

Positioned for **Growth**

2017 Annual and CSR Report

In 2017, a rising demand for copper and zinc, a foundation of long-life assets and a robust development platform combined to ensure that Hudbay was positioned for growth.



HUDBAY

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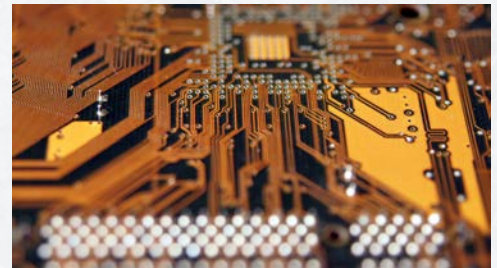
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Several trends are driving the renewed demand for copper: improved performance in the overall global economy, national infrastructure initiatives, and global efforts to reduce the carbon footprint generated by energy production, energy usage and transportation.

Growing Demand: Meeting the Demand for Responsible Copper and Zinc



After a cyclical downturn, which began in 2011, prices for copper and zinc began to recover in the second half of 2016. At present, prices and demand for both metals, particularly copper, are expected to continue rising.

Several trends are driving the renewed demand for copper. Improved performance in the overall global economy is creating broader demand for products that use copper. National infrastructure initiatives, notably in China, are also fueling demand. Finally, increased demand can also be tied to global efforts to reduce the carbon footprint generated by energy production, energy usage and transportation.

Copper will be essential to global carbon reduction initiatives. The typical battery-powered electric vehicle requires approximately four times the copper used in a conventional internal combustion engine vehicle. Copper is a key component of the cables that carry the energy generated by wind turbines and solar panels. It helps to reduce energy loss in electric motors and air conditioners, making them more efficient. It is integral to electric batteries, notably those used in electric vehicles.

“Improved performance in the overall global economy is creating broader demand for products that use copper. Hudbay is well positioned to take advantage of these favourable supply-demand fundamentals.”

Copper is also essential to high-tech equipment, from computers and servers to tablets and smartphones. Your phone contains more copper than any other metal, and copper comprises 12% of your phone’s total weight¹. Increasingly, it is replacing aluminum in the manufacture of computer chips, in part because it delivers faster operating speeds.

Like copper, zinc has a range of applications across many industries, including agriculture, construction, pharmaceuticals and transportation. Approximately half of the world’s supply goes toward making corrosion-proof galvanized steel, which is widely used in infrastructure projects. Zinc sheeting is used for cladding, roofing and gutter systems. Zinc-coated steel is also widely used for building framing, bridge construction and the reinforcing bar in concrete structures. Because of its anti-corrosive properties, zinc can make a crucial contribution to infrastructure projects, and in recent years there has been a steady demand for galvanized steel from China.

During the downturn, many mining companies held off on developing or expanding their assets. Exploration was also curtailed. And while sentiment, demand and market fundamentals are changing, it could take years – given the time required to locate and transform a viable resource into a permitted operating mine – to close the gap between supply and demand.

Hudbay is well positioned to take advantage of these favourable supply-demand fundamentals. The Company operates long-life mines and has a robust exploration program. Its Rosemont project has reached the final stages of permitting, and development is expected to commence not long after the conclusion of that process. Once it becomes fully operational, Rosemont is expected to account for roughly 10% of US copper production.

Hudbay operates responsibly and sustainably, in accordance with local laws and international commitments, such as the Towards Sustainable Mining (TSM) initiative developed by the Mining Association of Canada (MAC). Rosemont, in particular, will be a showcase for sustainable mining. The mine will take an innovative approach to tailings and water conservation. It will feature an outdoor light management program, designed to comply with Arizona's Dark Sky commitment to preserving the nighttime environment. There's even a workforce bus transit plan in place to minimize traffic and air quality impacts.

As yet, no established framework exists for demonstrating the provenance of copper and zinc used in goods and materials. Nonetheless, we believe that ensuring copper and zinc are responsibly mined and sourced will be increasingly important to consumers and investors. It is a challenge and an opportunity that Hudbay is well prepared to meet.

1. <http://www.coppermatters.org/copper-facts>



Hudbay is in business to mine copper and other metals – efficiently, profitably and responsibly. Participating in a comprehensive, thoughtful permitting process, as we are at Rosemont, makes an essential contribution to achieving that goal.

Responsible Growth: The Permitting Process at Rosemont



Robust permit processes make good projects.

That belief has been our guide throughout the permitting process for our Rosemont project, which we expect will receive its final outstanding approval, the Section 404 Water Permit from the US Army Corps of Engineers, shortly.

The Rosemont project has a projected life of 19 years. When in full production, it is expected to be the third-largest producer of copper in the United States. The project is located in Arizona, a jurisdiction that upholds among the highest standards for safety, labour practices, environmental protection and social responsibility.

“We expect that Rosemont, as a long-life asset, will provide a dependable return on investment for many years.”

We believe these features make the Rosemont project a good fit for Hudbay. We also firmly believe that the permitting process, which began in 2007, has been – and needs to be – comprehensive and rigorous.

The federal agency leading the review process is the US Forest Service, supported by the US Army Corps of Engineers. In total, 17 different federal and state agencies (including the Arizona Department of Environmental Quality) played a role in the process, generating requests for clarifications and mitigations that Hudbay responded to in our Mine Plan of Operation (MPO), which is now over 4,000 pages long and comprises four separate volumes. In accordance with state practice, costs associated with permitting – including for staffing and any required studies, tests and additional consultants – are all paid by the applicant, Hudbay.

The MPO is our blueprint for Rosemont, and responding to mandated changes and mitigations that have arisen during the permitting process has helped make our project better. For example, guided by the process, we reduced the footprint of our mine site plant, which made our operation more efficient. We will also be using haul trucks with best-in-class diesel engines that meet the Tier 4 exhaust emission standards. While there is a notable upfront cost, we expect that Rosemont, as a long-life asset, will provide a dependable return on investment for many years.

Additionally, we will be pursuing a number of innovative approaches and usage agreements that will enable us to significantly reduce the amount of water that an operation like Rosemont would have consumed historically. These include using dry-stack tailings to manage our ore waste. Dry stack, in which dewatered tailings are piled to form very stable deposits, uses much less water than traditional tailings management approaches, and approximately 75% to 80% of the water that is used can be recycled. When fully operational, Rosemont will host the largest filtered tailings facility in North America.

While there is a notable upfront cost to some of these solutions, we expect that Rosemont, as a long-life asset, will provide a dependable return on investment for many years.

The permitting process delivers benefits that extend even beyond our operations. To gain our operating licence, we worked with consultants and manufacturers to develop innovative, LED-based lighting systems that meet Arizona's Dark Sky commitments. When another mine faced a similar challenge, we were pleased to share what we had learned. Wide adoption helps lower costs on the technologies involved, expands the use of those technologies, and also reflects our desire to support sustainable, responsible mining throughout our industry.

Hudbay is in business to mine copper and other metals – efficiently, profitably and responsibly. Participating in a comprehensive, thoughtful permitting process, as we are at Rosemont, makes an essential contribution to achieving that goal.



This initiative, OneHudbay, touches upon our values, our culture, our structure and our organizational approach. While comprehensive and wide ranging, it can be neatly captured in a single phrase: "How we work".

Organizing for Growth: Creating an Agile and Effective Organization



Over the past decade, we have grown from a company anchored in northern Manitoba to become an international miner. Today, Hudbay is primarily a copper producer, focused on building and operating mines in the Americas, with operations and projects in Canada, Peru and the United States. Once our Rosemont project in Arizona comes online, it will be one of America's largest copper producers. We also have an active exploration program. In short, driven by rising demand, we foresee a future of growth.

"We are working toward a common culture, a shared understanding of goals and strong guiding values that will empower our employees."

To prepare for that growth, we recognized that we needed to look at how we functioned and how we were structured. While we have always had sound management systems in place, when we were a smaller organization, it was comparatively easy to identify and solve a range of problems as they arose. To meet the challenge of becoming a large, multinational company, we realized that we needed to revisit the systems and structures we had in place to ensure organizational effectiveness at any scale.

We call this initiative OneHudbay, and it touches upon our values, our culture, our structure and our organizational approach. While comprehensive and wide ranging, it can be neatly captured in a single phrase: “How we work”. OneHudbay is directed by our CEO and led by the Vice President, Organizational Effectiveness. In this newly created role, the VP, Organizational Effectiveness supports Hudbay’s growth by designing and implementing systems to maximize organizational effectiveness, and by leading projects, which consider both people and the technological aspects of the business, for transformational change.

OneHudbay is based in many respects on Requisite Organization (RO), a management theory that looks at organizations in terms of structures and systems. Through the RO lens, employees generally do not fail a company; more often, it is the other way around. To address this, RO mandates clear management accountability, defining employee responsibilities, establishing structures to support employees and their development, and carefully determining management layers.

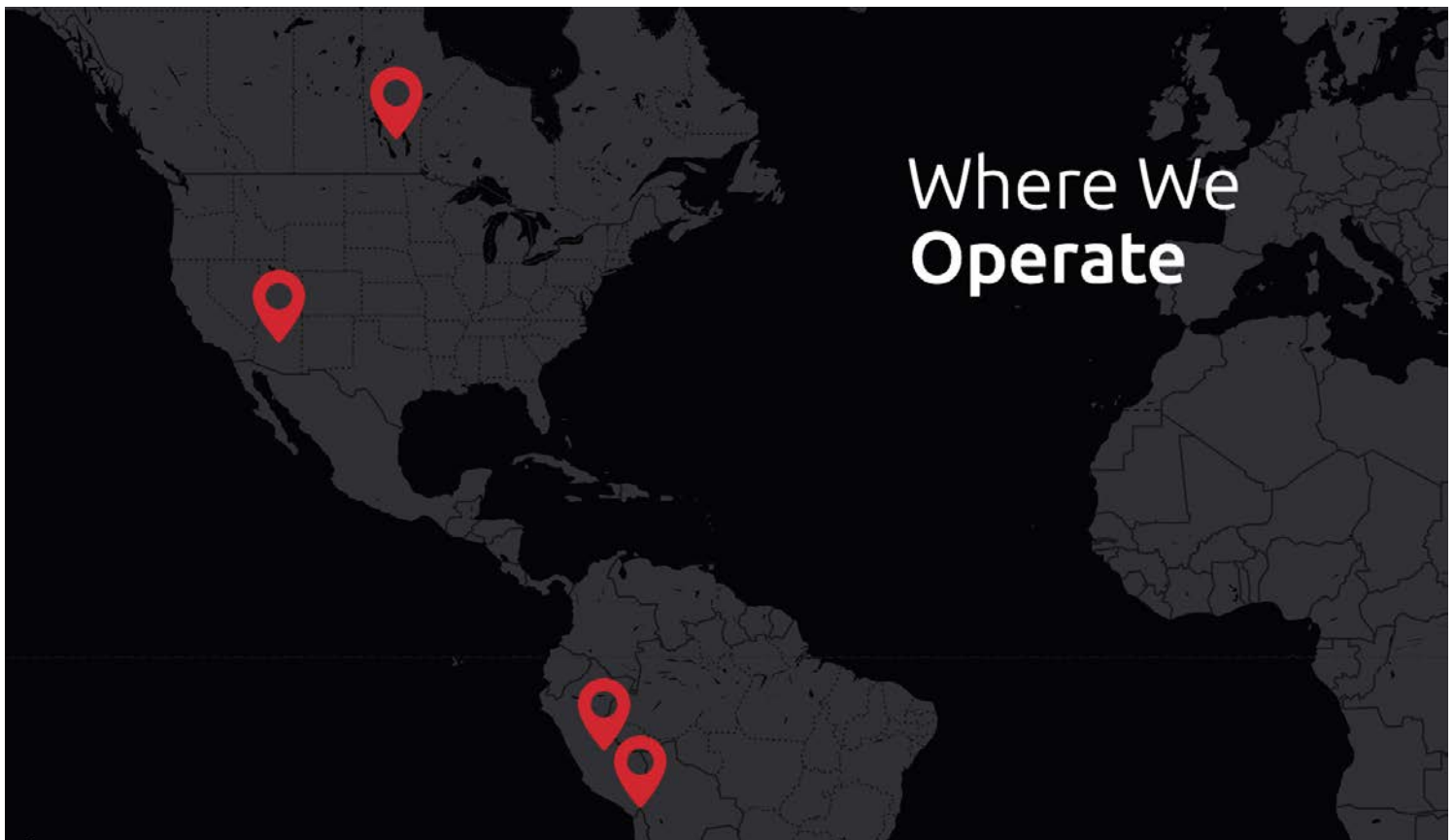
While ensuring we maintain necessary management oversight, we are planning to put more emphasis on developing employees through coaching and talent development. Simply put, we want to make it easier for employees at all levels to understand what is expected of them, and then support them in achieving their goals.

We put a renewed emphasis on mission, strategy, values and culture. As OneHudbay, we choose not to impose uniformity. We are working toward a common culture, a shared understanding of goals and strong guiding values that will empower our employees – wherever they are located – to meet challenges, move swiftly, make decisions and help our company grow, today and tomorrow.

Our Company



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



Manitoba, Canada: Flin Flon



100%
ownership

Underground
copper • zinc
gold • silver mine

Flin Flon
concentrator

Hydrometallurgical
zinc plant

Manitoba, Canada: Reed



70%
ownership

Underground
copper mine

Manitoba, Canada: Lalor



100%
ownership

Long-life, underground
zinc • gold
silver • copper
mine

Stall and Flin Flon
concentrators process
Lalor ore

Arizona, USA: Rosemont



92.05%
ownership*

Open pit
copper project

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

Constancia, Peru: Constancia



100%
ownership

Open pit
copper mine and concentrator

Chile: Exploration Properties



Greenfield
exploration targets

Chilean exploration properties are
among those
owned or optioned
by Hudbay over the last two years

Vision:

We will be a responsible top-tier operator of long-life, low-cost mines in the Americas.

Mission:

We create sustainable value through the acquisition, development and operation of high-quality, long-life deposits with exploration potential in jurisdictions that support responsible mining. The regions and communities in which we operate benefit from our presence.

CEO Message



Positioned for Growth: Our Story and Our Focus in 2017

Hudbay's strategic objective for 2017 was to make sure we're positioned for growth – but, as always, safety remains our top priority.

So I'm pleased to report that we achieved a strong safety record across all of our operations. We maintained or improved performance with respect to the severity of lost time accidents and total recordable incident frequency in our Manitoba and Peru business units. In particular, at Constancia, we achieved an excellent safety record, with no mining-related lost time accidents (LTAs) for the year.

Going into 2017, we maintained the fiscal discipline that served us so well in the previous year. As 2016 came to a close, we were able to refinance debt that was scheduled to mature in 2020. In 2017, we were able to pay off our secured credit facility in full. Our strengthened financial position, coupled with an increasingly favourable environment for metal prices, gave us the capacity to shift our focus from the balance sheet to an extended period of growth – one that will have an impact across all of our business units.



"Our strengthened financial position, coupled with an increasingly favourable environment for metal prices, gave us the capacity to shift our focus from the balance sheet to an extended period of growth – one that will have an impact across all of our business units."

Meanwhile, Hudbay has made significant progress with the permitting process for the Rosemont project in Arizona. Last June, the US Forest Service issued a favourable Final Record of Decision, and we anticipate receiving the Section 404 Water Permit from the US Army Corps in 2018. We look forward to moving ahead with construction on this outstanding project, and we are well positioned to fund the bulk of Rosemont's expenditures from our operating cash flow.

We have also taken important steps to expand our development pipeline. These included successful negotiations that concluded in January 2018 with the acquisition of three properties near our Constancia mine in Peru. We undertook exploration activities in Manitoba, British Columbia, Peru and Chile, and we re-established the position of Vice President of Exploration.

Preparing for the Future

Across our operations, Hudbay's copper production exceeded our 2017 guidance ranges, and our production of zinc and precious metals was in line with our 2017 guidance.

At Constancia, the team made substantial progress in ramping up ore production, after some challenges in early 2017. Now that operations are running well, our technical teams are pursuing metallurgical methods to further enhance ore recovery.

As noted earlier, we made important strides toward consolidating our land package around Constancia, and we are currently involved in amicable negotiations for the Pampacancha surface rights. At every stage of Constancia's development and operations, we have prioritized maintaining good community relations and operating in a sustainable, responsible manner. This approach, which we apply everywhere we operate, has been essential to our efforts to expand our mining footprint in Peru.

Another significant achievement for the year was our introduction of automation at Constancia. Automating the controls that feed our grinding circuit contributed directly to enhancing our efficiency and increasing production. As we introduced automation, we engaged proactively with employees to help them understand the benefits and opportunities it would create. Their support has been crucial to this initiative.

While our progress in automation has been rewarding, the key to our success remains the committed, motivated people on the Hudbay team, wherever we operate. A notable achievement at Constancia in 2017 was the three-year collective bargaining agreement we negotiated with our unions in Peru. This agreement represents an evolution from the initial one-year agreement, which is more typical across the mining industry in Peru. We recognize and appreciate the essential contribution that the unions in Peru made toward achieving these agreements.

Similarly, we successfully negotiated three-year collective bargaining agreements with the seven unions that represent our employees in Manitoba. We reached this agreement with no work interruptions, and it provides a solid ground for us to move forward.

Hudbay has its roots in northern Manitoba, which is one of the reasons we focus so strongly on planning for our future in the region.

At Lalor, we increased average production to 4,000 tonnes per day, putting us on track to reach our goal of processing 4,500 tonnes per day in 2018. The mine plan at Lalor for 2018 includes some mining of the gold zone for processing at Flin Flon, which will enable a better understanding of the gold zone characteristics and better inform the evaluation of options for processing Lalor gold.

