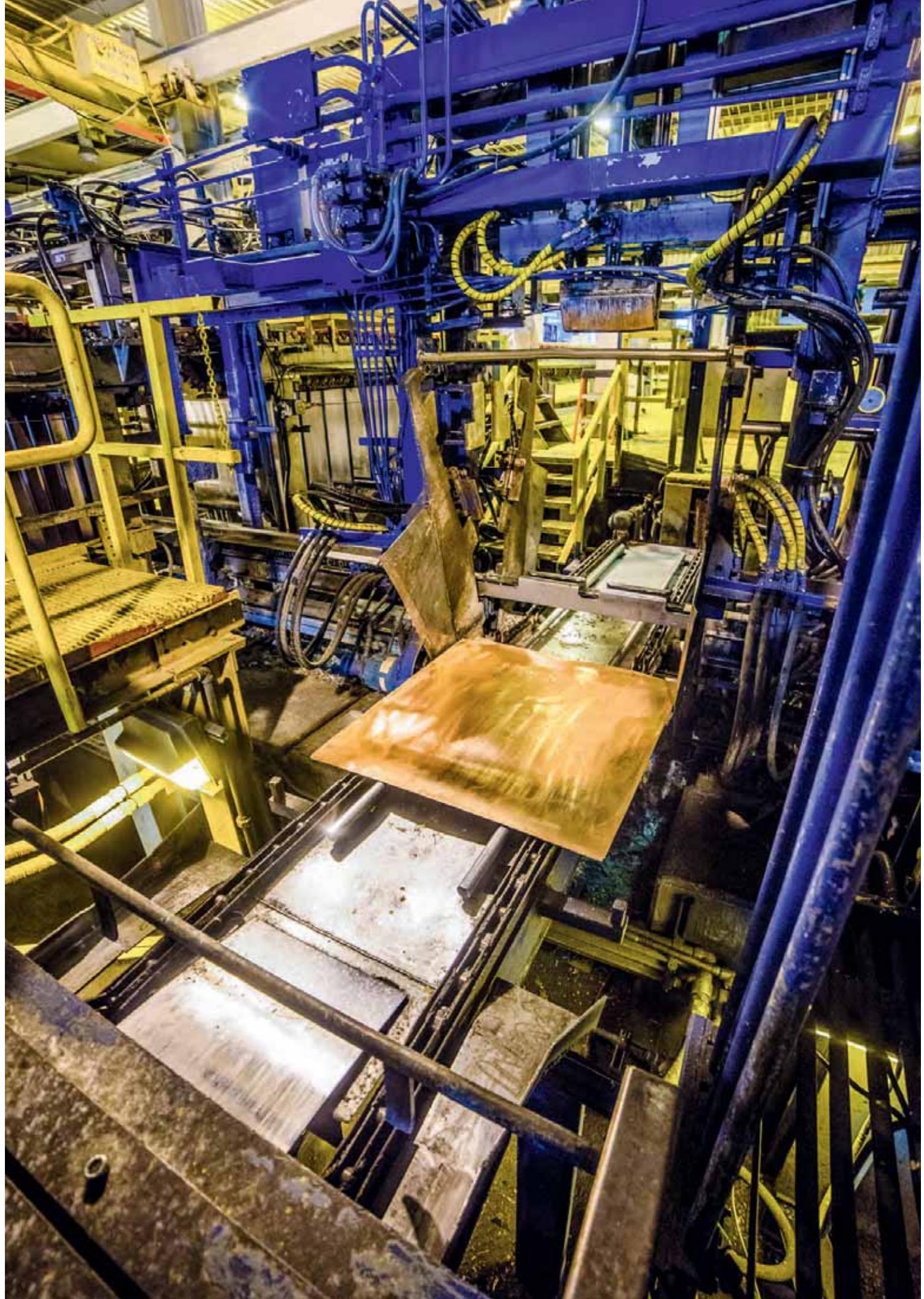
have a material effect on its financial position or results of operations.

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.

**In Peru, our mining operations are located in the south of the country in a rural environment, and SCC contributes to its development in close cooperation with authorities and representative organizations of the region.**

SX-EW Plant, Toquepala,  
Tacna, Peru.

[Next page](#)





See Note 9 “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 was approved in February 2017. The Company, however, has not recorded a retirement obligation for the project as the construction permit has not been received, and work on the project is on hold. The Company believes that under these circumstances the recording of a retirement obligation is not appropriate. In December 2017, the Company submitted the

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SCC participated with other institutions **supporting activities in favor to earthquakes victims in states of Oaxaca and Mexico City in September 2017.**

SX-EW pad, Toquepala, Tacna, Peru.

mine closure plan update for the Cuajone operations, which is under review and evaluation by MINEM.

In 2008, the Peruvian government enacted environmental regulations establishing 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, recognized distinct zones/areas, as atmospheric basins. MINAM had established three atmospheric basins that required further attention to comply with the air quality standards. The Ilo basin was one of these three areas and the Company's smelter and refinery are part of the area.

In June 2017, MINAM enacted a supreme decree which defines new AQS for daily sulfur dioxide and gaseous mercury for the Peruvian territory, as well as monthly lead in particulate matter (PM10), in order to adopt standards similar to comparable countries and conform them to the technical capabilities available in Peru, while ensuring the protection of public health.

This decree also considers criteria established by the

World Health Organization and establishes a mean 24-hour AQS equal to 250 micrograms per cubic meter (ug/m<sup>3</sup>) of SO<sub>2</sub> to replace the current 24-hour AQS of 20 ug/m<sup>3</sup> of SO<sub>2</sub>, effective since 2014. The decree also establishes a mean 24-hour AQS equal to 2 ug/m<sup>3</sup> of gaseous mercury and a mean monthly AQS equal to 1.5 ug/m<sup>3</sup> of lead in PM10.

The Company believes that these new AQS are appropriate for Peru and will allow Peruvian industry to be competitive with other countries. The Company has evaluated the potential impact of these new standards and expects that its adoption will not have a material impact on the financial SO<sub>2</sub>, than those required by the new AQS. In addition, in June 2017, MINAM enacted a supreme decree which establishes new quality standards for water in the Peruvian territory. The Company has reviewed this decree and considers that its adoption will not have a material impact on its financial position.

In 2013, the Peruvian government enacted soil environmental quality standards ("SQS") applicable to any existing facility or project that generates or could generate the 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.

**We promote  
in communities  
around  
us life quality improve,  
access to different  
sources of wealth and  
well-being.**

These documents were submitted to MINEM for approval in April 2015. After MINEM's review, the documents for the Company's operations were fully approved in July 2017. The next step is for the Company to prepare a characterization study to determine the depth, extent and physio-chemical composition of the contaminated areas and define an appropriate remediation plan with time-frame for completion. In addition, the Company must submit for approval a Soil Decontamination Plan (SDP) within 30 months after being notified by the authority. This SDP must 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, which is expected for the first quarter of 2020. At that time the Company will be in a position to estimate the remediation cost. Further, the Company does not believe that it can estimate a reasonable range of possible costs until the noted studies have

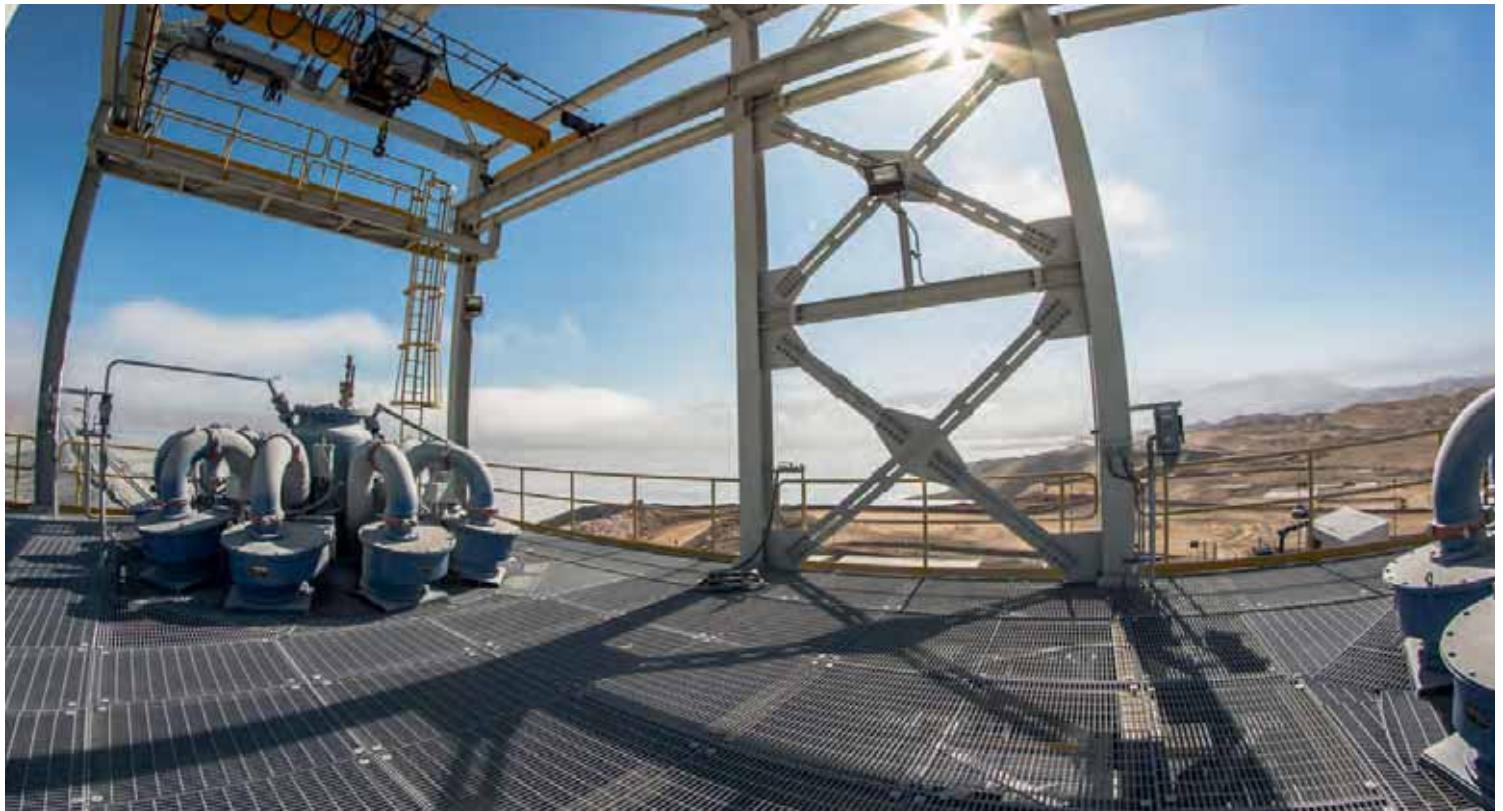
**The Company believes that these new Air Quality Standards (AQS) are appropriate for Peru and will allow Peruvian industry to be competitive with other countries.**