We also introduced a new level of automation at Lalor, in the form of load-haul-dump vehicles (LHDs). Working underground and remotely guided by a human operator on the surface, LHDs load, haul and dump ore to feed our grinding circuit. Throughout this process, we kept our employees and their unions fully informed, and their support and co-operation has helped make the introduction of these autonomous vehicles a success.

At Reed, we continued to prepare for the mine's scheduled closure in 2018. As soon as the last ore has been mined, we plan to initiate closure and simultaneously begin the remediation process. From end to end, Reed will serve as an example of how a responsible mine can access resources efficiently with minimal impact on the environment.

As Hudbay plans for growth, Flin Flon remains an important consideration, since we anticipate the closure of 777 in 2021. Nonetheless, we recognize that the region is one of the most mineral rich on earth. We have committed \$50 million toward exploration in 2018, and a significant portion of those funds will be focused on opportunities near our existing operations, including the Flin Flon area. Consequently, exploration is still a relevant theme for Flin Flon, and we remain optimistic about the future. Although the closure of 777 is inevitable, we continue to work with employees and the community to achieve the best possible outcome for Flin Flon.

Organizational Effectiveness

In our industry and others, many companies have struggled to manage the challenge of growth. To prepare Hudbay for the future, we implemented a number of measures in 2017 – including appointing a Vice President of Organizational Effectiveness – all aimed at ensuring that we have the values, processes and accountabilities we need to support our growth.

This initiative, which we have named OneHudbay, will develop our employees' talents while assessing and enhancing our effectiveness across all levels of the organization. Our goal is to make Hudbay stronger, by equipping our people with a better understanding of their roles and accountabilities. We will then provide the support they need to accomplish their goals and reach their full potential. Ensuring that all of our employees understand how their performance connects to our mission will help us to achieve our objectives for responsible, sustainable growth.

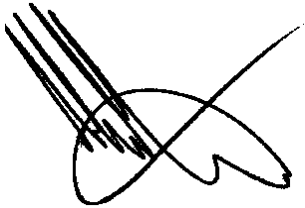
A Growing Demand

We feel confident that Hudbay is poised to enjoy a period of sustained growth, in both the scale of our operations and the value we create for our stakeholders.

A stronger global economy, a renewed interest in large-scale infrastructure projects (notably in China), and copper's key role as a component of the sustainable economy are combining to drive increased demand for both copper and zinc. This surge in demand follows a long period of minimal exploration and development of new supply. Against this background, Hudbay – which operates long-life mines in Manitoba and Peru and has a world-class copper project going through the final stages of permitting in Arizona, along with an active exploration program – is well positioned to meet this demand, now and over the long term.

While Hudbay looks ahead to a period of sustained growth, I want to thank our Board for the guidance they provided in 2017. I also want to thank our contractors, our community partners and my colleagues across the organization. Their support, throughout the year and in the years ahead, is what makes our growth and our success possible.

Sincerely,

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

Alan Hair
President and Chief Executive Officer

Corporate Governance



Good governance is essential for our long-term success and ability to grow. We strive to follow best practices and meet or exceed regulatory requirements.

Hudbay's Board of Directors supervises the Company's management and business affairs while maintaining the highest standards of ethical conduct and acting in the best interests of the Company and its shareholders. The Board fulfills its responsibilities directly and through five committees:

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

Board members are selected based on criteria that include: judgment, character, expertise, skills and knowledge useful to the oversight of the Company's business; diversity of viewpoints, backgrounds, experiences and other demographics, including gender; business or other relevant experience; and the overall composition of the Board. See our [**Management Information Circular**](#) to learn more.

Board of Directors



Alan R. Hibben*

Chair
Corporate
Governance and
Nominating
Committee (Chair)



Carol T. Banducci*

Audit Committee



Igor Gonzales*

Technical
Committee
Environmental,
Health, Safety and
Sustainability
Committee



Tom A. Goodman* **

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



Alan Hair

President and Chief
Executive Officer



W. Warren Holmes*

Chairman
Corporate
Governance and
Nominating
Committee
Technical
Committee



Sarah B. Kavanagh*

Audit Committee
(Chair)
Corporate
Governance and
Nominating
Committee



Carin S. Knickel*

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



Alan J. Lenczner*

Audit Committee
Compensation and
Human Resources
Committee



Kenneth G. Stowe*

Technical
Committee (Chair)
Compensation and
Human Resources
Committee

* Independent

** Tom A. Goodman, who has been a director since 2012, is not standing for re-election at our Annual and Special Meeting of Shareholders on May 3, 2018. We would like to thank Mr. Goodman for his dedicated service to the Board since 2012 and to Hudbay generally for over 40 years. In connection with the departure of Mr. Goodman, the Corporate Governance and Nominating Committee recommended, and the Board has nominated, Colin Osborne for election to the Board. Mr. Osborne's 20 years of broad experience in the metals and manufacturing industry will increase the depth of technical, mining and operations expertise on the Board and be of great value as we continue to seek to optimize our operations and grow the business.

Learn More

- [Governance policies, standards, guidelines and committee charters](#)
- [Management Information Circular](#)

Business Conduct



Honesty, integrity, transparency and compliance with the law are essential for building trust and supporting our ability to grow.

Our **Code of Business Conduct and Ethics** (the “Code”) states our commitment on matters related to compliance with laws and regulations, conflicts of interest, government payments, confidential information, protection and proper use of Hudbay assets, and the reporting of illegal and unethical behaviour. The Code applies to all directors, officers and employees.

On joining the Company, board members and employees sign a declaration confirming that they understand and will comply with the Code. The Board requires every director and executive officer to disclose any direct or indirect conflict of interest. Formal annual confirmation of compliance with the Code, the **Confidentiality and Insider Trading Policy** and our **Statement on Anti-Corruption** is also required from all directors, officers, and employees with a Hudbay email address.

Personnel who report concerns about unethical or illegal behaviour are protected by our **Whistleblower Policy**, which expressly prohibits discrimination, harassment and retaliation against anyone reporting conduct they believe is in violation of our Code or any laws.

Our Code includes a prohibition against making any political contributions on Hudbay’s behalf without prior written approval of our Chief Executive Officer.

Our **Supplier Code of Conduct and Ethics**, which we implemented in 2017, sets out minimum standards of conduct expected of suppliers who wish to do business with Hudbay. Suppliers with a major contract will be asked to read, accept and comply with the Supplier Code of Conduct as a condition to doing business with Hudbay.

Compliance Training

Our Legal department is responsible for providing compliance training on the Code and related policies, and on the Canadian *Corruption of Foreign Public Officials Act* (CFPOA) and the US *Foreign Corrupt Practices Act* (FCPA), to specific groups or across the organization as the Company deems appropriate.

On an annual basis, all Board directors, officers and employees with a Hudbay email address must certify that they have read and understood our Code. For 2017, we conducted an online campaign that asked individuals to certify by e-signature their adherence to key compliance policies, and to complete a training program in respect of such policies. 100% of individuals required to certify and participate in training (representing 55% of our workforce) completed the requirement. For individuals who failed to comply, the Company suspended their email access until they completed the courses.

Other courses in 2017 included anti-bribery and anti-corruption refresher training for the Board.

Risks, Issues or Complaints

Based on an assessment of corruption risks at our three business units and our corporate office, we identified that violation of the CFPOA and the FCPA constitutes a significant risk in Peru, due to difficulties in monitoring the compliance of contractors and agents (and potentially employees as the Company grows), as well as the increased enforcement of anti-corruption legislation.

No incidents of corruption were reported in 2017, and no incidents of corruption involving employees, business partners or legal cases were brought against the Company. Through our third-party whistleblower reporting service, 17 incidents were reported in 2017, all of which were investigated and resolved with corrective action where necessary. While none of these incidents involved significant allegations of fraud or violations of our Code, some allegations were brought forward related to business, health, safety and environmental practices; inappropriate behaviour or violation of company policies or procedures; and conflicts of interest.

To Report an Issue

- Contact our Board of Directors by mail or email at chairman@hudsonbay.com.
- To make a confidential report to the Chair of Hudbay's Audit Committee about a perceived violation of the Company's internal and accounting controls, auditing matters or violations of the Company's Code of Business Conduct and Ethics, call +1 877 457-7318 or visit www.clearviewconnects.com. Reports are handled under our Whistleblower Policy, and the Chair of the Audit Committee is responsible for ensuring that they are appropriately investigated.
- During 2017, the Office of the Extractive Sector Corporate Social Responsibility (CSR) Counsellor was the agency that helped resolve conflicts between project-affected communities and Canadian extractive sector companies operating outside of Canada. On January 17, 2018, the Government of Canada announced the creation of an independent Canadian Ombudsperson for Responsible Enterprise (CORE). The CORE replaces the CSR Counsellor in investigating human rights complaints of Canadian companies operating overseas. More information about the CORE's roles and responsibilities is available on the [Government of Canada's website](#).
- Canada's National Contact Point (NCP) for the Organisation for Economic Co-operation and Development (OECD) provides a forum where multinational enterprises, Canadian businesses, non-governmental organizations and labour organizations can voice their views and concerns. Canada's NCP can be reached by email at ncp.pcn@international.gc.ca or by telephone at +1 343 203-2341.
- To address community concerns, each site makes the relevant contact information available locally.

Risk Management



Risk management is essential to effective governance and to achieving our business objectives. Our risk management policy defines our approach to enterprise risk management and establishes a framework for embedding effective risk management practices and tools into our culture, systems and processes.

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

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

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

We discuss long-term and emerging risks in the Risk Factors section of our Annual Information Form.

Learn More

- Our 2018 [Annual Information Form](#) describes key corporate risks and their potential business impacts.

Management Team



Our management team sets the tone for a culture of integrity and compliance, and it is responsible for establishing and implementing the Company's long-range goals, strategies, plans and policies, subject to the Board's direction and oversight.



Alan Hair

President and Chief Executive Officer



David Bryson

Senior Vice President and Chief Financial Officer



Cashel Meagher

Senior Vice President and Chief Operating Officer



Eugene Lei

Senior Vice President, Corporate Development and Strategy



Robert Assabgui

Vice President, Technical Services



Adrienne Blazo

Vice President, Organizational Effectiveness



David Clarry

Vice President, Corporate Social Responsibility



Javier Del Río

Vice President, South America Business Unit



Patrick Donnelly

Vice President and General Counsel



Jon Douglas

Vice President and Treasurer



**Elizabeth
Gitajn**

Vice President, Risk
Management



André Lauzon

Vice President,
Manitoba Business
Unit



**Olivier
Tavchandjian**

Vice President,
Exploration and
Geology

Learn More

- [Management team biographies](#)

Business and Financial Review



In 2017, we paid down all of our short-term debt, as well as our secured credit facility, through a combination of an improved metal price environment and our consistently disciplined approach to managing finances. This has allowed us to switch our focus from right-sizing our balance sheet to growing our company. We received the Final Record of Decision from the US Forest Service in 2017 and look forward to receiving the Section 404 Water Permit from the US Army Corps of Engineers and finalizing the Mine Plan of Operations shortly. We can then move forward with the development of Rosemont, and expect to finance the initial phases with cash generated by our operations. At the same time, we have committed \$50 million to exploration activities, both near our mines and greenfield properties, which will allow us to identify new deposits and enhance the value and mine life of existing projects.

Key Accomplishments

- Maintained effective cost discipline while delivering growth, as consolidated metals production met or exceeded 2017 guidance ranges
- Leveraged an increasingly favourable metals price environment to drive debt reduction and generate strong cash flow
- Improved total available liquidity to \$778 million, which includes \$356 million in cash
- Reduced net debt position by \$462 million during full-year 2017
- Advanced permitting activities at Rosemont, receiving the Final Record of Decision from the US Forest Service in June 2017
- Expanded our pipeline of growth opportunities by committing \$50 million to exploration near existing processing infrastructure in Manitoba and Peru, as well as greenfield exploration properties in Chile and British Columbia

2017 Summary

OPERATIONS SUMMARY

<i>For the years ended December 31</i>	2017	2016
Production (contained metal in concentrate)*		
Copper (000 tonnes)	159.2	174.4
Zinc (000 tonnes)	135.2	111.0
Gold (000 ounces)	108.6	114.3
Silver (000 ounces)	3,487.3	3,756.0

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

FINANCIAL SUMMARY

Financial condition <i>(in \$000s)</i>	Dec. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	\$ 356,499	\$ 146,864
Working capital	308,675	121,539
Total assets	4,648,729	4,456,556
Total long-term debt	979,575	1,232,164
Equity	2,144,255	1,763,212

Financial performance

<i>(in \$000s, except per share and cash cost amounts)</i>	Dec. 31, 2017	Dec. 31, 2016
Revenue	\$ 1,362,553	\$ 1,128,678
Profit before tax	198,728	5,605
Basic and diluted earnings (loss) per share ¹	0.67	(0.15)
Profit (loss)	163,899	(35,193)
Operating cash flows before change in non-cash working capital	530,561	387,868

Production

Contained metal in concentrate ²		
Copper (tonnes)	159,192	174,491
Gold (ounces)	108,593	114,296
Silver (ounces)	3,487,258	3,755,896
Zinc (tonnes)	135,156	110,582

Metal sold

Payable in metal in concentrate ²		
Copper (tonnes)	148,655	171,451
Gold (ounces)	109,770	95,527
Silver (ounces)	3,060,269	3,181,759
Refined zinc (tonnes)	116,377	103,453

1. Attributable to owners of the Company.

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

Business and Financial Review

Strategy



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

We recognize that to consistently deliver value in the mining sector, a company needs to maintain its development pipeline by investing in discovering new mineral deposits and building the facilities, infrastructure and teams required to mine those deposits profitably. Our long history of successfully finding assets, our in-depth mining expertise in both open pit and underground mining, and our successful track record for developing and operating mines in northern Manitoba and Peru provide Hudbay with a demonstrable competitive advantage relative to our peers in the industry.

Our strategy for growth is to first explore and develop properties we already control, such as Constanca, Lalor and Rosemont. Hudbay will also pursue exploration in new prospective territories and may acquire properties that align with our strategic criteria. Additionally, we always seek to create value by managing costs at all of our operations while optimizing efficiency and safety.

To ensure that our acquisitions create value for shareholders, we evaluate opportunities by the following criteria:

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

Financial and Business Objectives for 2018

- Maintain our focus on generating free cash flow and increase net asset values.
- Advance in-house brownfield growth opportunities, including
 - Complete the Lalor paste plant and ramp up base metal ore throughput from Lalor to 4,500 tonnes per day.
 - Move toward mining of high-grade Pampacancha satellite deposit near Constancia.
 - Proceed with mining Lalor gold zone.
- Advance permitting and technical work at Rosemont.
- Test promising exploration targets near Constancia and Lalor, and at greenfield sites in Peru, Chile and Canada.

Business and Financial Review

Business Activities



In 2017, we stayed focused on costs at all of our operations, while delivering solid performance in terms of production, exceeding our guidance on copper and delivering zinc and precious metals production within guidance ranges. Aided by a favourable pricing environment, we generated positive free cash flow throughout the year. In both Manitoba and Peru, we signed three-year collective bargaining agreements, which contribute to a strong platform for growth over the next several years.

2017 Performance Highlights

- Company-wide, produced 159,192 tonnes of copper in concentrate, 135,156 tonnes of zinc in concentrate and 158,411 ounces of precious metals in concentrate
- Maintained cost discipline with a consolidated cash cost of \$0.84 per pound copper, compared to \$0.93 per pound in 2016, and an all-in sustaining cash cost of \$1.52 per pound

MANITOBA BUSINESS UNIT

- Progressed with efforts to ramp up ore production at Lalor; on track for an expanded 4,500 tonnes-per-day mine plan by the third quarter of 2018
- Employed Flin Flon concentrator to process Lalor production that exceeded the Stall concentrator's capacity
- Moved forward on plan to begin mining Lalor gold zone in 2018
- Introduced autonomous, long-haul-dump (LHD) vehicles to operations at Lalor
- Determined to keep Flin Flon processing assets on care and maintenance after anticipated Reed (2018) and 777 (2020) mine closures to maintain regional optionality
- Teams from Flin Flon and Snow Lake finished first and second, respectively, in the 2017 Manitoba Provincial Mine Rescue Competition

SOUTH AMERICAN BUSINESS UNIT

- Reported zero lost time accidents related to mine site operations at Constancia
- Undertook negotiations, completed in January 2018, to acquire three mining properties near our Constancia operations
- Initiated a project to automate controls that feed our Constancia grinding circuit, which will not impact jobs and will help to optimize production
- Proceeded with plans to mine high-grade Pampacancha satellite, commencing in 2018
- Achieved 100% of the objectives laid out in the 2017 Biodiversity Action Plan for Constancia

CORPORATE EXPLORATION

- Reported zero lost time accidents related to exploration carried out in northern Chile
- Expanded land tenure in Chile through new staking and option agreements
- Applied innovative techniques for exploration under covered areas at our project in northern Chile

Business and Financial Review

Financials



In 2017, Hudbay was again able to meet or exceed our guidance ranges for the year, on a consolidated basis, and we continued to generate free cash flow. Combined unit operating costs at Manitoba and Peru exceeded our 2017 guidance, primarily due to increased operating costs and lower than expected mill throughput. Buoyed by a favourable metals pricing environment, our revenue for the year was \$1,362.6 million, a 21% increase over 2016. We were able to achieve an all-in sustaining cash cost for copper produced, net of byproduct credits, of \$1.52 per pound*.