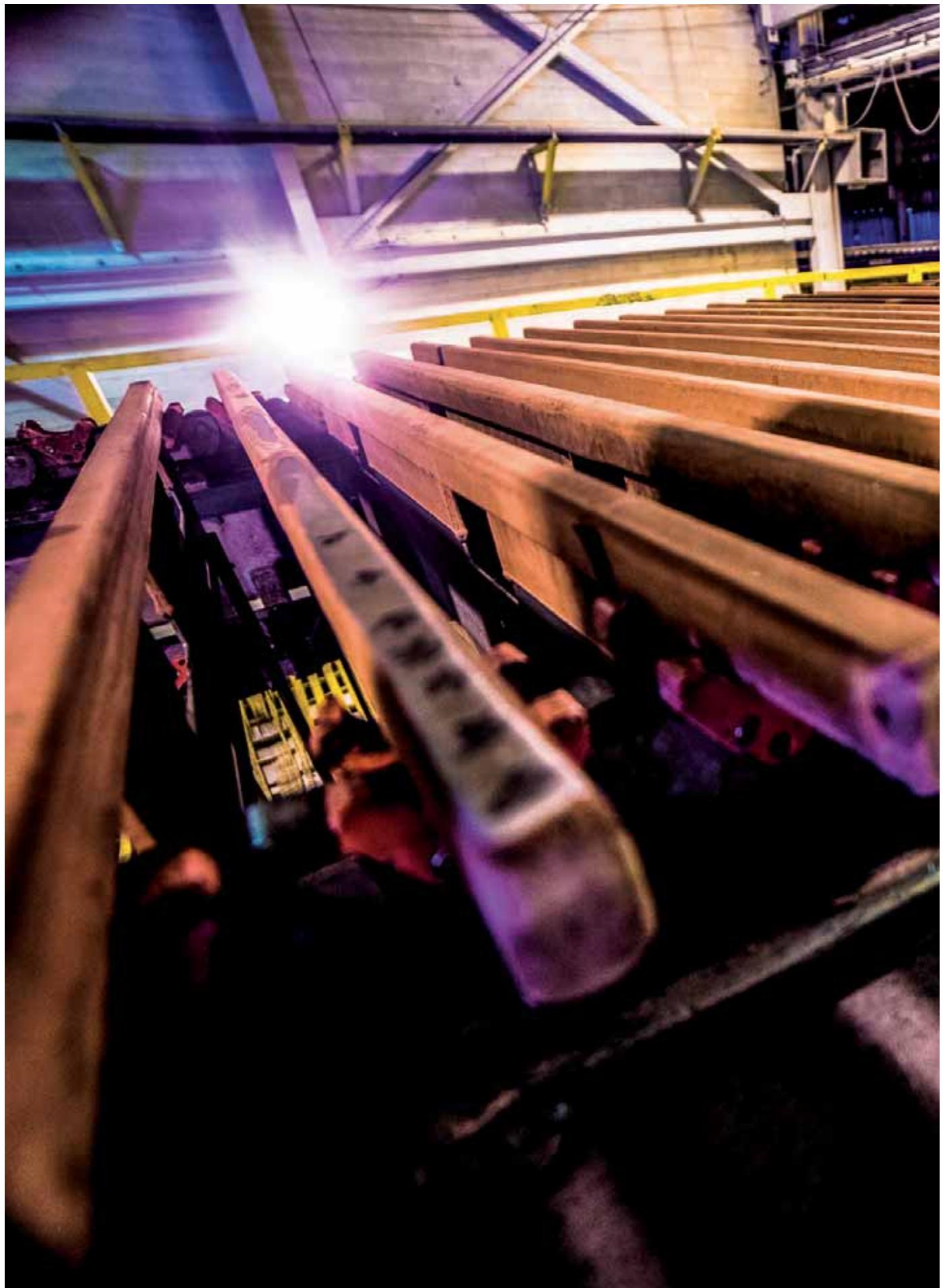
substantially progressed and therefore is not be able to disclose a range of costs that is meaningful.

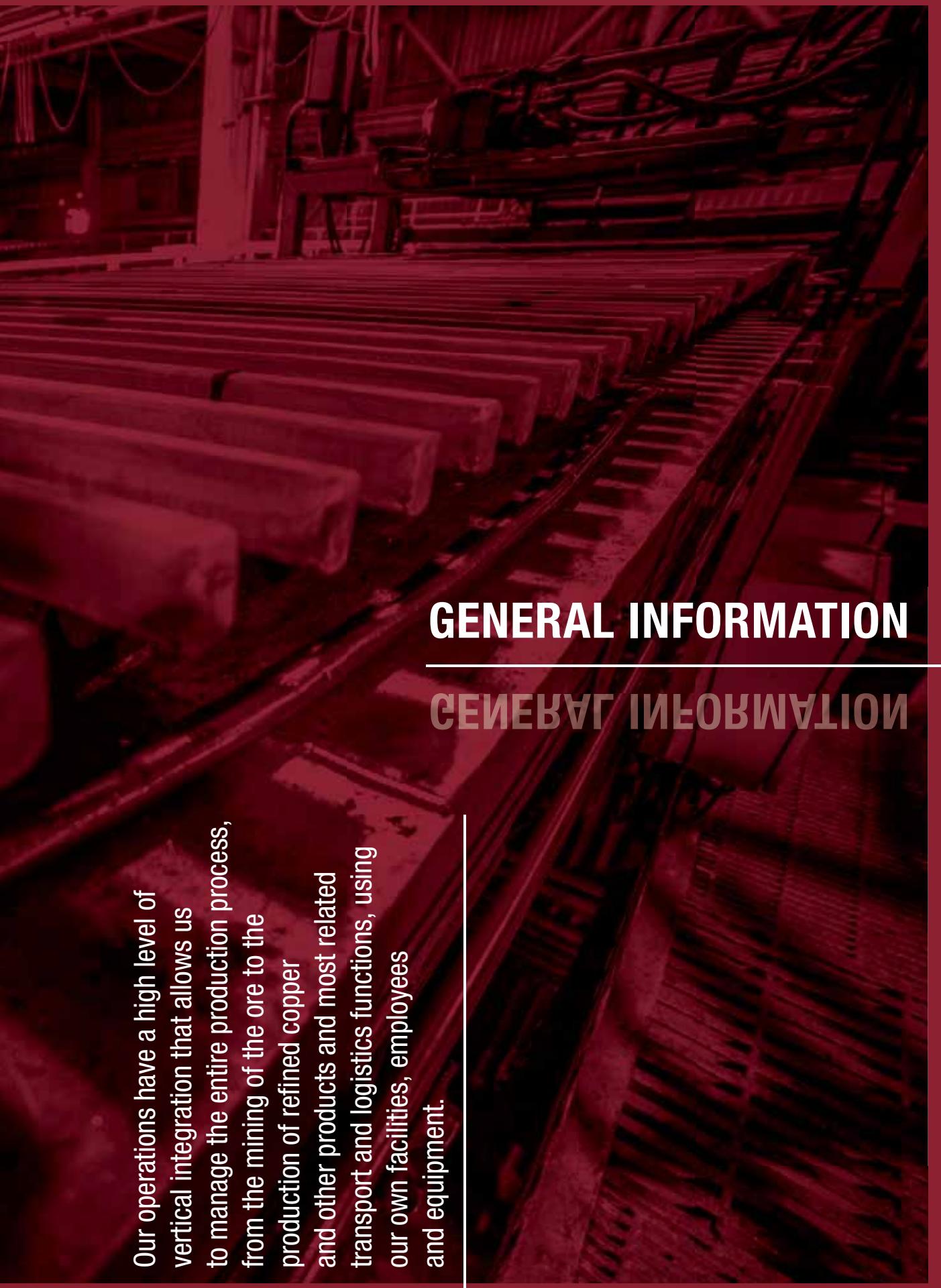
The Company believes that all of its facilities in Peru and Mexico are in material compliance with applicable environmental, mining and other laws and regulations.

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.

Tailing disposal plant in Quebrada Honda,  
Toquepala, Tacna, Peru.