Consolidated Financial Statements

PDF 

Management's Discussion and Analysis

PDF 

* Operating cash flow per share and cash cost per pound of copper produced, net of byproduct credits, are non-IFRS financial performance measures with no standardized definition under IFRS. For further information and a detailed reconciliation, please see the discussion under "Non-IFRS Financial Performance Measures" beginning on page 39 of Hudbay's Management's Discussion and Analysis filed February 21, 2018.

CSR Approach



Our ability to grow our business and produce the metals and minerals today's society increasingly needs requires that we effectively manage a wide range of social, political and environmental risks and opportunities. Through the policies, systems and practices we have in place at every operation and project, we demonstrate our commitment to responsible, sustainable development.

90th

Celebrated the 90th anniversary of Hudbay's founding

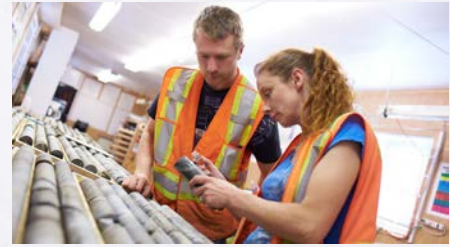


Recognized for leadership in creating a diverse and inclusive workplace at Canada's 2017 Employment Equity Achievement Awards

99%

of Hudbay and contractor security personnel trained in human rights policies and procedures

Reducing Human Rights Risks in the Supply Chain



As a member of the Mining Association of Canada (MAC) and a participant in its Towards Sustainable Mining (TSM) program, Hudbay aims to deliver positive outcomes in the host countries and communities where we operate.

In 2017, MAC strengthened TSM with the addition of a commitment that all MAC members contribute to the global efforts to respect the rights of workers and prevent forced or child labour. While Hudbay has vigorous controls in place to avoid such abuses, the two new components will increase accountability and transparency, supporting the broader goal to ensure responsible production and management of minerals and metals. Independent verifications will ensure that operations comply with this commitment.

This addition demonstrates the industry's dedication to continuous improvement, and it addresses requirements from organizations and companies, such as the Responsible Business Alliance and Apple, to verify that such labour practices do not exist in their supply chains.

Building Trust as We Grow Responsibly



An important part of Hudbay's strategy is to grow organically through a proven track record of exploration and mine development. During the downturn in metal prices, we acquired near-mine properties in Manitoba and Peru and greenfield properties in Chile and British Columbia.

At our exploration project in Chile, we engage with families and communities near the exploration camps to discuss their needs and their expectations of us and our activities. We have repaired roads, water wells and other community facilities, and we have hired local people for that work. Community members are invited to visit the camp at any time to observe our activities, ask questions or just use the camp's Wi-Fi. The end objective is to build a relationship and level of comfort with the community, so they feel well informed about our activities and comfortable approaching us with any questions or concerns.

As we enter new jurisdictions, our exploration personnel often establish the first contact with local communities, and these interactions can have long-term implications. During this stage of mine development, it is crucial that everyone who works directly for Hudbay or on our behalf demonstrates leadership in safety, ethical conduct, social responsibility and environmental stewardship.

CSR Approach

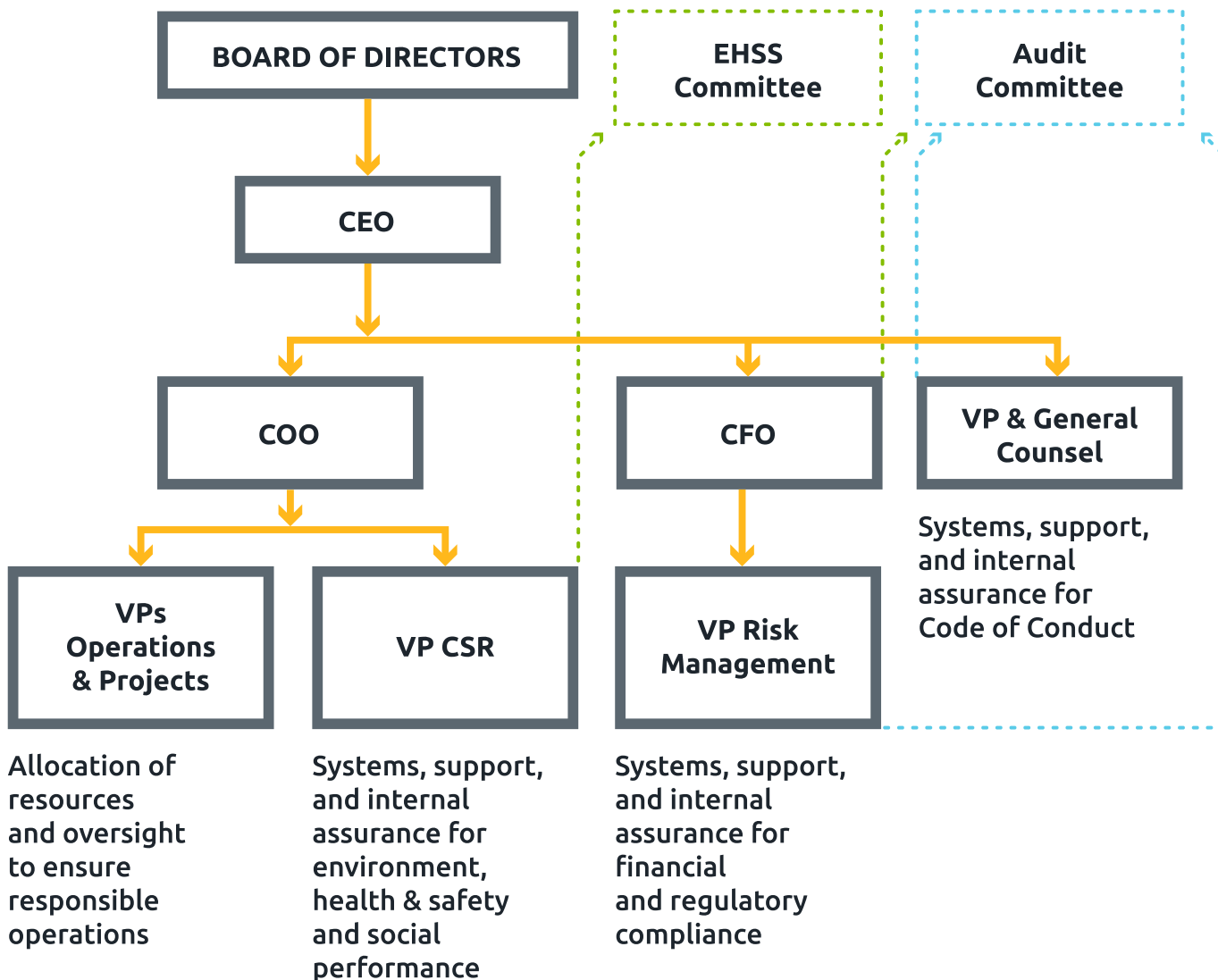
CSR Governance



Responsible corporate behaviour and strong governance increase accountability, minimize risk and build trust – all of which are integral to executing Hudbay’s business strategy, protecting our reputation with our stakeholders and earning the licence to grow.

Our Board of Directors has five committees to assist in the management of its duties. The Environmental, Health, Safety and Sustainability (EHSS) Committee provides oversight of the Company’s human rights, environmental, health and safety policies, programs and systems. The Committee meets quarterly to review the Company’s performance and management of key EHSS risks. It also tracks the effectiveness of Hudbay’s management systems through the external ISO 14001 and OHSAS 18001 certification and TSM performance assessment processes. Day-to-day oversight of Hudbay’s CSR program at each of our operations is the responsibility of management, supported by our Vice President, Corporate Social Responsibility.

CSR Management Framework



Hudbay's **Code of Business Conduct and Ethics**, **Human Rights Policy**, **Environmental Health and Safety Policy** and **Supplier Code of Conduct and Ethics** state our social, environmental and ethical commitments across our business, including our supply chain.

Corporate and site-specific management systems support decision-making and performance. Operating sites are required to maintain certification under the ISO 14001 (environmental) and OHSAS 18001 (health and safety) standards. New sites are expected to achieve certification within two years of the start of commercial operations or acquisition by Hudbay. Our Manitoba Business Unit maintained ISO 14001 and OHSAS 18001 throughout the year, and our Peru operation achieved certification in March 2017.

We use an integrated company-wide software system to track health, safety and environmental incidents, capture **stakeholder engagement** activities and commitments, and document corrective actions at all sites.

As a member of the Mining Association of Canada (MAC), Hudbay participates in the Towards Sustainable Mining (TSM) program. TSM is based on a set of guiding principles that are supported by protocols and indicators that aim to drive performance and ensure key risks are managed responsibly. These protocols and frameworks are incorporated into our overall management system and company standards. Although we are only required, as members, to implement the program at our Canadian operations, we are implementing the program at all of our operations. Our Constancia mine in Peru has implemented all six protocols, achieving or exceeding a level A ranking (and “yes” in crisis management and communications planning) for all indicators. In 2017, TSM added a **seventh protocol: Preventing Child and Forced Labour**. Verifications of our compliance with this new protocol will begin for 2018 performance assessments.

Results of our annual TSM assessment are available on the **MAC website**.

International Best Practice Standards

To inform our sustainability programs and improve our performance, we apply the following international best practice standards:

- ISO 14001 environmental management standard
- OHSAS 18001 health and safety management standard
- ISO 9001 quality management standard for the production and supply of cast zinc products
- **Towards Sustainable Mining** – the Mining Association of Canada’s (MAC) set of tools and indicators to drive performance and ensure key mining risks are managed responsibly. While TSM is a requirement for MAC members at their sites in Canada, Hudbay applies these standards internationally as well
- **Voluntary Principles on Security and Human Rights** – an operating framework that ensures security practices include respect for human rights
- **Global Reporting Initiative (GRI)** – the generally accepted framework for reporting on an organization’s economic, environmental and social performance
- **CDP** (formerly called the Carbon Disclosure Project) – thousands of organizations globally measure and disclose their greenhouse gas emissions, water use and climate change strategies through CDP and CDP Water
- **Extractive Industries Transparency Initiative (EITI)** – Hudbay is an official supporting company of the EITI. In Peru, we are a member of the Peruvian Mining Society, which is committed to the EITI process in Peru
- **IFC Performance Standards** – the International Finance Corporation (IFC), part of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Hudbay follows the IFC’s Performance Standards on Environmental and Social Sustainability at our Constancia site in Peru

Precautionary Approach

Over the life of a mine, Hudbay operates under the precautionary principle: the duty to prevent harm, when it is within our power to do so and when harm is scientifically plausible but uncertain. We use baseline environmental and social impact studies to evaluate how to avoid, mitigate or control potentially significant impacts; we implement appropriate monitoring and management systems; and we address the need for mine closure. In all cases, we make provisions for public consultation and input.

Industry Involvement

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

- Aboriginal Chamber of Commerce (Manitoba)
- AIME – Society of Mining Engineers
- Alliance of Construction Trades (Arizona)
- American Exploration and Mining Association
- Arizona Mining Association
- Arizona Small Business Association
- Arizona Tax Research Association
- Arizona Trail Association
- Asociación Vida Perú (a non-profit organization that donates medical equipment and medicines)
- Business for Social Responsibility (BSR) (a non-profit business network and consultancy dedicated to sustainability)
- Cámara de Comercio Canadá Perú
- Canadian Council for Aboriginal Business
- Canadian Institute of Mining, Metallurgy and Petroleum and relevant societies
- Several Arizona Chambers of Commerce – Benson San Pedro Valley, Greater Oro Valley, Greater Vail Area, Green Valley/Sahuarita, Marana, Nogales–Santa Cruz, Sierra Vista Area, Tucson Hispanic, Tucson Metro
- Confederación Nacional de Instituciones Empresariales Privadas, CONFIEP (National Confederation of Private Business Institutions in Peru)
- Cusco Chamber of Commerce

- Devonshire Initiative (a Canadian forum for leading international development NGOs and mining companies to engage on mining and community development issues)
- EITI – Extractive Industries Transparency Initiative
- Empresarios por la Educación (a Peruvian private sector organization to promote and develop educational projects)
- Flin Flon Chamber of Commerce
- Grupo de Diálogo, Minería y Desarrollo Sostenible (multi-stakeholder group promoting open and transparent dialogue on mining, environmental protection and sustainable development in Peru)
- Iniciativa para la Transparencia de las Industrias Extractivas en Perú, EITI-Perú (Extractive Industries Transparency Initiative)
- International Zinc Association
- Manitoba Employers Council
- Metropolitan Pima Alliance
- Mining Association of Canada
- Mining Association of Manitoba Inc.
- Mining Foundation of the Southwest (US)
- Mining Safety Round Table (a collaborative group of safety-committed mining companies that share experiences and identify best practices)
- National Mining Association (US)
- Saskatchewan Mining Association
- Snow Lake Chamber of Commerce
- Southeast Arizona Economic Development Group
- Southeastern Arizona Contractors Association
- Southern Arizona Business Coalition
- Southern Arizona Leadership Council

CSR Approach

Human Rights and Security



We recognize our duty to respect the rights of the people who work on our behalf and those who live in the communities near our operations. Our **Code of Business Conduct and Ethics** and **Human Rights Policy** state our support for the principles of the **Universal Declaration of Human Rights**, and they affirm our respect for human rights through our business conduct and management practices.

We respect the dignity of all people, along with their cultural traditions and values. Our fair labour practices include zero tolerance for **forced, compulsory and child labour**, and we work to prevent any violations within our sphere of influence.

To more closely align our human rights due diligence with the UN Guiding Principles on Business and Human Rights, we are developing guidance on integrating risk assessments and processes for managing human rights, social risk and security risks. At the operational level, these policies and guidance aim to link human rights risk management to our business success.

Any concerns about human rights issues within our business can be raised by contacting the Hudbay Board of Directors directly via our corporate website, through the third-party ethics hotline or via site grievance mechanisms.

In 2017, one human rights issue was raised or reported through our Board, hotline or site grievance mechanisms. At our Constancia operation in Peru, the treasurer of a rural community close to the mine reported a concern related to the treatment of the community's workforce by a member of Hudbay's Human Resources department. The Company conducted a fair, independent and impartial process to address the complaint and worked with all involved parties to resolve the matter.

Security Practices

Hudbay is committed to respecting the human rights of our neighbouring communities while providing a secure environment for our employees and contractors.

The operations, projects and exploration sites where we employ security personnel apply the **Voluntary Principles on Security and Human Rights** (the VPs), which provide a guide for maintaining safety and security within an operating framework that ensures respect for human rights and fundamental freedoms.

Our human rights risk assessments, management of private security and relationships with public security are guided by the VPs as well as the UN Guidelines on Business and Human Rights. As a member of the Mining Association of Canada (MAC), our implementation of the VPs will be reported on annually in MAC's TSM Progress Report.

At Constanca, we conduct ongoing, in-depth training for our security supervisors and contracted security staff, who are unarmed (except for government-mandated armed guards at the explosive storage area). Security personnel receive training based on the **UN Code of Conduct for Law Enforcement Officials** and the **UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials**. The VPs are also promoted with site security personnel and with the local national police and community security teams.

Approximately three times a year, we conduct audits of our security policies and practices in Peru against the VPs. The audit results are reported to site and executive leadership, including the Chief Executive Officer.

Security personnel work closely with Constanca's Community Relations team to facilitate open communications with the local people and mitigate potential issues. Their efforts helped to safely and peacefully resolve one minor confrontation involving our negotiations with Chumbivilcas.

Because periodic social unrest has affected certain mining projects in southern Peru, Hudbay participates in multi-stakeholder initiatives. We engage with national government officials, local authorities and community leaders to address local concerns and issues before they become larger conflicts. Throughout the year, our Constanca security superintendent meets with security managers from neighbouring mines. The security group, known as SEMSUR, discusses best practices, experiences and emerging issues. We have used these meetings as opportunities to explain our commitment to, and our experience with implementing, the VPs.

At our Rosemont project in Arizona, we have a security superintendent on site and procedures in place in preparation for entering the construction and operations phases. Through the Rosemont Safety and Security Work Group, we engage with local law enforcement and emergency response agencies on project developments, safety and security incidents, and how to coordinate efforts should an emergency arise. During 2017, the Rosemont team developed a crisis management manual and held workshops to define responsibilities and test the procedures.

Separately, we conducted a security review of our Manitoba facilities and corporate office.

Guatemala Civil Lawsuits

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

CSR Approach

Stakeholder Engagement



Engaging with our stakeholders in a transparent manner builds our understanding of concerns and opportunities, informs our decision-making and helps us continuously improve. We consider all individuals and groups who have an interest in, may be affected by, or believe they may be affected by our activities and business decisions to be a stakeholder. This includes our relationships with all levels of government.

Our Stakeholder Engagement Standard and the supporting guidance document detail the requirements and expectations for strengthening relationships and reducing risks, and our **Shareholder Engagement Policy** promotes open and sustained dialogue between our Board of Directors and shareholders.

We engage with our stakeholder groups in formal and informal settings, depending on the stakeholder and the topic or concern. We also participate in **industry associations and multi-stakeholder initiatives** that bring together the expertise of many organizations and individuals, so we can collectively work on issues and solutions.

2017 Engagement Activities and Topics

The following table lists key stakeholders and how we engaged with them in 2017:

Stakeholder group	How we engaged in 2017	Priorities and concerns
Shareholders, investors and analysts	<ul style="list-style-type: none"> • Conferences (14 events) • Investor meetings and conference calls (more than 450 events) • Annual Meeting of Shareholders • Investor perception survey 	<ul style="list-style-type: none"> • Upcoming Reed and 777 mine closures • Rosemont permitting

Stakeholder group	How we engaged in 2017	Priorities and concerns
Employees and contractors	<ul style="list-style-type: none"> • Quarterly CEO email messages • Senior management site visits • “Town hall” meetings • Orientation and training programs • Aboriginal cultural awareness workshops • One-on-one and small group manager/staff meetings • Video messages • Health and wellness committees and activities • Huidbay Intranet 	<ul style="list-style-type: none"> • <u>Health and safety</u> • Work processes • Business performance • Understanding of compensation and benefits • Opportunities for personal development • Environmental requirements • Training for policies, permits or other requirements
Unions	<ul style="list-style-type: none"> • Meetings with union leaders on outstanding issues • Formal grievance processes • Joint health and safety committees 	<ul style="list-style-type: none"> • Mobility • Seniority • Outstanding grievances
Local communities and Aboriginal/Native American/indigenous groups	<ul style="list-style-type: none"> • Community information and consultation meetings/dialogue tables • Community partnerships • Site tours and open houses • Site grievance/community response processes • Community relations offices • Cultural awareness workshops and other training 	<ul style="list-style-type: none"> • Development project updates • Community and area activities and investment • Safety and environmental concerns • Land use • Water use and quality • Local employment and procurement • Training programs for community members • Cultural protection, awareness and dissemination • Educating employees on intercultural competency, conflict resolution, human rights, and anti-racism
Customers	<ul style="list-style-type: none"> • Direct contact • Industry and business forums 	<ul style="list-style-type: none"> • Achieving agreed terms of delivery for products • Provision of information on product safety and product origin • Compliance with environmentally and socially responsible performance and risk management

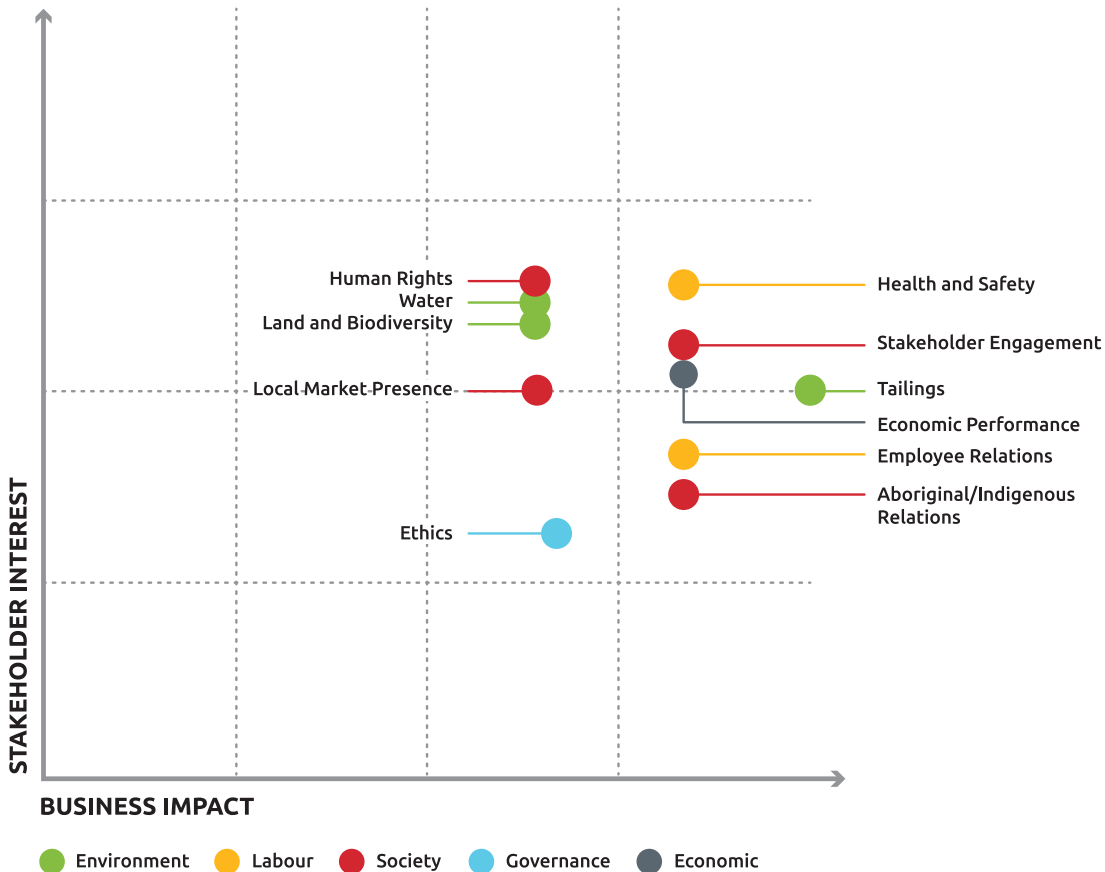
CSR Approach Materiality



In 2017, we carried out a review of our priorities in relation to what we are hearing from our key stakeholder groups. The conclusion was that there is no significant change to our current materiality model. The review evaluated the environment, health, safety and community (EHSC) issues that are most significant to Hudbay in terms of business impact and degree of stakeholder interest.

Materiality Matrix

During the 2014 materiality assessment, 11 priority issues were identified. Click on each issue in the diagram below to learn how we are managing it and how we performed in 2017.



This table indicates how our priority issues align with the Global Reporting Initiative (GRI) G4 aspects reported in our **GRI index**:

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

Boundaries

We conducted the materiality review on the initial boundary assumption of activities and facilities within Hudbay's management control (as described in the **Our Company** section of this report). Participants in the review process were then asked for cases in which boundary limits should be adjusted for specific aspects. Based on stakeholder expectations and business risk, the following exceptions were deemed appropriate:

- Safety statistics are tracked and reported for all contractor activities under Hudbay contracts and supervision;
- Environmental incidents related to transportation between Hudbay locations and local supplier activities are generally tracked, reviewed and reported by Hudbay;
- Grievances are accepted and investigated with respect to local contractors and security activities related to Hudbay, and are included in grievance numbers and characterization in this report; and
- Scope 2 greenhouse gas emissions are calculated and reported.

Exploration sites have special considerations in our reporting:

- Sites for which we do not maintain managerial control are excluded;
- Corporate exploration with managerial control over the site is included and reported individually; and
- Business unit exploration with managerial control over the site is included and embedded in the business unit numbers.

CSR Approach

Responsible Supply Chain



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

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

Suppliers are often viewed by stakeholders as an extension of our business. Any unethical, unlawful or irresponsible acts and behaviours by them can exert a high cost on Hudbay's reputation and ability to sustain and grow the business. Our internal audit process includes supplier due diligence, and to further address these risks, in 2017 we adopted a **Supplier Code of Conduct and Ethics**, which states the minimum standards of conduct expected by our suppliers. These include:

- Reading, accepting and complying with the Supplier Code of Conduct and all applicable policies;
- Complying with all applicable laws, rules and regulations;
- Conducting business honestly, ethically and in accordance with social codes;
- Complying with anti-corruption laws and informing Hudbay of any conflicts of interest;
- Protecting confidential information;
- Respecting human rights and observing Hudbay's Human Rights Policy;
- Establishing practices and procedures that protect the health and safety of workers and the environment;
- Accepting Hudbay's supplier due diligence process; and
- Reporting suspected violations of the Supplier Code of Conduct and applicable compliance policies by any supplier or Hudbay personnel.

Supply Chain Performance

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

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

In Peru, our top 50 suppliers accounted for 84% of our spending, and 95% of our spending was with suppliers based in Peru.

In Manitoba, our supplier base relates to production operations and capital projects. Our top 50 suppliers represented 58% of our spending in 2016, and 90.6% of spending was with suppliers in Canada. These suppliers provided goods and services such as engineering services, electricity, spare parts for equipment, underground haul trucks and other capital equipment.

Hudbay's top 10 suppliers in 2017, representing 38% of procured value, were (in alphabetical order):

Auramet International LLC	Manitoba Hydro
CN (CAD)	Moly-Cop Adesur S.A.
Corporacion Primax S.A.	Servosa Cargo S.A.C.
Enel Generacion Peru S.A.A.	Stracon GYM S.A.
Ferreyros Sociedad Anonima	Zamine Services Peru S.A.C.

Products

The two main products we produce are copper and zinc. Copper is essential for today's society. It is a vital component in electronics and electrical transmission. In health care, new applications for copper are being identified due to its ability to kill bacteria. Zinc is vital to the endurance of metals in manufacturing. Both metals are important to the renewable energy industry.

Our copper concentrate and zinc metal are produced at operations in Canada and Peru:

- Hudbay sold 58% of its copper concentrate to traders and smelters that delivered to customers in Asia (including India) and 42% to traders and smelters in the Americas and Europe. From there, several stages of smelting and refining the copper content ultimately result in 99.99% pure copper, the building block for many of life's essentials.
- We ship cast zinc metal produced at our Flin Flon zinc plant by rail and truck to industrial customers throughout North America (primarily to galvanizers who use it to protect steel from corrosion).

The safety data sheets (SDS) that accompany copper and zinc products provide details of their composition, toxicology, handling, storage and exposure issues. We further meet our product stewardship commitments by collaborating with governments and industry associations, including the International Zinc Association and the European Copper Institute, to guide our compliance with international requirements such as those provided by the International Maritime Organization (IMO).





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

CSR Approach

UN Sustainable Development Goals



Hudbay recognizes the opportunity the mining industry has to contribute to the UN Sustainable Development Goals (SDGs). There are a number of SDGs for which we consider the industry a natural fit for taking on a leadership role (for example, SDG 8: Decent work and economic growth), and others where – in aligning with the priorities of our local communities – we feel our company can play a supporting role alongside government. Taking this into consideration, the following table outlines the most relevant SDGs to our business and where the topics are discussed in this report.

Sustainable Development Goals	Link to topic
 	<p><u>Business and Financial Review</u></p> <p><u>Our People</u></p> <p><u>Social Impact > Our Approach</u></p> <ul style="list-style-type: none"> • Local Hiring and Procurement
	<p><u>Social Impact > Peru</u></p> <ul style="list-style-type: none"> • Strengthening and Diversifying Local Communities
	<p><u>CSR Approach > CSR Governance</u></p> <ul style="list-style-type: none"> • International Best Practice Standards • Industry Involvement



Our People > Our Approach

- Employment Equity Achievement Award

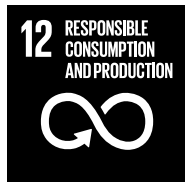
Key Performance Data Table (Employees)

- Workforce Diversity



Environment > Our Approach

- Water



Responsible Supply Chain

- Supply Chain Performance
- Products



Environment

- Working Toward No Net Loss of Biodiversity

Environment > Our Approach

- Land and Biodiversity
- Closure and Reclamation

Environment > Manitoba

- Protecting Species

Environment > Peru

- Planning for No Net Loss of Biodiversity

Key Performance Data Table (Environment)

- Land Use
- Sites Requiring Biodiversity Management Plans
- Habitats Protected or Restored
- IUCN Red List Species



CSR Approach > Human Rights and Security

- Security Practices



Our People

- Effective Systems and Strong Culture Translate to Excellent Performance

Our People > Our Approach

- Health and Safety
-



Environment

- Total Greenhouse Gas Emissions Chart

Environment > Our Approach

- Energy Use and Greenhouse Gas
-

Recognizing that the SDGs represent national-level governmental commitments, we will continue to work to design our activities with relevant goals and to help connect national processes to local needs as represented in SDG 17.

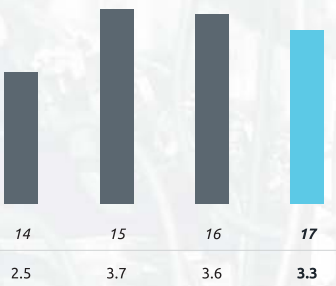
Our People



By working safely, ethically and responsibly, the people who work for Hudbay have been instrumental in creating opportunities and positioning the Company for growth.

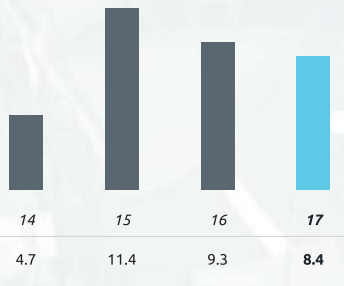
Total Recordable Injury Frequency

(lost time accidents per 200,000 hours worked)



Total Recordable Injury Severity

(days lost per 200,000 hours worked)



11%

Aboriginal employment in Manitoba

59.4%

of full-time employees represented by trade unions

18.2%

overall female employment

Effective Systems and Strong Culture Translate to Excellent Performance



From the very beginning, throughout its construction and since entering commercial production in 2015, our Constancia operation has believed that “Producción Segura y Responsable” (safe and responsible production) is more than just a saying – it is the way we work.

In 2017, Hudbay Peru recorded one lost time accident, with injury frequency and severity rates well below its target for the year.

Contributing to the site’s excellent safety performance is a comprehensive occupational health and safety program that focuses on five objectives:

- **Prevent fatalities** by identifying the critical tasks and controls that must be in place before a task is completed, and by conducting the Visible Felt Leadership program with directors, managers and superintendents.
- **Comply with legal and regulatory requirements** through monthly inspections and audits, monthly meetings with leaders to monitor compliance, and daily communications with work teams.
- **Prevent occupational diseases** by reducing hazardous exposures and managing other workplace health risks.
- **Manage contractor health and safety** by implementing our Occupational Health and Safety Management Manual for Contractors and ensuring compliance with the manual’s requirements through field monitoring, validations and monthly meetings with contractor managers.
- **Implement action plans** to correct any non-conformances with our fatality prevention programs or our occupational health and safety management system.

To further strengthen a culture of safety, the site holds “Formando Cultura” (creating culture) meetings with employees and contractors on the first and last Saturday of each month.

Working Together to Build a Successful Future



In 2017, Hudbay reached agreements on three-year contracts with six unions representing 78% of employees in Manitoba, and with the one union representing 36% of employees in Peru.

In Manitoba, all seven agreements were reached without labour action – a welcome outcome for all parties involved in the negotiations. With Reed closing in 2018 and 777 set to close in 2020, management and union representatives worked together to discuss challenges and find solutions, such as reducing the number of contractors to increase opportunities for employees affected by the mine closures. In addition, we strengthened our resolve to address outstanding grievances, reducing two years of binding arbitration down to one.

“I want to thank the union leaders for their good-faith negotiations, and for sharing Hudbay’s long-term view and a commitment to our future success,” said President and Chief Executive Officer Alan Hair. “These agreements provide stability for the Company, and they will ultimately benefit hundreds of our hard-working employees.”

At Constancia, we reached an agreement with the Unified Workers Union of Constancia Hudbay (SUTRAMICOH). This was our second collective agreement, but it was especially notable because three-year terms in Peru are unusual. The respectful, collaborative negotiation reflected a shared commitment to Hudbay’s values and a desire to build a more productive, positive relationship between the Company and the union.

Our People

Our Approach



Hudbay's employees are the key to our success. Through their experience, energy and dedication, and their embodiment of our values, they enable us to grow and develop our business. Our commitment to the people who work on our behalf is to provide a safe, healthy work environment and the opportunity for each employee to thrive as a member of our team.

Health and Safety

We make it a priority to always protect the health and safety of our employees and contractors, and the people who live near our operations.

Building a culture dedicated to zero harm begins with ensuring everyone who works at our sites has the necessary knowledge, skills and equipment needed to work safely, and having leaders who empower their teams and encourage them to speak up.

Our Environmental Health and Safety Policy states we will manage risks in a manner that provides a safe, healthy workplace. Within two years of reaching commercial production, all operations are required to be certified to OHSAS 18001, an internationally accepted standard for occupational health and safety management systems. We apply the Towards Sustainable Mining (TSM) Safety and Health assessment protocol of the Mining Association of Canada, which we also use to assess and measure our performance. Regular monitoring, self-assessments and tri-annual third-party audits ensure operations remain in compliance with these standards and protocols throughout the life of the operation.

Our safety programs provide specifically structured training for the activities undertaken, whether at an operation, exploration site, office location, or for visitors to the mine site. Emergency response teams receive specialized training that prepares them to mobilize quickly during an event at a mine site.

While no workplace fatalities have occurred at any of our operations, projects or exploration sites in recent years, our focus on fatality prevention remains steadfast. Through critical risk and critical control (CRCC) management plans, our operations identify top fatality risks and the key controls for managing them.

We record, investigate and analyze incidents and conformance to our standards using an integrated software system. Significant incidents, based on criteria set by the Board, are reported to our Board quarterly. Incidents that could have resulted in a fatality are identified in our systems and require more in-depth investigations and corrective actions.

Our efforts to continuously improve our safety and health performance are supported by: the Visible Felt Leadership program, where leaders engage with employees and take accountability for their teams' safety; our high-potential incident investigation process; and our occupational health programs, which monitor exposures to health risks such as hearing loss and illnesses caused by airborne agents. As an active member of the Mining Safety Round Table, we engage with other mining companies to share lessons learned and best practices, with the aim of raising the safety performance of the entire industry.

Employee Relations

We are dedicated to making Hudbay an employer of choice.

Our Code of Conduct states our commitment to fostering a work environment that treats all individuals with dignity and respect and one that does not discriminate or tolerate harassment or violence. We are an equal opportunity employer, and we offer competitive pay and benefits at all our operating sites and locations. With more than three-quarters of our workforce (approximately 1,300 employees) represented by a union, we work to constructively engage with the eight unions that represent our employees, and to partner with them on solutions that create mutual benefit.