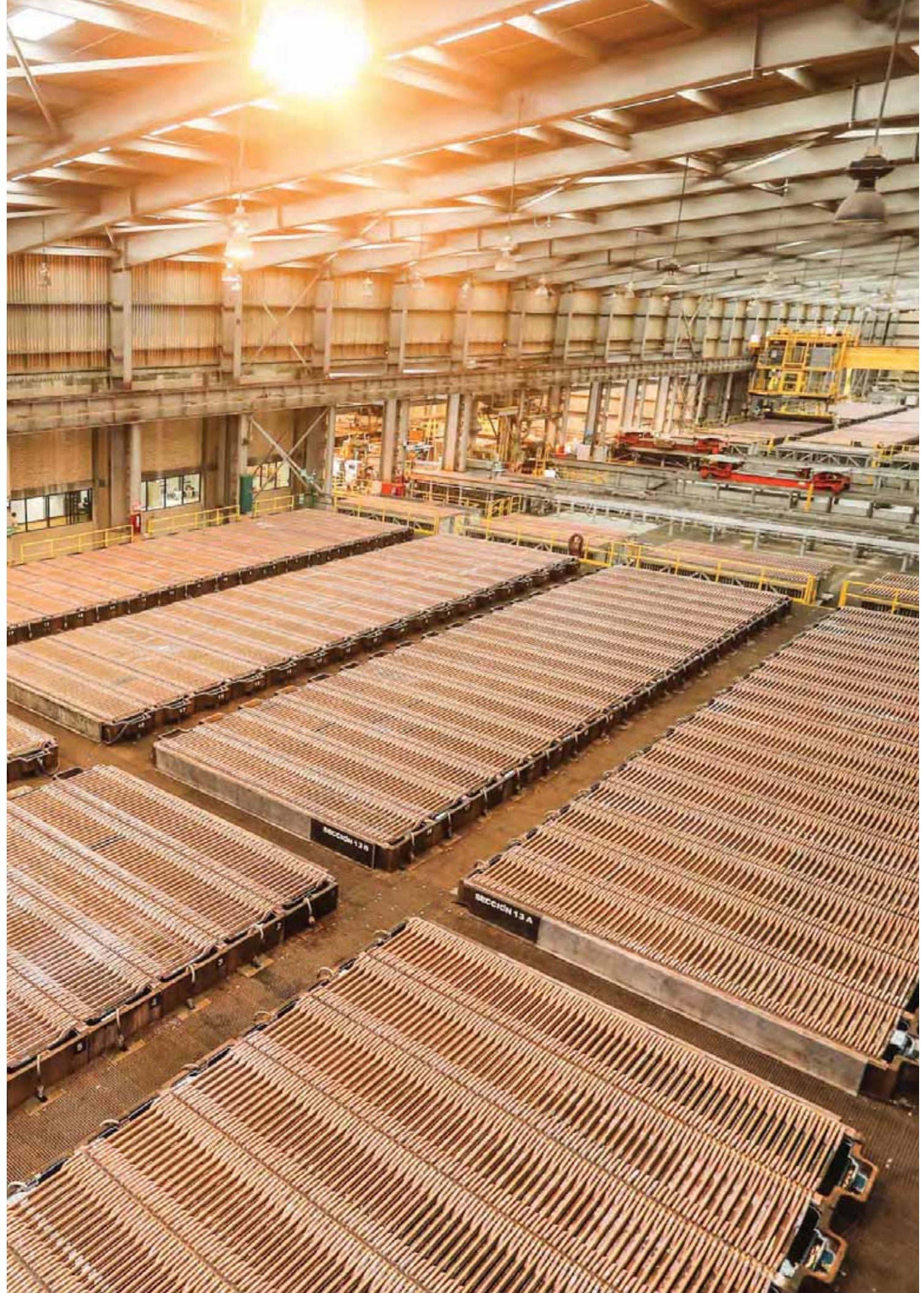


## GENERAL INFORMATION

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## GENERAL INFORMATION

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.



## 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 (SCC) 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. At December 31, 2017, SCC is the mining company with the largest copper inventory worldwide. 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.

Interior view of SX-EW III, Buenavista del Cobre, Sonora, Mexico.

Preview page



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,

#### Rod plant in Metallurgic Complex, La Caridad, Sonora, 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 México, S.A.B. de C. V.	Mexico		
2	Grupo México Servicios, S.A. de C.V.	Mexico		100
ACTIVIDADES DE TRANSPORTE FERROVIARIO				
3	Infraestructura y Transportes México, S.A. de C. V.	Mexico		100
ACTIVIDADES MINERAS				
4	Americas Mining Corporation (“AMC”)	USA		100
5	Southern Copper Corporation (SCC)	USA		88.91
6	Minera México, S. A. de C. V.	Mexico		99.96
7	Industrial Minera México, S.A. de C. V.	Mexico		100
8	Buenavista del Cobre, S.A. de C. V.	Mexico		100
9	Mexicana de Cobre, S.A. de C. V.	Mexico		98.20
10	Southern Peru Copper Corporation, Agencia en Chile	Chile		100
11	Southern Peru Copper Corporation, Sucursal del Perú	Peru	✓	99.29 <sup>1</sup>
12	Compañía Minera Los Tolmos, S.A.	Peru		100

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	85,7521,472	11.09%
Total	773,028,469	100.0%

1 Include 82.69% of common shares and 16.60% of investment shares.

## **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 835.5 million tons of leaching ore with an average grade of approximately 0.243% copper have been extracted from the La Caridad open-pit mine and deposited in leaching dumps from May 1995 to December 31, 2017.

### **LA CARIDAD METALLURGIC COMPLEX**

La Caridad Smelter started operations in July, 1986. The actual installed capacity of the smelter is 1,000,000 tons per year, a capacity that is sufficient to treat all the concentrates of La Caridad and almost 40.5% of total production of the OMIMSA I and OMIMSA II concentrators from Buenavista, and starting in 2010, the concentrates from the IMMSA mines, as we closed the San Luis Potosi smelter.

"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**

A "Buenavista 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.

"Buenavista SX/EW I Plant" started operating in 1980, with a capacity of 30 tons per day.

"Buenavista 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.

"Buenavista SX/EW III Plant" started operating during the June 2014, we completed the construction of a



Operator in Central Warehouse,  
Ilo, Moquegua, Peru.

new SX-EW plant that significantly has increased 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.
5. The Taxco Unit with a milling capacity of 2,000 tons per day.
6. Coquizaradora 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.

## **PERUVIAN OPERATIONS**

### **TOQUEPALA**

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 Mineria” 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 Mineria” 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 Mineria” authorized construction and expansion of Toquepala SX/EW plant to 18,737 tons/day throughput. Directoral 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.

### **CUAJONE**

1. Botiflaca Concentrator in Cuajone: 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 Mineria” 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 18, 2011, we requested to the Peruvian authorities through resources N° 2144941 to add three additional facilities (HPGR mill and others).

On May 2012, with Directoral 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, by the Application N° 1961695, 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.

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.

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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.

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.

**Continuously,  
we carry out exploration  
activities for  
locate more minerals  
resources and  
for discover new deposits.**

**With a capital investment of  
\$ 2,900 million, we are  
currently working in several  
copper projects in Peru.**

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Resolution N°038-2011-MEM-DGM-DTM/PB dated February 2, 2011, 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. By the Application N° 2499277 dated on May 19, 2015, SPCC requested temporary suspension for three years of its plant Dry Sea shell Concentrates.

| Cuajone mine, Moquegua, Peru.



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

## **THE PURPOSE**

The purpose of 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 CIIU 1320 group.

The term of duration of the Company is indefinite.

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

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.

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 Nº 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.

Miners in Santa Eulalia  
underground mine,  
Chihuahua, Mexico.

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, at that time, 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).

70

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.

**Toquepala  
Expansion Project,  
Tacna, Peru.**

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.

#### **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

**SCC looks to improves life quality in communities around its operations, promoting an approach based on management responsibility.**  
**SCC has developed a model which people become as generators of its own development.**

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 Corporation (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 Americas Mining Corporation, 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 Board of Directors ("BOD") authorized a \$500 million share repurchase program that has since been increased by the BOD and is currently authorized to \$3 billion. Pursuant to this program, through December

31, 2017 we have purchased 119.5 million shares of our common stock at a cost of \$2,900 million. These shares are available for general corporate purposes. We may purchase additional shares 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 88.91%.

### **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.

Our Amended and Restated Certificate of Incorporation determine

- 72** that the minimum number of Special Independent Directors in that Directory at any time shall equal the total number of directors in the Board multiplied by 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**

Currently, 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.

Casa Grande provides open spaces for communities, where courses and workshops are taught to encourage development.





The Special Nominating Committee consists of three directors. 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 Gilberto Perezalonso Cifuentes, 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

74 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.

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

Casa Grande has been implemented Community Committees, integrated by volunteer leaders from community, as well as members of the Company who collaborate in evaluating sustainable proposals.



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.

#### **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

**SCC provides educational materials to our stakeholders.**

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:**

- 76 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

**SCC participated with other institutions supporting activities in favor to earthquakes victims in Mexico.**

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 88.91% of SCC shares.

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

See Capital Expenditures and Exploration on page 15.

### **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 18, 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.

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.

### **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%.

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

## SAFETY AND HEALTH

In Southern Copper Corporation, life caring, health and welfare of our employees and their families is 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 to prevent accidents.

In 2017 we maintained 11 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 17 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 accomplishments achieved in 2017 on occupational health and safety include:

- The occupational accident rates at our mining operations in SCC is 41% below average mining industry in USA, according to Mine Safety and Health Administration.

LESS  
ACCIDENTS  
28%

- The Mining Chamber of Mexico (CAMIMEX) awarded the “Jorge Rangel Zamorano” Silver Helmet Trophy to Mexicana de Cobre and Santa Eulalia unit, for achieving the lowest recorded accident rates in the industry, as for his efforts in the field of accident prevention.

- In Peru, SCC has reduced its rate of accidents by 33% during the last 5 years by the implementation of programs to reinforce prevention culture.

As a result of our commitment with safety and health, SCC has reduced its rate of accidents by 28%. Every year, we reinforce our policy of prevention to identify risks and set strategies to reduce accidents in our processes for the care of the physical integrity of our employees.

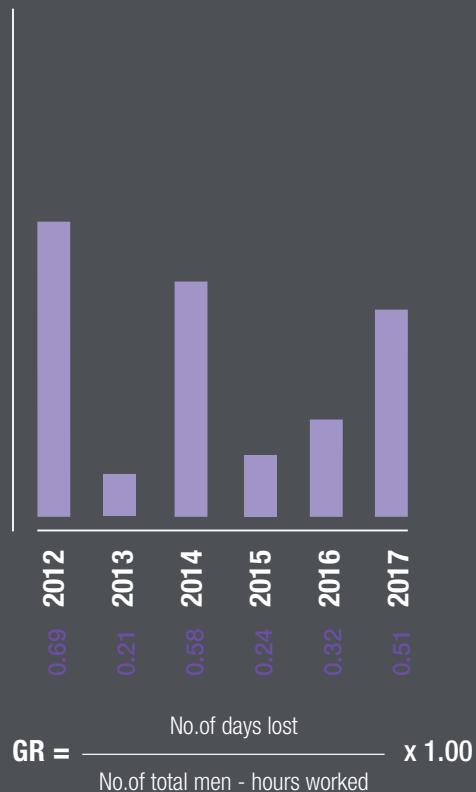
Cuajone mine,  
Moquegua, Peru.



## ACCIDENT RATE (IR), SCC, 2012 - 2017



## SEVERITY RATE (SR), SCC, 2013 - 2017



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.

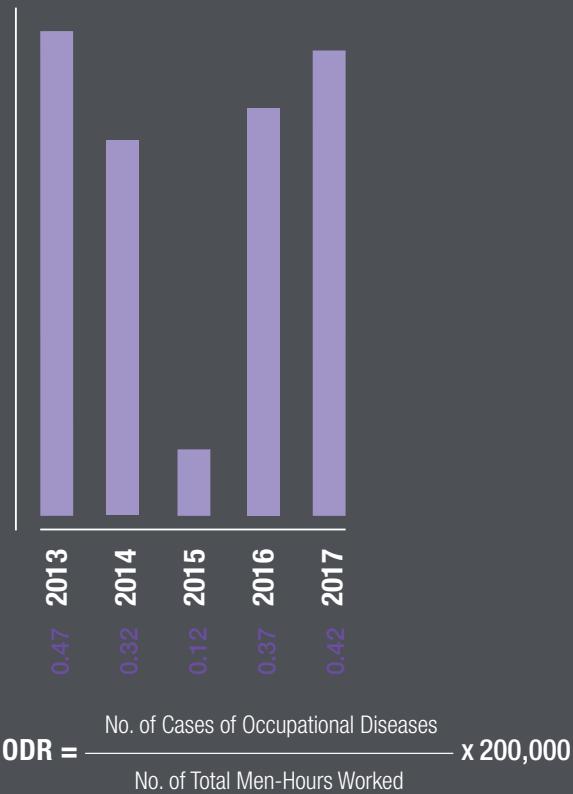
## OCCUPATIONAL HEALTH

Healthy environments are part of the organizational culture and management system, as a responsibility of

- 82 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.