Fostering a diverse, inclusive workplace is another important and growing focus. Our mine sites aim to hire a workforce that mirrors the community in which they operate, and we are committed to increasing opportunities for women. We support the Catalyst Accord 2022 and the 30% Club, both of which call for the advancement of women in business. Female representation on our Board of Directors has achieved the 30% or higher target, and we are working to increase the percentage of women in management. In 2017, Hudbay received the Government of Canada's 2017 Employment Equity Achievement Award in recognition of our efforts to achieve employment equity in the workplace.

We use numerous channels and tools to engage employees and keep them informed about important business matters. These include town hall meetings, internal emails from senior leaders, and an internal intranet with employee-focused news and updates.

With a large number of employees eligible for retirement, especially in our Manitoba Business Unit, our retirement readiness programs provide information and tools that prepare employees for success once they leave the workforce.

Organizational Development

At the beginning of the year, we launched a company-wide strategic approach to **develop clear, effective organizational systems and structures** that will support our successful growth. This comprehensive system, which forms the foundation of our OneHudbay culture, will support our talent development efforts by aligning people with the roles that best suit their abilities, talents and interests. In addition, the project will better measure our effectiveness and define accountabilities so that everyone can contribute to growing and developing the business.

During the year, we made progress on some important components of this approach. We completed organizational design work and talent reviews at the corporate office and at the Manitoba and Peru business units. We developed a more comprehensive process for talent development and succession planning. Other elements include a revised performance management and measurement system and a managerial coaching program.

In addition to hiring a Vice President of Organizational Effectiveness to advance the project, we hired a Vice President of Exploration and a Vice President of Technical Services to support the growth strategy, optimize our portfolio and develop our project pipeline.

Our People Manitoba



Our Manitoba Business Unit employs nearly 80% of our total employee population. With the Reed mine closing in 2018, the 777 operation nearing the end of its mine life and the Lalor mine ramping up production, the workforce numbers continued to adjust to the business unit's changing production profile. At year-end, Reed and 777 employed 344 people, and Lalor employed 277, up 5% and 12%, respectively, compared to 2016, reflecting the shift taking place at our operations.

To better match our workforce to the diversity of the region, in 2017 we adjusted our hiring practices to increase opportunities for Aboriginal people and for women. 14% of our employees in Manitoba identify as Aboriginal and 15% are women.

Working Together on Solutions

At the end of 2017, we marked the 90th anniversary of Hudbay's founding. Meanwhile, we faced uncertainties as the Reed and 777 mines approach closure. To keep everyone informed about changes in the organization, we developed a video series featuring updates from business unit leader André Lauzon, who was joined by other company leaders at points, including CEO Alan Hair. The videos were followed by a live presentation from site leaders, and an opportunity that enabled employees to ask questions and contribute to solutions.

The videos, which were shown at the beginning of each shift, articulated the strategic plan, and the changes needed to keep the Flin Flon zinc plant open and prevent hundreds of job losses. Each video discussed progress against the three pillars of the plan – increase ore output at Lalor, expand processing at Lalor's Stall mill, and reduce operating costs from the zinc plant and powerhouse. The consistent, transparent messaging and the opportunities for feedback and input about the plan were key to achieving employee support and reaching new **workforce agreements with the seven unions** that represent Hudbay employees in Manitoba. Additional videos and face-to-face sessions are planned as we explore all options to sustain our presence in Flin Flon.

Strengthening the Safety Culture

Outreach to employees is always an opportunity to reinforce the importance of working together to create a strong safety culture.

During the year, we focused on driving further improvements in safety performance. We took an honest look at our enforcement of safety procedures and rules, and we found instances where we could be much more consistent. For example, we have a requirement that workers be clean shaven to ensure equipment, such as respirators, works properly, but this was not being enforced consistently. We launched an initiative to help supervisors become more comfortable communicating and enforcing the rules with their teams, and to do so in a manner that treats everyone with respect.

Other activities during the year included a new contractor safety management program to ensure effective controls, processes and systems are in place and are implemented throughout the lifecycle of the contractor. Our annual training program transitioned to an online format, with an in-depth course for contractors and employees and a separate abbreviated course for visitors. We also launched an initiative around proper risk assessments and stopping work and implementing safer procedures when issues are identified.

Our updated drug and alcohol policy now includes testing for reasonable cause post-incident, if necessary, and during the year we rolled out the revised policy across the business unit.

Preparing for Changes

A key pillar of the strategic plan to potentially extend the life of the zinc plant is streamlining the organization to support a lower cost structure. Because the mine closures will inevitably result in a smaller workforce, we commenced an initiative to identify opportunities to place those affected by eliminating most contractors by the time 777 closes in 2020.

With the Reed mine as the first to close, we worked with affected employees to identify options at both the 777 and Lalor operations.

We stepped up our recruiting and training efforts to address the growing number of employees eligible for retirement, to ensure that we have the right people with the right skills in place as we execute our strategic plan for the region.



At the 2017 Manitoba Provincial Mine Rescue Competition, Hudbay's Flin Flon team won the competition, and Snow Lake finished second. The mine rescue competition tested five teams on a variety of mental and physical emergency and rescue skills. Participants took a written test and were evaluated on emergency response plans and the competencies of response personnel.

Our People Peru



The Constanica mine is located in a remote part of southern Peru. Because many of the operating and support personnel live some distance away, most of them work eight- or 14-day shifts, staying at the Company's Constanica accommodation camp during their rotation. The camp amenities include a dining hall, a medical centre and recreational facilities. The Peru Business Unit also includes staff at our Lima office.

At the end of 2017, the Peru Business Unit had 748 employees, including 444 term employees (defined as those with contracts that end on a specific date). Of our full-time employees, 100% are from Peru, 82 employees are from the local communities and 16% are women. Nearly all (430) of the term employees are from the local communities.

Promoting Safety and Health

Our Peru Business Unit's **safety performance in 2017 was very strong**, with no lost time accidents (LTA) at the Constanica mine site and only one in the Lima office. The one recorded event at the office served as a crucial reminder of the potential safety hazards that exist in all environments.

Safety campaigns – including Stop, Think and Act Safe, Eyes and Minds on Task, and How Do You Drive? – were launched to emphasize the importance of staying alert and concentrating on the task at hand to reduce and eliminate injuries. In July, the site inaugurated a new medical clinic that delivers triage, first aid, pharmacy and other medical services to those working at the mine.

Employees and contractors completed more than 36,000 hours of health and safety induction training and nearly 112,700 hours toward the annual occupational health and safety training requirement. We conducted more than 9,600 medical examinations to ensure that personnel were fit for duty.

Sharing a Vision for the Future

After a group of employees at Constanica formed a labour union, we signed an initial one-year collective agreement with the union in early 2017. In the second half of 2017, we began a collaborative negotiation process with the union, which resulted in **a three-year collective bargaining agreement** that covers approximately 270 employees.

Somos Hudbay

In mid-2017, the team in Peru launched *Somos Hudbay* (“We Are Hudbay”), an internal magazine featuring the latest achievements, information and progress in our Peru Business Unit. Each edition publishes interviews with site leadership and employees, updates about new services and benefits, highlights from company events and photos of community activities.

We engaged with employees and provided updates on the business at town halls. During 2017, we held a meeting with them after every earnings report. In addition to discussing the update from the business unit’s perspective, the town halls served as an opportunity to communicate near-term priorities and emphasize company values, such as the importance of conducting work in a safe, responsible manner.

Our People Arizona



At the end of 2017, we had 35 employees in our Arizona Business Unit, and we re-established the core team for project delivery after receiving the **Record of Decision from the US Forest Service**. With the final permit to commence construction still outstanding, our Arizona Human Resources team focused on employee retention and engagement programs, including community fundraisers and wellness events such as fitness walks.

When construction begins, we plan to hire as many workers as possible from within the local communities, and we will engage with the local business community about our efforts. According to an economic study conducted by Arizona State University, in addition to the approximately 400 direct jobs during operations, Rosemont will stimulate another 1,700 indirect jobs, resulting in total personal income generation of \$3.3 billion over the life of the mine.

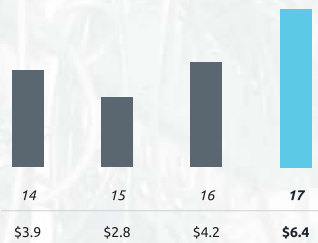
No lost time accidents occurred during 2017, although a wildfire that swept through the site in April brought increased attention to the site's exposure to wildfire risks. Afterwards, we developed a wildfire protection and prevention guidance document, which requires biannual audits of the property, structures and utilities to ensure survivable space around those structures, and includes an assessment by the local fire department. During the year, we discussed site design and planning with the US Mine Safety and Health Administration (MSHA).

Social Impact



For 90 years, Hudbay has worked toward the goal of translating responsible mining into positively impacting people’s lives, local communities and broader regional economies. Our experience in building strong relationships and making a valuable contribution wherever we do business guides us as we expand our presence in the Americas.

Community Investments and Charitable Donations (\$ millions)



\$221.5

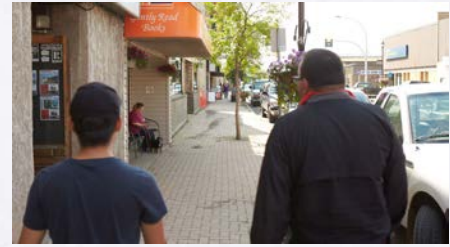
million paid in employee wages and benefits

51%

increase in community investments

20 public hearings, 450 public comment days and 43,000 comments to date included in the permitting process for the proposed Rosemont mine

Addressing the Economic and Social Impact of Mine Closures



Hudbay was founded in 1927 when mining began on the Flin Flon ore body. Since then, Hudbay has been the primary industry for what are now the communities of Flin Flon and Creighton, with the current operations – Reed and 777 – producing on average 25,000 tonnes of copper and 51,000 tonnes of zinc annually.

With Reed closing in 2018 and 777 by 2020, we are consulting with the local communities to help them prosper afterwards. We intend to conduct the closures in a way that protects the environment, and preserves opportunities to use the mineral processing infrastructure for possible future mines.

As we explore all options to maximize our existing assets in Flin Flon – including processing ore from Lalor at the Flin Flon Concentrator as Lalor ramps up production – we are supporting efforts to diversify the local economies. In 2016, we engaged a community-planning expert who held workshops in 2016 and 2017 with the communities to identify opportunities for jobs and sustained economic growth. We are working closely with the mayors and municipal administrators of Flin Flon, Creighton and Denare Beach to assist with the social and economic transition and encourage economic diversification.

Engaging Stakeholders on Mine Expansion



The Pampacancha satellite deposit near our Constancia mine in Peru was identified in May 2008, with exploratory drilling started later that year. Negotiations with the Chilloroya community to secure surface rights over the deposit started in 2017.

We worked to take a constructive and collaborative approach, and we were able to receive permission to access the land and conduct early-works activities. Negotiations were ongoing as of early 2018. However, we have been encouraged with the progress so far, and we are confident that by working together with the communities, we will reach an agreement that supports the goals and objectives of both the community and Hudbay.

Social Impact

Our Approach



Along with providing the minerals and metals that are essential to everyday life, we work to build meaningful relationships with communities and other stakeholders and to maximize our positive impact on local development.

Economic Contributions

We contribute to the regions and communities where we operate through the jobs we provide, the goods and services we procure from local businesses, and the taxes and royalties we pay to governments. In some communities, we make contributions related to land use and other co-operation agreements, and we invest in training, infrastructure and the development of sustainable economies and livelihoods.

Our **Code of Business Conduct and Ethics** and **Statement on Anti-corruption** require that all payments to governments comply with the laws of the jurisdictions in which we operate, including the *Corruption of Foreign Public Officials Act* in Canada and the *Foreign Corrupt Practices Act* in the US. We support the **Extractive Industries Transparency Initiative (EITI)**, a global standard that enhances revenue transparency and accountability in the extractive sector. As a member of the Peruvian Mining Society, we support the EITI process in Peru, where the government has implemented significant aspects of the EITI requirements and is fulfilling the broader objectives.

In 2015, the Canadian government enacted the *Extractive Sector Transparency Measures Act* (ESTMA), which aims to increase revenue transparency and deter corruption in the resource exploration and extractive sector. In accordance with the Act, in May 2017 we filed our first ESTMA report, which details our **government payments for the 2016 fiscal year**.

Community Relations

By proactively understanding and responding to community members' views, we strive to build relationships based on trust so that together we can grow and thrive.

We invest in programs, infrastructure and socio-economic development initiatives that build resiliency and advance sustainable livelihoods. This helps communities avoid dependency on the mine during operations and after closure.

Our Stakeholder Engagement Standard details the processes and requirements for strengthening relationships throughout the life of the mine. Each exploration site, development project and operation must identify relevant stakeholders, conduct an analysis, and create a stakeholder engagement plan that establishes mutually acceptable processes with key stakeholders. Through our community response mechanisms, which are accessible to all local stakeholders, we record complaints and grievances, investigate such matters, and endeavour to provide timely resolutions and remedies, as appropriate.

Our integrated software system supports recording and monitoring engagement activities, stakeholder commitments, community investments and action plans.

Indigenous Engagement

We work to respect the cultures and heritage of all communities near our locations of operation, and to ensure we recognize the special rights and circumstances of indigenous peoples.

We engage as appropriate on cultural resource mitigation measures, such as archaeological monitoring plans and cultural resource preservation plans, to identify and protect any cultural artifacts found. We conduct cultural heritage and awareness training for employees, contractors and community members.

As a member of the Mining Association of Canada (MAC), we apply the Towards Sustainable Mining (TSM) Aboriginal and Community Outreach assessment protocol, which we use to assess and measure our performance. The protocol seeks to ensure we engage communities of interest, including Aboriginal groups, in meaningful dialogue and decision-making.

Local Hiring and Procurement

Local employment and sourcing are often identified as a high priority for stakeholders, and they benefit the Company as well. Jobs and opportunities for local businesses generate significant economic benefits and create stronger relationships with the communities near our operations.

Our Local Procurement and Employment (LP&E) Standard requires each site to identify opportunities for local hiring and sourcing of goods and services. LP&E provisions are included in community agreements that are developed in collaboration with local representatives. Ongoing engagement ensures these opportunities align with stakeholder expectations.

Building the local talent pool also involves skills development programs conducted by Hudbay and through partnerships with universities, technical institutes and other organizations. We support programs that help diversify the local economy via training and capacity development for other livelihoods that are suitable for the community.

Community Development

Our goal is to serve as a catalyst for sustainable social and economic development in the communities near our operations.

We support programs and invest in infrastructure and development initiatives that build capacity and ensure sustainable livelihoods, improve the quality of the natural environment, and contribute to social cohesion and community spirit.

Understanding the social and economic priorities of each community begins as soon as we enter a region. As well as local employment and business opportunities with the mine, we support and collaborate with the communities on community development initiatives. In some jurisdictions, we have formal community agreements that detail our commitments. For example, in Peru the land use agreements with the Uchucarco and Chilloroya communities state our commitment to invest in health, education and social development. Multi-sectorial committees, which include Hudbay and local representatives, approve and oversee the carrying out of the projects specified in the agreements. Most of these initiatives include engagement with higher levels of government and other partners to make them more sustainable.

Our Community Giving and Investment Standard outlines the required process for voluntary support, contributions and investments in local communities. It emphasizes community involvement, mutual benefit, partnerships, sustainability and capacity development.

Resettlement and Land Use

Whenever possible, we seek to avoid resettlement. Due to the nature of locations where ore bodies are found, when resettlement is unavoidable we follow a process that adheres to international standards, including IFC Performance Standard 5. This ensures that affected people are engaged, adverse impacts are minimized, and the livelihoods and living conditions of those displaced are improved or restored.

When resettlement of 36 families was required at our Constancia mine in Peru, we acquired resettlement land that supported their ranching livelihood, built reservoirs and other critical public infrastructure and offered improved housing. Final agreements were negotiated directly with each household to ensure we followed a fair and transparent process.

Social Impact Manitoba



In Manitoba, the Reed mine is scheduled for closure in 2018, the 777 mine is approaching the end of its mine life, and the Lalor mine near Snow Lake is expanding. Planning for both growth and closure requires extensive engagement with the communities and other stakeholders affected by our activities.

Engaging on Closure

In April, we provided greater clarity about the expected closure date of the 777 mine, confirming that operations would continue through late 2020. To support the Flin Flon/Creighton region of northern Manitoba and Saskatchewan, we discussed closure plan options with the communities and **are supporting their efforts to identify economic diversification opportunities.**

Working Together on Growth

With growth in our Manitoba region shifting to the Lalor mine and exploration activities near Snow Lake, we continued to consult actively with community stakeholders. During the year, we began trucking ore from Snow Lake to Flin Flon. Discussion topics included road maintenance and other potential impacts, such as environmental spills and accidents, from the increased road traffic. We met with the mayor and town council on numerous occasions to review other key topics, including the annual grant in lieu (GIL) of taxes, and financing opportunities for critical infrastructure upgrades.

The added mining activity has brought a welcome economic boost to the Snow Lake area. At the same time, community members have expressed concerns over how the growing operation will impact town amenities and infrastructure. One issue discussed with community members is the plan for the camp, given the increased production at Lalor and their concerns about parts of the camp transitioning from a temporary to a more permanent status.

A notable community project during 2017 was restructuring the rental requirements for an apartment complex owned by Hudbay, to make it more affordable for seniors and enable it to serve as a retirement complex well into the future.

Aboriginal Relations

Our operations in Manitoba are located near the Opaskwayak Cree Nation, Mosakahiken Cree Nation and Mathias Colomb Cree Nation Aboriginal communities in Manitoba, and the Pelican Narrows, Deschambault Lake and Sandy Lake communities from the Peter Ballantyne Cree Nation in Saskatchewan.