During the last five years, we reduced our rate of occupational diseases by 52% as a result of various programs on education, prevention and control risks, as well as diseases treatment. These programs are offered to our employees and, in some cases, to their families, contractors, suppliers, institutions and the general public.

## OCCUPATIONAL DISEASE RATE, SCC, 2013-2017



### ACTIVITIES:

#### TARGETING WORKPLACE PERSONNEL / LABOR

- Security courses and conferences
- Expo safety
- Internal Security
- Health Fair
- Health Career Forum
- Awards to employees or Departments with ZERO ACCIDENTS

#### TARGETING EMPLOYEES' FAMILIES AND COMMUNITY / FAMILY:

- Guided tours "Knowing my Company"
- Health career
- Parades Familiar Promote values
- Firefighting courses
- Familiar contests and contests to
- Health fair

## INVESTMENT IN SAFETY AND HEALTH

During 2017, we invested over \$112 million in occupational safety and health, focusing efforts on engineering works, purchase of personal protective equipment, training, coaching, and industrial hygiene studies. In enhanced occupational health, we have developed programs in promotion and protection health, as well as in primary prevention, treatment and rehabilitation.

### INVESTMENT IN OCCUPATIONAL SAFETY (in millions)

	SCC
Management costs	\$ 3.31
Training	\$ 0.67
Personal protection equipment	\$ 8.89
Industrial hygiene studies	\$ 1.13
Engineering works	\$ 94.52
Total	\$ 108.52

### INVESTMENT IN OCCUPATIONAL HEALTH (in millions)

	SCC
Development, Promotion and Protection of Health	\$ 0.72
Detection and prevention	\$ 2.39
Treatment	\$ 0.31
Rehabilitation	\$ 0.04
Total	\$ 3.46

## EMPLOYEES FOR THE YEAR ENDED DECEMBER 31TH

	2017	2016	2015	2014	2013
<b>MEXICAN OPERATIONS</b>					
Total	<b>8,450</b>	8,762	8,316	8,105	8,182
<b>PERUVIAN OPERATIONS</b>					
Total	<b>4,628</b>	4,562	4,602	4,524	4,430
<b>ECUADOR OFFICE</b>					
Total	<b>27</b>	47	52	52	17
<b>ARGENTINA OFFICE</b>					
Total	<b>18</b>	20	26	26	16
<b>CHILE OFFICE</b>					
Total	<b>10</b>	20	26	26	18
<b>CORPORATE OFFICE</b>					
Total	<b>2</b>	3	2	2	2
<b>TOTAL EMPLOYEES IN SCC</b>					
Total Mexico	<b>8,450</b>	8,762	8,316	8,105	8,182
Total Peru	<b>4,628</b>	4,562	4,602	4,524	4,430
Total Ecuador	<b>27</b>	47	52	52	17
Total Argentina	<b>18</b>	20	26	26	16
Total Chile	<b>10</b>	20	26	26	18
Total Corporate Office	<b>2</b>	3	2	2	2
Total	<b>13,135</b>	13,414	13,024	12,735	12,665

# PRINCIPLES OF CORPORATE GOVERNANCE

Information referred to the Resolution of "Superintendencia del Mercado de Valores" No. 012-2014-SMV / 01, consisting of a "Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies" is applicable only to Peruvian companies. Not being SCC a Peruvian company, this report is not submitted to the "Superintendencia del Mercado de Valores" (SMV) of Peruvian Republic. Notwithstanding, SCC submits the "Annual Written Affirmation" to SMV. This document is an informative of Good Corporate Governance which our company remits annually to the New York Stock Exchange.

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 12 "Commitments and Contingencies" to our Consolidated Financial Statements.

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

At December 31, 2017, no changes have been done.

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

### Common Stock

- 86** 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 2017, the Company and AMC had bought shares periodically.

At December 31, 2017, there were of record 773,028,469 shares of common stock of the Company, par value \$0.01 per share, outstanding.

## CORPORATE BONDS

Between July 2005 and October 2015 the Company issued senior unsecured notes eight times totaling \$6.2 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 \$51.2 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.

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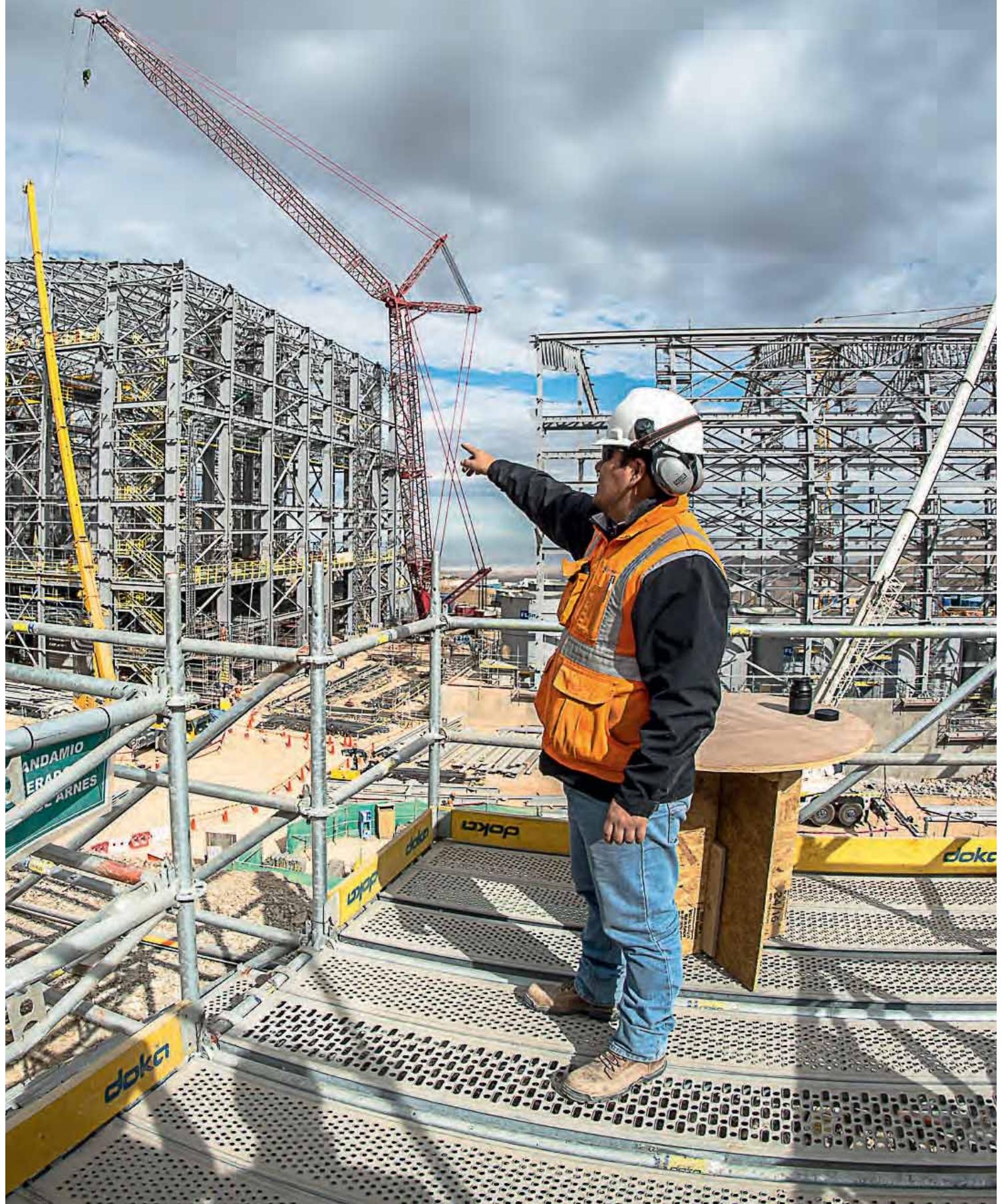
At December 31, 2017, the Company was in compliance with this covenant.

Please see Note 11 "Financing" for a discussion about the covenants requirements related to our long-term debt, on Form 10-K 2017.

Toquepala Expansion Project, Tacna, Peru.

Cuajone mine,  
Moquegua, Peru.

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# MEMBERS OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2017

## 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,

**92** 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. ("TELME") 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.

## **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 fourth 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 Telecommunicaciones, S.A.B. de C.V. (Mexican telecommunications company). Since November 2016 to date, Mr. Castillo Sanchez Mejorada has been Chairman of the Board of Banco Nacional de Mexico, S.A. (Citibanamex) one of the largest banks in Mexico.

From April 2011 to May 2013, Mr. Castillo Sánchez Mejorada was a senior advisor at Grupo Financiero Banorte, S.A.B. de C.V. ("GFNorte") a financial holding institution that controls a bank, a broker dealer

and other financial institutions in Mexico. From October 2000 to March 2011, Mr. Castillo Sánchez 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 on April 2011. In addition, from March 2007 to March 2009, Mr. Castillo Sánchez Mejorada was the President of the Mexican Banking Association (Asociación de Bancos de México). Currently, Mr. Castillo Sánchez Mejorada is Chairman of the Board of Banco Nacional de Mexico, S.A. (Citbanamex), one of the largest banks in Mexico and serves as an independent director on the board 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) Médica 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 April 2012 to April 2016, Mr. Castillo Sánchez Mejorada served as a member of the board of directors of Organización 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 Sánchez 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 twelve airports in the Pacific and central regions of Mexico. From April 2010 until 2013, Mr. Castillo Sánchez 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. Mr. Castillo Sánchez Mejorada has

been a member of the audit committee of Alfa, S.A.B. de C.V. since 2010. Mr. Castillo Sánchez Mejorada holds a Bachelor's degree in Business Administration from the Anáhuac University, in Mexico City, Mexico.

### **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. Mr. Garcia is the Chief Financial Officer 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 to October 2015. He has been Executive Vicepresident of AMC since October 2015. 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 Sarappy; 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.

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Dr. Palomino is a member of our Audit Committee and a special independent director nominee. He is also our “financial expert,” as the term is defined by the SEC. Dr. Palomino contributes to the Company his education

in economics and finance, acquired from extensive academic studies, including a PhD in Finance from the Wharton School of the University of Pennsylvania in Philadelphia, Pennsylvania, his expertise, his wise counsel, and his extensive business experience gained from his past and current activities from serving as a financial analyst, including of the mining sectors in Mexico and 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 Aviacion, S.A.P.I. de C.V. (airline) from March 2, 2011 to November 2014. He was Chief Executive Officer of Corporacion Geo, S.A. de C.V. (housing construction) from February 2006 to February 2007. Mr. Perezalonso was the Chief Executive Officer of Aeromexico (Aerovias de Mexico, 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 Mexico, 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 Siefore 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), Telefonica 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.

## **RAFAEL MAC GREGOR ANCIOLA**

### **Director.**

Mr. Mac Gregor has been a director of the Company since July 2017 and is an independent director. Mr. Mac Gregor has served as managing Partner of RMAC Asociados (Mexican consulting firm) since 2016. He has been an independent director of the Board of Grupo Financiero Citibanamex (Mexican banking company), Chairman of its Risk Committee, Chairman of Citibanamex's Impulsora de Fondos Committee (Asset Management Co), and member of Citibanamex's Audit Committee since 2016. In addition, he is an independent member of the Board of directors of Corporación Multi Inversiones (CMI) (multi-national agro-industrial company) since 2016. From February 1999 to July 2015, he served as a Corporate Director of Grupo Bal (Mexican companies principally engaged in agricultural and livestock, commercial operations,

industrial operations, and financial services businesses). From April 1999 to 2015, he was a member of the Board of Directors of the Mexican Stock Exchange. From 2001 to 2016, he served as a member of the Board of the Instituto Tecnológico Autónomo de México (ITAM) and from April 2008 to 2016, he served as a member of the Board of Fresnillo PLC (Mexican-based mining company). From April 1995 to July 2015, he served as President of the Board of a Mexican Brokerage House and Valmex Leasing Company (Mexican leasing company).

Additionally, from April 1995 to July 2015, Mr. Mac Gregor Añciola served on the Boards of Grupo Nacional Provincial, S.A.B. (Mexican insurance company), Grupo Palacio de Hierro, S.A.B. (Mexican department stores), Industrias Peñoles, S.A.B. (Mexican mining company), Crédito Afianzador, S.A. (Mexican financing company), MineraTizapa, S.A. de C.V. (Mexican mining company), MineraPenmont, S.A. de C.V. (Mexican mining company), Profuturo G.N.P., S.A. de C.V., Afore, Profuturo GNP Pensiones, S.A. de C.V. (Mexican insurance and pension holding company) and Vice President of the MexDer (Mexican derivatives exchange). Mr. Mac Gregor Añciola holds the recognition of the Professional Merit Award from ITAM. Mr. Mac Gregor Añciola holds a degree in Business Administration from the Instituto Tecnológico Autónomo de México in Mexico City and he attended the Stanford University Executive program in Palo Alto, California.