Hudbay Manitoba's Aboriginal Liaison Officer (ALO) works to build mutual understanding and positive relationships between Hudbay and the First Nations communities. The ALO helps bridge cultural gaps through meetings and job fairs, support for indigenous community activities, mine tours and events; cultural awareness training for employees; and conflict resolution. All Manitoba operations have stakeholder engagement plans, and the ALO ensures that those plans are carried out. During the year, we expanded our approach through the development of a new Aboriginal engagement strategy that applies to all exploration projects in the region.

Along with providing employment opportunities, we work to support Aboriginal businesses. We hosted a series of economic development workshops with First Nations communities that explained our procurement procedures and available opportunities, and advised them on how to participate in the bidding process. In 2017, payments to suppliers in northern Manitoba and northwest Saskatchewan totalled over \$42 million, of which approximately \$840,000 was awarded to Aboriginal businesses.

We held and participated in a number of events throughout the year to continue building cultural awareness and mutual understanding. On National Indigenous Peoples Day, employee volunteers provided support for the Flin Flon Aboriginal Friendship Centre celebration. Some employees expanded their knowledge about seeking *mino-pimatisiwin* – an Aboriginal approach to wellness – by participating in a sweatlodge ceremony. The participation in these and other cultural events addresses Call to Action No. 92 under the Truth and Reconciliation Commission's call for businesses to play a role in reconciliation.

For the fourth year in a row, we completed the questionnaire for the Canadian Council of Aboriginal Business's (CCAB) Progressive Aboriginal Relations (PAR) program and maintained our bronze certification level. The PAR program verifies and benchmarks corporate performance in Aboriginal relations in Canada in four key areas: employment, business development, community investment and community engagement.

Hudbay is an ongoing supporter of Indspire, an indigenous-led charitable organization that invests in education for indigenous people. Our annual contribution to Indspire has provided scholarships to 14 indigenous students from Ontario and Manitoba. At the 2017 Indspire Awards, which celebrate the achievements of indigenous Canadians, Jerry Asp was recognized for his success in business and commerce. He is a former Chief in the Tahltan Nation in British Columbia and a co-founder of Global Indigenous Trust, an organization that empowers and transforms Aboriginal communities. Hudbay has been a long-time supporter of the Trust.

2017 Performance

We invested \$287,500 to support a wide range of community programs. Major contributions (above \$10,000) during the year included:

- \$25,000 toward university and college scholarships for Aboriginal youth in northern Manitoba
- \$105,000 toward the Flin Flon and District Assessment and Referral Service, which provides employment counselling services
- \$23,000 to the Flin Flon Junior Bombers, the town's junior ice hockey team

There were a total of 107 complaints registered in 2017, of which 101 were union labour grievances. Labour grievances related to collective agreements are managed through separate processes from community grievances. Starting with our 2017 report, we are including these grievances in our reporting.

Social Impact Peru



At our Constanca operation in Peru, our commitment to transparency, open communications, ongoing and frequent engagement, and addressing concerns in a timely, respectful manner has resulted in strong relationships with local stakeholders – including peasant communities – and it has helped us grow our business through **new land agreements**.

We have offices open to the public in the two communities in our direct area of influence, and we conduct frequent engagement with the communities and authorities along the 449-kilometre concentrate transportation route between the mine and the port.

Strengthening and Diversifying Local Communities

During the year, we signed two significant community investment agreements. At Chamaca, a district in the Chumbivilcas region, we will invest more than \$1 million in sustainable development projects that range from forestation to livestock and dairy production. The agreement establishes a development committee to monitor and evaluate the investments and oversee project funding.

We partnered with the Regional Education Directorate of Cusco (DREC) and Northern College in Timmins, Ontario, to conduct an analysis to establish educational priorities, which will inform a proposal for presentation to the International Cooperation Agencies in Canada.

As part of ongoing efforts to support economic diversification, we joined the mayor of Chamaca for the inauguration of the community's first liquid nitrogen plant. The facility will strengthen the livelihoods of agrarian producers in Chamaca and the surrounding areas by increasing their meat and dairy production.

We support the Global Indigenous Trust – an organization based in Toronto – and its efforts to build cross-country relationships such as learning exchanges between indigenous leaders in Canada and Peru. During the year, we continued to work with the Trust on its programs in Chumbivilcas, near Constanca.

2017 Performance

Our total payments to local suppliers were \$16.7 million, and we invested more than \$5.9 million to support a wide range of community programs. Major contributions during the year included:

- In response to the catastrophic flooding that hit Peru during the 2017 rainy season, killing 100 people and causing more than \$3 billion in damage, we donated \$200,000, delivered two tonnes of humanitarian aid, and together with other sector companies delivered 30,000 rations of donated food.
- Together with the Provincial Municipality of Chumbivilcas, we delivered 120 tons of medical equipment, supplies and medicine to 35 health care facilities around the province. This delivery was part of a larger program that supports construction of new hospitals and health care facilities.
- We committed more than \$135,000 and delivered 80 female alpacas to the Municipal District of Condorama.
- We partnered with Wheaton Precious Metals to develop a \$1.7 million project to improve the quality of local milk production. Launched in August 2017, the project aims to enhance income-generation opportunities for four communities.
- To expand the agricultural boundaries in the districts of Vellille and Chamaca, we donated tractors.
- We also executed several community development projects in Livitaca, including the construction of track and trails in the district capital and a sanitation project in the community of Huaylla Huaylla.

There were four complaints registered in 2017. While no serious community incidents occurred during the year, due to complaints from Chilloroya community members, we suspended mining at the Cerro Negro quarry and used instead the Tajo 2 quarry located near the Constancia pit. In December, community members from the Coporaque District protested against Hudbay, expressing concerns about when projects outlined in the agreement between the community and the Company would be delivered. Representatives from Hudbay and the community met on the day of the protest, and the Company provided an update on the implementation of the projects. In the Chamaca District, Hudbay and the community have had an overarching agreement related to community investments, jobs and other commitments since 2013, and in May 2017, we entered into a supplemental agreement related to specific public investment projects in the district worth up to nearly \$1.1 million. Some members of the community claimed that the district had not received the investments. In response and as part of our commitment to good-faith negotiations, we established a round table to negotiate another specific agreement, which is chaired by representatives from Peru's Ministry of Energy and Mines (MINEM) and includes members of the community and the Company. As of the publication of this report, negotiations were ongoing.

Social Impact Arizona



Our Rosemont copper project's relatively close proximity to Tucson, Arizona, provides a number of benefits – including access to a large pool of skilled workers, leading universities and research institutions – as well as challenges, such as numerous stakeholder groups with diverse, and at times conflicting, interests. Our goal is to ensure all viewpoints are heard and understood, and that our decision-making process is fair and in the best interest of as many stakeholders as possible. Once developed, the Rosemont project is expected to be the third-largest copper producer in the US, contributing significantly to the local economy through hundreds of jobs, tax payments and support for community programs.

Reaching an Important Milestone

For more than 10 years, federal, state and local officials and several stakeholders have been involved in Rosemont's planning and permitting process. After more than 1,000 studies, 16 days of public hearings and 245 days of public comment for the US Forest Service process alone, in 2017 the Forest Service issued the Final Record of Decision (ROD) for Rosemont. With receipt of the final ROD, we are one milestone closer to developing the project, with just one federal permit outstanding – the Section 404 Permit from the US Army Corps of Engineers (USACE). We continue to engage with the USACE to address any concerns and questions about our plans to build a state-of-the-art mine.

Preparing for the Construction Phase

At Rosemont, we have a community relations plan in place that guides our efforts to build constructive relationships by communicating with stakeholders in a timely, accurate and consistent manner.

In addition to engaging with relevant agencies about the permitting process, during the year we continued to meet with elected officials and attend community events. We also updated our procurement website so we could pre-qualify local suppliers before the construction phase begins.

The Native American tribes nearest to the planned operation – including the Tohono O’odham, Pascua Yaqui, Hopi and various Apache tribes – are another key group. Through recognition of their rights within the regulatory frameworks, the Forest Service led consultation starting in 2005, meeting with the tribes, developing a Traditional Cultural Property designation for the Santa Rita Mountains, directing the development of ethnohistory reviews and cultural evaluations at the site as well as including them in the EIS process. In addition to supporting the consultation in the permitting process (including participating in meetings and tours, and providing project information when we have been invited to do so), we have conducted outreach and worked to engage with the tribes to build trust, which we hope will develop into mutually beneficial working relationships. Rosemont signed a Memorandum of Agreement associated with the consultation that specified commitments for performance of work and treatment of artifacts and other historic articles, as well as training and reporting. Rosemont also worked with the tribes to develop agreements that included such items as grant availability, scholarships and travel funds for plant collection and blessing activities, which were ultimately signed by one of the tribes.

Once the construction phase of the project is initiated, we will establish and maintain a public website that includes quarterly and annual reports of the findings from our environmental monitoring efforts.

In addition, when we commence production we will contribute \$500,000 per year during operations toward conservation and other community needs. In addition, contributions will be made to an endowment fund that will establish a stable funding source (\$25 million) for community projects after operations cease. A Board of Trustees will manage the fund.

2017 Performance

Our total payments to local suppliers were \$3.7 million, and in Arizona the total is over \$10 million. We invested \$177,000 to support a wide range of community programs. Important contributions during the year included:

- \$5,000 to the University of Arizona Natural Resources Users Law and Policy Center
- Over \$16,000 in scholarships to the 4-H clubs in Pima and Santa Cruz counties
- Through our school grants program, which awards between \$500 and \$5,000 to local public schools, we granted a total of nearly \$10,000, including a \$5,000 grant to the Joint Technical Education District, which will help ensure that non-college bound students are given an opportunity to learn a trade and have careers

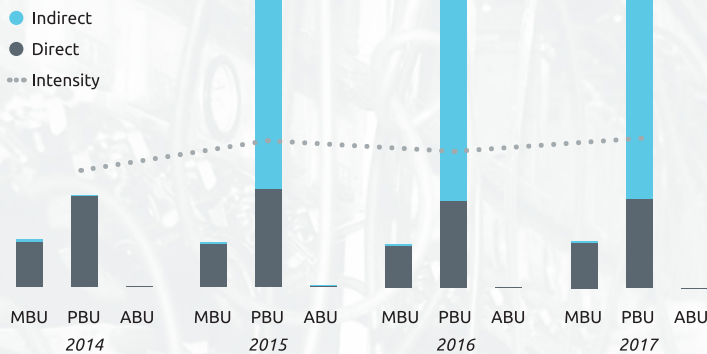
There were three complaints registered in 2017. All of them were the same complaint, which one person filed in three places: Hudbay’s Toronto office, the Pima County Environment Department and the Forest Service. The concern was about unauthorized blasting at the Rosemont site. However, the noise was due to the Air Force completing training runs in the area, causing sonic booms that were mistaken for blasting.

Environment



Our ability to operate and grow our business requires us to responsibly manage our impacts on the environment and to remain steadfast in our commitment to develop the mineral resources society needs in a manner that protects the environment.

Total Greenhouse Gas Emissions
(kilotonnes of CO₂-equivalent and intensity)



Direct Energy Consumption by Primary Energy Source
(terajoules)



1.5%

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



The Professional School of Biologists of Peru recognized our Peru team for its biodiversity efforts

Strengthening Tailings Management



In late 2017, the Mining Association of Canada (MAC) further improved on best practices by issuing an updated **Guide to the Management of Tailings Facilities**. A representative from Hudbay was actively involved in both developing the enhanced guide and training industry leaders on how to implement the changes. The guide has been incorporated into an updated **TSM Tailings Management Protocol**, and as a member of MAC we commit to apply the protocol by 2019.

The new edition incorporates recommendations from leading experts in the field, and suggested improvements from studies related to the tailings dam failures at the Mount Polley mine in British Columbia and the Samarco mine in Brazil.

The updated guide builds on the continual improvement process for tailings management to achieve the goal of zero catastrophic failures of tailings facilities and no significant adverse effects on human health and the environment. Among the enhancements is an increased emphasis on technical aspects that are critical to the physical and chemical stability of tailings facilities. It also strengthens and introduces key concepts related to risk assessments, critical controls and independent reviews.

Working Toward No Net Loss of Biodiversity



At our Constancia mine in Peru, the objective is no net loss of biodiversity. To reach this goal, the site has developed a biodiversity action plan (BAP) and measures its annual performance against six key objectives with specific action plans for 2017.

In 2017, the site performed 100% of the actions set forth in its annual plan.

The objectives are:

1. Actively manage, avoid and minimize the impacts of mine operations on biodiversity and ecosystem services.
2. Rehabilitate and improve biodiversity and ecosystem services within the Hudbay property.
3. Effectively engage stakeholders to promote their participation through joint actions that foster continuous improvement in the identification, assessment and management of biodiversity and ecosystem services.
4. Execute compensation measures to address residual impacts, ensuring a net neutral or positive impact.
5. Follow up and monitor the state of biodiversity conservation in the ecosystems identified in the land study area within the Hudbay property, by quantifying, describing and recording species and habitats.
6. Maximize knowledge of biodiversity and ecosystem services in the land study area to ensure continuous improvement in the management objectives of this plan.

Environment **Our Approach**



From exploration through closure and reclamation, we apply environmental management best practices to reduce our environmental footprint and contribute to sustainability and biodiversity.

Our **Environmental Health and Safety Policy** states our commitment to explore for, mine and produce metals in an environmentally responsible manner, and to continually measure and improve our systems and performance.

All our operations are required to comply with federal, state, provincial and local laws and regulations, and they must have in place an environmental management system that is certified to the ISO 14001 international standard.

As a member of the Mining Association of Canada (MAC), we require every operation to apply the Towards Sustainable Mining (TSM) environmental protocols and frameworks and annually assess its facilities' performance against the protocols. New or recently acquired operations are required to achieve a level A or higher (on a five-point scale, from level C to AAA) for all protocols within two years of reaching commercial production or beginning operations under Hudbay's control.

Land and Biodiversity

Biological diversity is essential for maintaining healthy ecosystems and sustaining life. Effectively balancing how our operations can impact biodiversity, ecosystems and other land uses plays a part in our ability to grow our business and strengthen relationships.

Our Biodiversity Conservation Standard requires each site to identify environmental conditions – such as threatened and endangered species, protected areas and critical habitat – and the potential impacts Hudbay's activities may have on biodiversity and ecosystem services. Site-specific biodiversity and ecosystem services management plans must apply the following four sequential key steps of the mitigation hierarchy:

1. Avoid impacts by locating facilities and access routes away from natural and critical habitats.
2. Minimize impacts through the use of appropriate management systems and mine plan designs that limit land disturbance throughout the mine life.

3. Restore ecosystems by progressively rehabilitating affected areas during operations and at closure with a goal of eliminating the impact over time through preservation or maintenance.
4. Offset residual impacts through programs to compensate for biodiversity losses when long-term residual impacts cannot be avoided.

Our standard aligns to, and supports our implementation of, the TSM Biodiversity Conservation Management Framework and Protocol. Included in the framework are commitments to contribute positively to biodiversity conservation throughout the mine lifecycle, to engage with communities of interest about biodiversity policies and practices, and to not explore or mine in World Heritage sites.

Through monitoring programs, we track the effectiveness of our management plans and adjust our activities accordingly to continuously improve our performance.

Energy Use and Greenhouse Gas

To improve our energy efficiency and reduce our greenhouse gas (GHG) emissions, our Manitoba and Peru business units establish annual GHG intensity reduction targets to demonstrate our commitment to continually improve our performance.

Our operations are energy intensive, from the diesel fuel that powers our fleet to the electricity sourced from power grids in the jurisdictions where we operate. In alignment with the TSM Energy and GHG Emission Management protocol, we have processes and management systems in place and clear accountabilities. In addition to the disclosures in this report and the assessments available on the MAC website, we report our global GHG emissions data and performance to CDP.

Compared to the prior year, our direct and indirect energy consumption increased 5.2% and 7.4%, respectively, and our energy intensity increased 3.7%. Our total GHG emissions increased 9.6%, and GHG intensity increased 6.4%. The higher use of propane during the winter months in Manitoba and transporting ore from deeper depths contributed to the increase.

Air

Our air emissions are primarily forms of dust (formally, particulate matter), generated by activities including blasting and excavating ore and vehicles travelling on unpaved roads.

To ensure the air quality on and near our sites is safe for people and the environment, we implement dust management plans, conduct monitoring, and report our air emissions to ensure full compliance with air quality laws and regulations in the countries where we operate.

Our total particulate emissions increased 33.9% compared to 2016 due to our Manitoba Business Unit experiencing an increase in road dust during a very dry summer and more trucks travelling on unpaved haul roads.

Water

Water is essential to our operations, and our ability to operate water-efficient mines and protect local sources is a growing area of interest for our stakeholders. Our Manitoba and Peru operations set annual fresh water consumption intensity reduction targets to drive improvements in our water efficiency efforts.

Our sites have different water needs and challenges. Developed during the feasibility stage as part of a site's environmental impact studies, our comprehensive site-specific water management plans assess quality, quantity and availability and consider the needs of local communities. This approach ensures that water risks and considerations are assessed throughout the mine lifecycle.

As a member of MAC, we endorse the TSM framework on water, which includes 13 commitments to water stewardship. These commitments go beyond legal compliance and include identifying and managing water-related risks, collaborating with communities of interest, ensuring water use decisions consider other users and ecosystem needs, and publicly reporting on our performance.

Since 2010, we have disclosed our water management performance in CDP's annual Global Water Report.

Total water withdrawn increased 12.9% and water discharged increased 1.1% compared to 2016. Total water recycled or reused was approximately 220% of our total water use. Above-average temperatures in the summer, resulting in a higher rate of evaporation, contributed to the increase in water use.

Waste and Tailings

Mining and ore processing activities produce waste byproducts including waste rock (overburden that has no economic value) and tailings (the material that remains after the minerals have been extracted from the crushed ore).

All Hudbay operations have plans in place to reduce, reuse, recycle and responsibly dispose of hazardous and non-hazardous waste, with a particular focus on managing waste rock and tailings.

Sites must manage waste rock in accordance with environmental regulations and industry standards and in a manner that minimizes the potential for acid rock drainage (ARD), which is caused by a chemical reaction when certain minerals in some rock are exposed to air and water. To minimize environmental impacts and prevent ARD from occurring, wherever possible, we reuse waste rock to fill voids in underground operations, construct tailings containment structures, backfill open pits and rehabilitate sites.

Responsibly managing tailings and the associated storage facilities is crucial for preventing impacts to human health and the environment. To manage these risks effectively, we adhere to TSM's Tailings Management Protocol, which builds on technical standards to ensure that a responsible tailings management system is in place and is applied consistently and effectively. Under the protocol, accountability for tailings management is assigned to the highest governance body, which is our Board of Directors. We conduct annual reviews of our tailings management systems, and more in-depth independent reviews of processes, such as dam safety reviews every five years and independent peer review board assessments annually. We have begun implementing **the requirements in the updated protocol** and will report against it beginning with our 2019 assessment.

Our proposed Rosemont project in Arizona gives us the opportunity to construct a state-of-the-art dry-stack (or filtered) tailings facility. Among the advantages of a dry-stack tailings facility are minimized water consumption, reduced land requirements and greater stability.

During the year, we generated 36.6% less overburden waste, 36.9% less waste rock and 5.4% more tailings compared to the previous year. Reduced stripping and increased production at the Lalor operation contributed to the lower amount of overburden and waste rock and the generation of a higher amount of tailings.

Closure and Reclamation

In alignment with TSM's Mine Closure Framework and the laws and regulations in each jurisdiction where we operate, planning for mine closure begins during the design phase of a project's development and continues throughout the mine's lifecycle.

A key element of our closure planning is consultation and engagement with stakeholders – in particular, the communities closest to our mines – to develop closure and reclamation objectives that address their needs and values. This includes working together on long-term economic development strategies and plans that mitigate the socio-economic impacts of closure. To the extent practicable, we rehabilitate the former mine site to an agreed-upon beneficial post-mining use.

Our closure plans include identifying opportunities to conduct progressive rehabilitation once the areas are no longer needed for mining. Post-closure activities include maintenance and monitoring to meet closure objectives.

Environment Manitoba



Continuing to Reduce Impacts

Our Manitoba business continued to work toward its target for reducing greenhouse gas (GHG) intensity and fresh water consumption intensity by 1%. Our intensity metrics measure the GHGs emitted and the amount of water consumed per tonne of production.

The Manitoba Business Unit's total water consumption increased by 3.9% compared to 2016, which could be explained by increased production. Water consumption intensity increased by 8.7%.

Our carbon intensity is relatively low, primarily due to the fact that much of the electricity used to run our processing plants is renewable hydroelectricity sourced from Manitoba Hydro. We do use propane for heating and diesel to run the equipment vehicles that extract and transport ore. As our 777 and Reed operations near the end of their mine life, their energy consumption increases due to the need to mine deeper and haul material farther. Efforts to offset these higher energy requirements include lowering temperatures in the Reed mine by four degrees in the winter months, turning off ventilation systems in the welding shop when not in use, and installing ceiling fans to recirculate warmer air in the sheds used to thaw concentrate.

Despite our best efforts, our overall energy usage and energy intensity increased by 5.2% and 4.0%, respectively, compared to 2016, with higher use of propane during the winter months and production ramp-up at Lalor being likely contributors to the increase. We did not meet our annual GHG target of reducing emissions by 1%.

New Plant Improves Backfill Management

At Lalor, we began construction on a new paste plant, which is a key element for growing our Lalor operation.

Tailings from the Stall mill will be diverted from the Anderson tailings impoundment area and pumped to the Lalor paste plant. The tailings will be dewatered and blended with stabilizers, such as cement, to create a paste-like material that will be used in the underground mine to backfill the voids created during the mining process. The paste plant, which is expected to begin pumping paste in 2018, will support the production ramp-up at Lalor and reduce the costs and land used by diverting the waste stream from the tailings impoundment area and converting it into a structurally strong backfill material.

In managing our material air emissions in 2017, we experienced a significant dusting event similar to one in 2016, where high winds blew the sandy material from the Flin Flon tailings facility toward nearby communities. Although our ambient monitors did indicate elevated metal levels, these remained below the relevant air quality guidelines. Our dust management plan includes placing straw over the dusted tails to prevent dust flare-ups, and we began testing other methods, such as the use of bonding agents, to better control dust generation during high-wind weather events.

As part of our Federal Performance Agreement, we began an air-sampling program to measure and verify how many kilograms of zinc per tonne of metal produced were emitted into the atmosphere.

Protecting Species

Along with controlling dust, we have biodiversity management plans in place to protect waterfowl and other migratory birds from the areas around our tailings facilities. Although these storage ponds pose a minimal risk, prior to freezing over and when they begin to thaw, we use several deterrent methods, such as propane cannons, to keep birds away from any potentially hazardous areas.

We have continued our financial backing of Manitoba's provincial Woodland Caribou Recovery Strategy. The comprehensive multi-year plan supports recovery efforts and protection of the woodland caribou in northern Manitoba. Our participation in the plan helps us to assess any impacts of our exploration and mine development activities on the species.

Achieving Successful Mine Closure

Throughout our 90 years of operations in the northern Manitoba region, we have responsibly closed and remediated 19 mines, returning most of the land to its natural state.

At our Reed operation, which is located within a provincial park, closure activities will begin immediately after the last ore is mined in mid-2018. One of the first priorities for the closure plan will be to make sure the site is safe by removing buildings that are no longer needed and ensuring any voids, entrances and holes are filled or secured. The plan calls for the site to be indistinguishable from other public-use areas in the park, such as campsites.

Close to Reed in the provincial park is Spruce Point, a mine we closed in the 1990s. During operations at Reed, we agreed to conduct further remediation at the Spruce Point site. We engaged experts to define how best to remediate Spruce Point and, as a result, beginning in 2018 we will remove the waste rock and transfer it to one of our operating sites for further management.

Environment

Peru



Strengthening Our Water Management Approach

Our Peru Business Unit met its internal water performance targets for consumption and quality, as well as its public target to reduce fresh water consumption intensity by 5% at Constancia's accommodation camp. We have improved our understanding of water use at the camp, and we will look to implement other improvements, such as low-flow faucets, to continue reducing consumption on both an intensity and a per-person basis.

Compared to the previous year, overall total water consumption increased by 14%, and water consumption intensity increased by 25%. The Constancia operation's surface and groundwater consumption was 47% less than the amount authorized by the licences that govern the site's water use.

We conducted extensive water quality monitoring of the nearby streams and rivers to assess any impacts our activities may have on the water sources. In 2017, results showed elevated levels of nitrogen at the station monitoring discharges from the wastewater treatment plant. The levels were within national limits but exceeded IFC standards, so improvements were implemented at the plant to ensure conformity to water quality standards and requirements.

Energy and Emissions

We met our target to reduce our greenhouse gas emissions intensity at the accommodation camp by 5%. Programs, such as installing energy meters at camps and awareness campaigns, helped to drive the year-over-year decline.

Our overall energy usage in Peru increased by 8%, and our energy intensity increased by 20% compared to the previous year. We initiated a program to convert the lighting systems at the processing plant to LEDs, which reduced the plant's GHG emissions by 25%.

We completed implementation of the TSM Energy and GHG Emission Management protocol at Constancia at a level of A or higher. Validation of the protocol's implementation confirmed all indicators within this protocol achieved the level A target.

Planning for No Net Loss of Biodiversity

The biodiversity management plan for Constancia aims for no net loss of biodiversity as a result of mining activities. In 2017, we achieved **all the objectives in our 2017 biodiversity action plan**. Highlights for the year include:

- We installed eight trap cameras in the mine's area of influence. The cameras are a valuable tool for studying species and collecting data on biodiversity trends.
- More than 670 Hudbay personnel received biodiversity management training.
- Through our revegetation and forestation programs, we rehabilitated more than 16 hectares, planted nearly 17,000 native trees and produced 17,800 seedlings at our nursery.
- We engaged with stakeholders and promoted responsible biodiversity management practices through animal health training with members of the Chilloroya community, presentations at Peruvian universities, and contributions to scientific papers and publications.
- At Constancia's tailings facility and bog deposit area, we tested bird repellent methods to keep birds a safe distance from the ponds.

During the year, we implemented the three indicators in the TSM Biodiversity Conservation Management Protocol, reaching an AAA level (the highest) for all three indicators within the protocol. Verification is expected in early 2018.

Environment **Arizona**



In June 2017, we moved closer to building a modern mine that showcases state-of-the-art techniques and sustainable environmental practices when the US Forest Service issued a Final Record of Decision (ROD), one of the last two permits needed to develop our Rosemont project in southwest Arizona.

Soon after receiving the ROD, we submitted our mine plan of operations (MPO). Once the Forest Service approves the MPO, it becomes the permit for the project. We are awaiting the final permit from the Army Corp of Engineers, which we hope to receive in 2018.

Minimizing Our Footprint

Of the five scenarios presented, the ROD sanctioned the “Barrel Alternative”, which impacts the fewest acres of land, addresses air quality concerns, protects a Native American ball court feature, and protects biologically sensitive areas and critical habitat. Under the Rosemont MPO, we will employ technologies and practices that generate a higher yield of copper and impact half the amount of land for a typical copper mine. In addition, reclamation work will start during the first year of operations to further minimize adverse impacts.

Due to the filter tailings technology, our water conservation and recycling approach will allow us to reduce our water use by half compared to similar copper operations in Arizona that employ conventional tailings management. We will construct an eight-mile-long, 36-inch-diameter pipeline to transport water from the Central Arizona Project (CAP) terminus to the Green Valley area. The pipeline will allow the Green Valley community’s water utility to use its CAP allocation and offset its groundwater withdrawals. It will also allow Rosemont to recharge water near its production wells.

Comprehensive Mitigation and Monitoring

With the majority of stakeholder concerns related to environmental impacts, we plan to implement more than \$50 million in monitoring and mitigation measures to address potential impacts.

The ROD includes more than 100 monitoring and mitigation requirements. Along with standard mitigation measures to manage potential impacts to water, soil, air and biodiversity, we will fund specialized programs, including camera studies for large feline predators, management and removal of harmful non-native aquatic species, habitat improvement for the western yellow-billed cuckoo and the southwestern willow flycatcher, and ground-based sky brightness monitoring. As part of an agreement with the Arizona Trail Association, we will pay to relocate approximately 10 miles of the Arizona National Scenic Trail.

Once operations begin, we will establish and maintain a public website where we will post the latest monitoring reports in a timely manner.

CSR Performance



Basis of Reporting

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

Data Measurement Techniques

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

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

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

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

Key Performance Data

ECONOMIC

	2017	2016	2015	2014
Direct economic value generated and distributed (in \$ millions) (EC1)				
Profit (loss) before tax	\$ 198.7	\$ 5.6	\$ (331.4)	\$ 13.9
Revenues	\$ 1,362.6	\$ 1,128.7	\$ 923.1	\$ 507.5
Operating costs				
Canada	439.0	358.9	(408.5)	(428.6)
US	0.5	0.6	(5.7)	(7.6)
Peru	297.7	298.5	(186.0)	(8.7)
Chile	3.9	2.2	(0.5)	(1.9)
Colombia	0.0	0.0	(0.4)	(0.8)
Total	\$ 741.1	\$ 660.2	\$ (601.1)	\$ (447.6)
Employee wages and benefits				
Canada	174.0	147.2	157.1	156.5
US	5.7	7.8 ¹	9.3	4.6
Peru	41.8	27.5	22.4	20.6
Chile	0.0	2.2	0.0	0.0
Colombia	0.0	0.0	0.2	0.2
Total	\$ 221.5	\$ 177.5	\$ 189.0	\$ 181.9
Payments to government				
Taxes paid				
Canada	9.1	6.6	6.1	(21.1)
US	0.2	0.0	0.0	0.1
Peru	23.5	38.9	28.0	5.8
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0
Total	\$ 32.8	\$ 45.5	\$ 34.1	\$ (15.2)
Municipal taxes and grants				
Canada	6.9	6.8	6.7	7.8
US	0.1	0.0	0.1	0.5
Peru	3.5	0.0	0.0	0.0
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0

	2017	2016	2015	2014
Total	\$ 10.5	\$ 6.8	\$ 6.8	\$ 8.3
Penalties and interest paid				
Canada	0.0	0.0	0.1	0.0
US	0.0	0.0	0.0	0.3
Peru	0.4	0.3	0.0	0.2
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0
Total	\$ 0.4	\$ 0.3	\$ 0.1	\$ 0.5
Payments to providers of capital				
Dividends paid	\$ 3.7	\$ 3.6	\$ 3.6	\$ 3.8
Interest payments made to providers of loans	\$ 52.7	\$ 126.5	\$ 108.6	\$ 82.1
Financing fees paid				
Canada	6.6	49.4	1.3	0.9
Peru	20.0	20.1	1.2	4.6
Total	\$ 26.6	\$ 69.5	\$ 2.5	\$ 5.5
Other interest paid				
Canada	0.0	0.0	0.0	0.0
Peru	0.0	0.0	0.0	0.0
Total	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Capital expenditures – cash flow basis	\$ 249.8	\$ 192.8	\$ 490.6	\$ 890.9
Cash and cash equivalents	\$ 356.5	\$ 146.9	\$ 53.9	\$ 178.7
Payments – Local communities for land use (in \$000s)				
Canada	0.0	0.0	0.0	0.0
US	0.0	0.0	0.0	0.0
Peru	2,149.0	1,829.3	579.5	1,684.5
Total land use payments	\$ 2,149.0	\$ 1,829.3	\$ 579.5	\$ 1,684.5
Public benefit				
Community investments and charitable donations (in \$000s)				
Canada	287.5	345.1	307.1	602.8
US	178.7	147.1	63.5	212.9
Peru	5,941.2	3,738.3	2,435.7	3,103.0
Chile	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0
Total community investments and donations	\$ 6,407.4	\$ 4,230.5	\$ 2,806.3	\$ 3,918.7

	2017	2016	2015	2014
Resettlement investment (Peru) (in \$000s)	\$ 98.0	\$ 1,081.5	\$ 957.5	\$ 7,857.0
Production (contained metal in concentrate)				
Copper (000 tonnes)	159.2	174.5	147.3	37.6
Zinc (000 tonnes)	135.2	110.6	102.9	82.5
Gold (000 troy ounces)	108.6	114.3	100.2	73.4
Silver (000 troy ounces)	3,487.3	3,755.9	2,791.5	745.9
Metal production				
Zinc metal (000 tonnes)	107.9	102.6	101.9	105.1

1. For 2016, management only included wages and benefits that were recorded to the statements of income; however, for 2017, all wages and benefits are included in this figure, including those that are recorded as property, plant and equipment assets.