Mr. Mac Gregor Añciola brings to the Company more than 30 years of experience in the financial sector. He also adds to the Board of Directors his leadership experience and expertise attained through his participation as a director of the Mexican Stock Exchange and as an independent director of various other companies.

## **EXECUTIVE OFFICERS**

GERMAN LARREA MOTA-VELASCO

**Chairman of the Board of Directors**

OSCAR GONZALEZ ROCHA

**President and Chief Executive Officer**

DANIEL MUÑIZ QUINTANILLA

**Executive Vice President**

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 LÓPEZ 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 88.91 % of the stock of the Company, as of December 31, 2017. 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, Enrique Castillo Sanchez Mejorada and Rafael Mac Gregor Aciola are our fourth, fifth and sixth independent directors.

At its meeting on January 26, 2017 and July 20, 2017, the Board of Directors determined that Messrs. Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, Carlos Ruiz Sacristan, Emilio Carrillo Gamboa, Enrique Castillo Sanchez Mejorada and Rafael Mac Gregor Aciola 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 Muñiz 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 0.06%.

## **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 26, 2018 at 9:00 A.M., Mexico City time.

## **CORPORATE OFFICES**

### **United States**

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

### **MEXICO**

Edificio Parque Reforma, Campos  
Eliseos N°. 400  
Col. Lomas de Chapultepec Mexico D.F.  
Phone: +(52-55) 1103-5000

### **PERU**

Caminos del Inca Avenue N° 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. 3181.

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.

## **MEMBERS OF THE BOARD OF DIRECTORS**

German Larrea Mota-Velasco

Oscar Gonzalez Rocha

Emilio Carrillo Gamboa

Enrique Castillo Sanchez Mejorada

Alfredo Casar Perez

Xavier Garcia de Quevedo Topete

Daniel Muñiz Quintanilla

Luis Miguel Palomino Bonilla

Gilberto Perezalonso Cifuentes

Carlos Ruiz Sacristan

Rafael Mac Gregor Anciola

## **AUDIT COMMITTEE**

Emilio Carrillo Gamboa, Chairman

Luis Miguel Palomino Bonilla

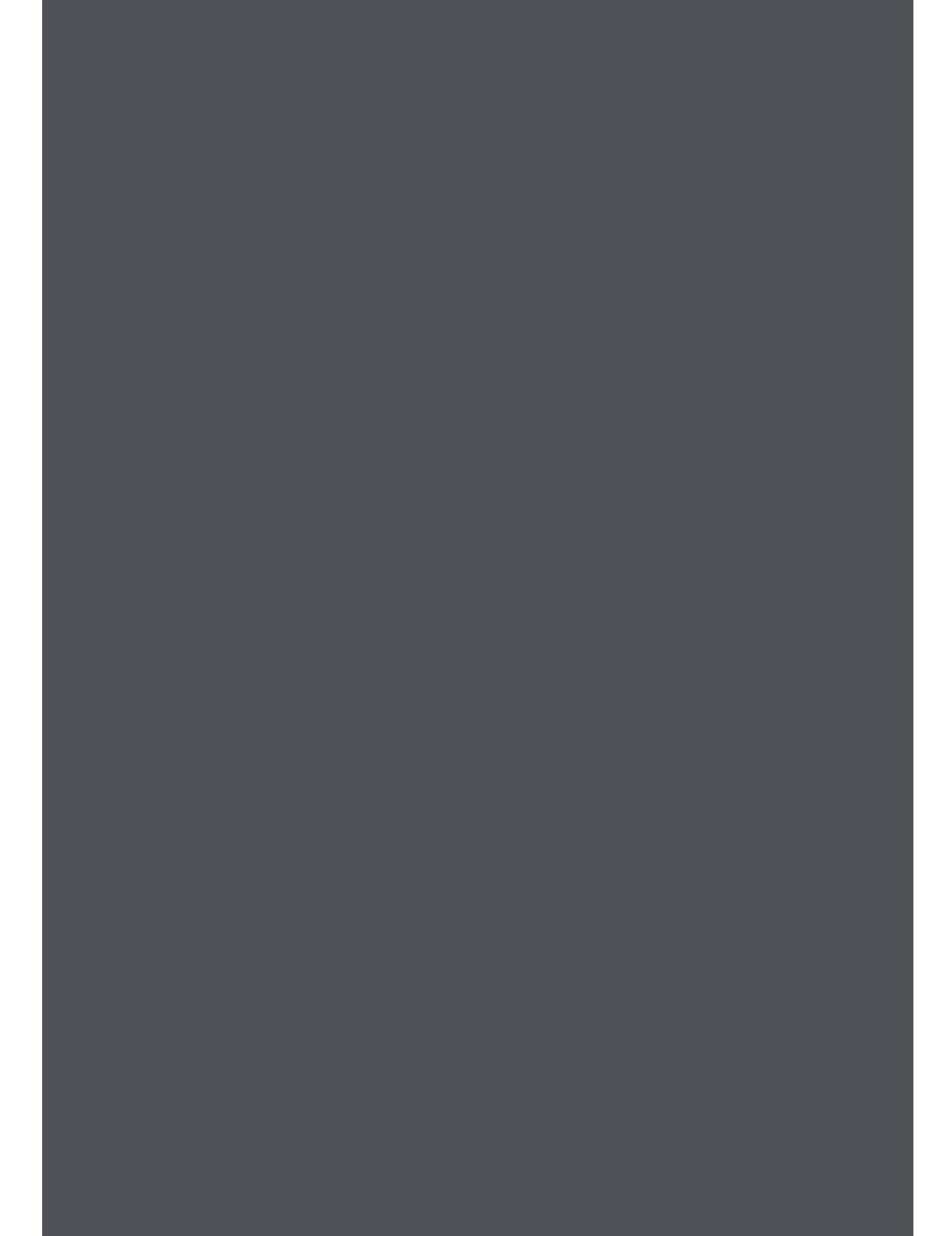
Gilberto Perezalonso Cifuentes

Enrique Castillo Sanchez Mejorada

Ite wetlands,  
Moquegua, Peru.

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# **SOUTHERN COPPER CORPORATION**

## **CORPORATE OFFICES**

### **UNITED STATES**

1440 E. Missouri Avenue,  
Suite 160, Phoenix, AZ 85014, U.S.A.  
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 171  
Chacarilla del Estanque, Santiago de Surco  
Lima 33 - Peru  
Phone: +(511) 512-0440, Ext. 3181

Symbol: SCCO

E-mail address:  
[southerncopper@southernperu.com.pe](mailto:southerncopper@southernperu.com.pe)