EMPLOYEES

	2017	2016	2015	2014
Total workforce (G4-10)				
Full-time employees				
MBU	1,332	1,319	1,399	1,391
Ontario	70	67	68	61
Arizona	35	40	50	34
Peru	304	230	183	174
Chile	0	0	0	0
Total full-time employees	1,741	1,656	1,700	1,668
Employment				
Part-time employees				
MBU	20	10	2	14
Ontario	0	0	0	0
Arizona	4	2	2	2
Peru	0	0	0	0
Chile	0	0	0	0
Total part-time employees	24	12	4	18
Contract (term) employees				
MBU	19	13	7	18
Ontario	2	1	5	1
Arizona	1	0	0	0
Peru	444	363	187	138
Chile	50	8	1	0
Total contract employees	516	385	200	158
Co-op and summer students hired				
MBU	26	21	40	41
Ontario	3	2	3	2
Arizona	1	0	2	0
Peru	12	8	12	6
Chile	0	0	0	0
Total co-op/summer students	42	31	57	49
Employees represented by collective bargaining agreements (G4-11)	1,313	1,121	1,053	1,091
Percentage of employees represented by trade unions (includes all full-time, part-time and Peru contract employees)	59.4%	67.7%	61.9%	65.4%

	2017	2016	2015	2014
Operational changes (LA4)				
Minimum number of weeks provided before operational changes (MBU only)	2	2	2	2
Negotiated into collective agreements (MBU only)	Yes	Yes	Yes	Yes
Number of strikes or lockouts exceeding one week (MM4)	0	0	1	0
Employee turnover (includes all full-time employees and Peru contract employees) (LA1)				
Region				
MBU	192	201	206	118
Corporate	8	11	5	7
ABU	8	16	9	1
Peru	128	64	32	53
Chile	0	0	0	0
Total	336	292	252	179
Age distribution				
<30	20.2%	20.2%	23.4%	18.4%
30–50	44.9%	39.0%	40.5%	50.3%
>50	34.8%	40.8%	36.1%	31.8%
Gender				
Male	79.2%	80.1%	75.4%	82.7%
Female	20.8%	19.9%	24.6%	17.9%
Voluntary turnover rate (Hudbay total)	12.8%	13.0%	11.4%	7.4%
Involuntary turnover rate (Hudbay total)	6.5% ¹	4.6%	3.6%	3.4%
New employee hires				
Region				
MBU	220	141	221	155
Corporate	13	3	12	7
ABU	6	3	23	36
Peru	238	280	160	183
Chile	0	0	0	0
Total	477	427	416	381
Age distribution				
<30	38.8%	32.8%	40.6%	22.6%
30–50	52.4%	54.6%	47.4%	64.0%
>50	8.8%	12.6%	12.0%	13.6%
Gender				
Male	80.7%	83.4%	79.3%	82.9%

	2017	2016	2015	2014
Female	19.3%	16.6%	20.7%	17.3%
Net number of full-time employees added (decreased)				
Canada	16	(81)	15	27
US	(5)	(10)	8	32
Peru	74	47	9	17
Colombia	N/ap	0	0	(1)
Chile	0	0	0	(1)
Total	85	(44)	32	74
Senior management hired from local community (EC6)				
	5	9	2	N/av
Number of contractor full-time equivalent staff (G4-10)				
Manitoba	284	175	274	245
Peru	2,780	2,974	4,337	9,595
Arizona	9	15	55	N/ap
Other	22	13	4	54
Person-hours of work (including contractors) (LA1)				
North America	3,232,379	3,073,646	3,245,882	3,359,663
South America	7,867,939	7,589,501	9,907,705	20,458,806
Total person-hours	11,100,318	10,663,147	13,158,587	23,818,469
Employees receiving regular performance and career development reviews (includes all full-time employees) (LA11)				
Percentage reviewed	40%	20%	41%	22%
Hudbay total workforce age distribution (includes all full-time employees) (LA12)				
<30	14.6%	14.2%	13.0%	13.8%
30-50	52.6%	53.0%	47.9%	47.8%
>50	33.1%	32.2%	39.6%	36.6%
Composition of governance bodies and breakdown of employees				
Workforce diversity (includes all full-time employees)				
Female (Hudbay)				
MBU	195	189	187	182
Ontario	33	32	32	27
Arizona	17	17	24	15
Peru	76	60	28	35

	2017	2016	2015	2014
Chile	N/ap	N/ap	N/ap	0
Percentage of total workforce that is female	18.2%	18.0%	16.0%	16%
Aboriginal (MBU only)	14%	13%	13%	12%
Disabled (MBU only)	5%	5%	5%	6%
Visible minorities (MBU only)	6%	6%	6%	6%

Composition of executive management and corporate governance bodies (includes all full-time employees)

Board of Directors (ratio male to female)	2.3:1	4:1	4:1	10:1
Age distribution				
<30	0%	0%	0%	0%
30–50	0%	0%	0%	10%
>50	100%	100%	100%	90%
Executive management (ratio male to female)	4.7:1	5.5:1	5.5:1	10:1
Age distribution				
<30	0%	0%	0%	0%
30–50	29%	53%	64%	72%
>50	71%	46%	36%	27%

Ratio of annual compensation of highest paid individual to mean total compensation (includes all full-time employees and Peru contract employees) (G4-54)

Canada (MBU, excluding Corporate office)	6.8:1	4.9:1	6.5:1	6.1:1
Canada (including Corporate office)	23.4:1	24.1:1	16.4:1	29.8:1
Peru	19.5:1 ²	9.2:1	10.0:1	9.5:1
United States (ABU)	4.8:1	4.3:1	4.2:1	3.1:1

Workforce represented in formal joint management–worker Health and Safety Committees (LA5)

Percentage represented	100%	100%	100%	100%
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Health and safety performance (per 200,000 hours worked, except where noted) (LA6)

Lost time accident frequency (LTA)				
Manitoba	1.0	1.1	1.0	1.0
Manitoba contractors	0.7	0.0	0.7	0.8
Peru	0.1	0.1	0.7	0.0
Peru contractors	0.0	0.0	0.1	0.0
Arizona	0.0	0.0	0.0	N/ap
Arizona contractors	0.0	0.0	0.0	N/ap
North America (not including MBU and ABU)	0.0	0.0	0.0	0.0
North America contractors (not including MBU and ABU)	0.0	0.0	0.0	0.0

	2017	2016	2015	2014
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	0.0
Total	0.3	0.3	0.3	0.1
Lost time accident severity (SEV)				
Manitoba	34.4	37.3	35.2	36.0
Manitoba contractors	13.9	0.0	14.8	23.0
Peru	0.5	2.0	22.0	0.0
Peru contractors	0.0	0.6	3.6	0.2
Arizona	0.0	0.0	0.0	N/ap
Arizona contractors	0.0	0.0	0.0	N/ap
North America (not including MBU and ABU)	0.0	0.0	0.0	0.0
North America contractors (not including MBU and ABU)	0.0	0.0	0.0	0.0
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	0.0
Total	8.4	9.3	11.4	4.7
Restricted work case frequency (RWC)				
Manitoba	0.7	1.1	1.8	2.2
Manitoba contractors	0.7	0.5	0.0	0.4
Peru	0.0	0.0	0.2	0.0
Peru contractors	0.0	0.0	0.0	0.0
Arizona	0.0	0.0	0.0	N/ap
Arizona contractors	0.0	0.0	0.0	N/ap
North America (not including MBU and ABU)	0.0	0.0	0.0	0.0
North America contractors (not including MBU and ABU)	0.0	0.0	0.0	0.0
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	0.0
Total	0.2	0.3	0.4	0.3
Medical aid frequency (MA)				
Manitoba	10.9	11.8	11.0	12.8
Manitoba contractors	5.4	5.5	12.3	12.9
Peru	0.3	0.0	2.3	0.0
Peru contractors	0.1	0.2	0.2	0.5
Arizona	3.4	0.0	4.9	N/ap
Arizona contractors	0.0	0.0	5.3	N/ap
North America (not including MBU and ABU)	0.0	0.0	0.0	1.2
North America contractors (not including MBU and ABU)	0.0	0.0	0.0	2.1

	2017	2016	2015	2014
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	0.0
Total	2.8	3.0	3.0	2.1
First aid frequency (FA)				
Manitoba	16.8	22.6	22.1	28.5
Manitoba contractors	2.4	4.4	6.0	8.2
Peru	0.9	0.9	4.8	0.4
Peru contractors	0.7	0.4	0.6	1.3
Arizona	0.0	0.0	17.2	N/ap
Arizona contractors	10.5	0.0	5.3	N/ap
North America (not including MBU and ABU)	0.0	0.0	0.0	3.7
North America contractors (not including MBU and ABU)	0.0	0.0	0.0	8.3
South America (not including Peru)	0.0	0.0	0.0	0.0
South America contractors (not including Peru)	0.0	0.0	0.0	0.0
Total	4.3	5.7	5.2	4.4
Fatality (number)				
	0	0	0	0
Absentee rate (as a % of hours scheduled to be worked)				
	N/av	N/av	N/av	N/av
Reportable occurrences (defined as EHS incidents required by Hudbay policy to be reported to our Board of Directors)				
	56	79	141	81
Risks to the right to collective bargaining (HR4)				
Ontario	No	No	No	N/av
Manitoba	No	No	No	N/av
Arizona	No	No	No	N/av
Peru	No	No	No	N/av
Chile	No	N/av	N/av	N/av

BENEFITS

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

	Peru		ABU	
	Full time	Part time	Full time	Part time
Life insurance	Yes	N/ap	Yes	No
Health care	Yes	N/ap	Yes	No
Disability and invalidity coverage	Yes	N/ap	Yes	No
Parental leave	Yes	N/ap	0	0
Retirement provision	Yes	N/ap	Yes (401k)	No
Stock ownership	Yes	N/ap	Yes	No
Other – Critical illness insurance	Yes	N/ap	No	No
Other – Accidental death and dismemberment insurance	Yes	N/ap	Yes	No

1. Increase is related to a number of contracts not being renewed in Peru.

2. Increase in ratio is due to the change in Hudbay Peru from a mine employing mostly contractors to a mine employing mostly full-time employees.

SOCIETY

	2017	2016	2015	2014
Total number of incidents of discrimination (and actions taken) (HR3)	0	1	0	0
Land use disputes (MM6)	2 ¹	3	0	3
Resettlements (MM9)				
Number of households (Peru only)	0	0	36	0
Number of individuals (Peru only)	0	0	150	0
Employees trained in anti-corruption policies (SO4)				
Number – Employees	952	66	360	182
Percentage of workforce	55% ²	4%	21%	10%
Percentage of Board and management given training	100%	100%	91%	N/av
Employees that anti-corruption policies have been communicated to				
Number – Management	580	534	229	412
Percentage	100%	100%	98%	0%
Number – Non-management	1,649	418	560	485
Percentage	100%	27%	100%	0%
Governance body members that anti-corruption policies have been communicated to				
Number	10	10	10	10
Percentage	100%	100%	100%	100%
Governance body members that received training on anti-corruption				
Number	10	10	10	10
Percentage	100%	100%	100%	100%
Average hours of training (Peru and Arizona business units only) (LA9)				
Males in management	60.70	6.86	19.65	N/av
Females in management	65.98	9.36	50.17	N/av
Males in non-management	100.09	9.59	51.86	N/av
Females in non-management	85.82	14.11	36.71	N/av
Average spend (DJSI)	\$ 362.28	N/av	N/av	N/av
Security practices (security personnel training) (HR7)				
Hudbay security personnel trained in human rights policies and procedures				
Number	15	14	15	15
Percentage	100%	100%	98%	100%

	2017	2016	2015	2014
Contractor security personnel trained in human rights policies and procedures				
Number	124	7	175	158
Percentage	98%	100%	99%	92%
Value of fines or sanctions for non-compliance with laws and regulations (SO8)				
	\$ 0	\$ 0	\$ 5,000	\$ 3,352
Grievances about impacts on society (SO11)				
Number filed through formal grievance mechanisms	20 ³	32	67	78
Number addressed during reporting period	20	32	67	78
Number resolved during reporting period	12	12	65	67
Number filed prior to the reporting period that were resolved during the reporting period	8	3	6	32
Number of other concerns				
Environment (EN34)	4	1	4	N/av
Labour and commercial practices (LA16)	113 ⁴	24	54	N/av
Resettlement/livelihood	2	1	2	N/av
Human rights	1 ⁵	1	1	N/av
Other	1	4	6	N/av
Closure plans (MM10)				
Total number of operations	5	5	7	8
Number of company operations that have closure plans	5	8	10	10
Percentage of total operations that have closure plans	100%	160%	125%	125%
Number of advanced exploration projects that have closure plans	1	1	0	1
Percentage of advanced exploration projects that have closure plans	100%	100%	N/ap	100%
Overall financial provision representing the present value of future cash flows relating to estimated closure costs per Canadian generally accepted accounting principles (in \$000s)	\$ 200,000	\$ 177,296	\$ 147,027	\$ 185,395
Operation has implemented local community engagement, impact assessments and development programs in line with the Stakeholder Engagement Standard (SO1)				
Manitoba	Partially	Yes	Partially	N/av
Arizona	Yes	Yes	Yes	N/av
Peru	Yes	Yes	Yes	N/av
Chile	Yes	Yes	No	N/av
Operation is taking place in or adjacent to indigenous peoples' territories (MM5)				
Manitoba	Yes	Yes	No	N/av

	2017	2016	2015	2014
Arizona	Yes	Yes	No	N/av
Peru	Yes	Yes	Yes	N/av
Chile	Yes	Yes	No	N/av
Artisanal mining (MM8)				
Toronto	N/ap	N/ap	N/ap	N/ap
Manitoba	No artisanal mining	N/ap	N/ap	N/ap
Arizona	No artisanal mining	N/av	N/av	N/av
Peru	Yes ⁶	Yes	Yes	N/av
Chile	Yes ⁷	No	Yes	N/av

1. A discussion of these disputes can be found at [Social Impact > Peru](#).

2. We developed and rolled out a more robust Key Compliance Training program in 2017.

3. The increase in this number is due to including labour grievances filed through the unions. In previous years, these were excluded from our definition.

4. Previously, we did not record union labour grievances in Manitoba, but we have started to in 2017. Of the 101 grievances received in Manitoba, 47 were resolved and 54 remained outstanding. We signed a three-year CBA with all unions in December 2017.

5. More information can be found at [Human Rights and Security](#).

6. In 2010, the Chilloroya community and Norsemont Peru (now Hudbay Peru SAC) signed an exploration and artisanal mining formalization contract which functioned as an agreement to help the community in the formalization process for its artisanal mining activity. This contract ended on June 19, 2015.

7. Artisanal mining is currently taking place on both our Farellon Sanchez and Fiel Rosita properties. At Farellon Sanchez, there are at least five operations mining copper and gold veins underground, and selling ore to a government agency. At Fiel Rosita, the La Estrella mine is operated by a local family, and sells approximately 250 tonnes of ore a month to the same government agency (Enami).

ENVIRONMENT

	2017	2016	2015	2014
Direct energy consumption by primary energy source (terajoules) (EN3)				
Propane	629	579	629	700
Diesel	2,019	1,941	2,034	1,993
Light oil	0	0	0	4
Gasoline	16	14	11	12
Other	0	0	1	0
Total	2,664	2,533	2,675	2,709
Indirect energy consumption by primary energy source (terajoules)				
Total electricity consumed	5,652	5,263	4,932	3,322
Indirect energy sold/credits (terajoules)				
Electricity	0.5 ¹	0.5	0.4	N/av
Total indirect energy consumed by organization (terajoules)	5,652	5,262	4,936	N/av
Energy intensity (terajoules per kilotonne of metal in concentrate) (EN5)	28.3	27.3	30.9	50.2
Total direct and indirect greenhouse gas emissions (kilotonnes of CO₂-equivalent)				
Direct carbon dioxide emissions (EN15)	177.17	170.96	188.08	182.28
Indirect carbon dioxide emissions (EN16)	363.48	322.31	277.80	6.91
Total	540.65	493.27	455.30	189.19
GHG intensity (EN18)	1.84	1.73	1.82	1.57
NO_x, SO_x and other significant air emissions (in kilotonnes) (EN21)				
Particulate ²	0.62	0.44	0.16	0.17
Total water withdrawal (000 cubic metres) (EN8)				
Surface water	11,058	10,632	11,549	11,287
Groundwater	2,747	3,582 ³	2,698	930
Rainwater collected directly and stored by the organization	10,242	7,143	7,168	4,048
Waste water from another organization	0	0	0	N/av
Municipal water supplies	0	0	0	1
Total water withdrawal	24,047	21,306	21,415	16,266

	2017	2016	2015	2014
Percentage and total volume of water recycled and reused (EN10)				
Total volume (000 cubic metres)	53,474.40	56,291.74	16,944.37	N/av
Percentage	222.37%	264.20% ⁴	79.12%	N/av
Total water discharged (000 cubic metres) (EN22)				
To Flin Flon Creek/Ross Lake/Schist Lake	13,941	14,353	10,546	10,819
To Anderson Creek/Wekusko Lake	9,067	8,025	4,594	3,939
To Woosey Creek/Morgan Lake	1,788	2,142	1,106	1,184
Namew Lake	30	30	30	30
Herblet Lake	784	926	N/ap	N/ap
Town of Snow Lake Sewer	0	0	0	8
To ground	297	247	217	187
To land (irrigation using treated water in Peru)	0	0	0	0
To Chilloroya River (Peru)	294	188	2,623	737
Water treated (000 cubic metres)	26,201	25,911	19,086	19,887
Total number of significant spills (EN24)⁵				
Volume (liquid) (m ³)	286.0	516.5	382.0	103.0
Volume (solid) (tonnes)	120.0	N/av	N/av	N/av
Hazardous waste disposed of at external facility (tonnes) (EN25)				
	1,943.5 ⁶	1,520.3	1,508.5	658.5
Total waste (tonnes) (MM3)				
Overburden	1,302,405.2	2,053,659.9	N/av	N/av
Waste rock	32,432,668.5	51,426,208.8	42,764,760.0	N/av
Tailings	30,545,163.0	28,968,944.0	24,780,081.6	N/av
Number of fines or sanctions for non-compliance with environmental laws and regulations (EN29)				
	0	0	0	0
Land use (hectares) – Mineral tenure (controlled) (MM1)				
Manitoba	121,241.4	122,639.4	137,832.4	135,068.4
Saskatchewan	120,568.5	133,339.1	135,352.1	139,316.2
Yukon	583.4	5,823.4	5,823.4	5,823.4
Nunavut	21.0	21.0	21.0	21.0
Total Canada	242,414.2	261,822.9	279,028.9	280,229.0
New York	0.0	0.0	0.0	31,532.3
Arizona	1,200.0	7,284.0	7,284.0	0.0
Total USA	1,200.0	7,284.0	7,284.0	31,532.3
Chile	263,900.0	68,826.0	1,531.0	1,531.0
Peru	99,735.7	5,187.0	43,669.5	0.0

	2017	2016	2015	2014
Total South/Central America	363,635.7	74,013.0	45,200.5	1,531.0
Total	607,249.9	343,119.8	331,513.4	313,292.3
Land use (hectares) – Surface tenure (disturbed)				
Manitoba	7,314.1	7,314.1	7,314.1	6,130.3
Saskatchewan	374.7	531.4	535.2	744.5
Yukon	120.0	120.7	120.7	120.7
Nunavut	0.0	0.0	0.0	0.0
Total Canada	7,808.8	7,966.2	7,969.9	6,995.5
New York	0.0	0.0	0.0	57.7
Arizona	0.0	0.0	0.0	0.0
Total USA	0.0	0.0	0.0	57.7
Chile	0.0	0.3	0.0	0.0
Peru	1,518.0	1,568.4	5,187.0	0.0
Total South/Central America	1,518.0	1,568.7	5,187.0	0.0
Total	9,326.7	9,534.8	13,156.9	7,053.2
Percent land used vs. controlled	1.5%	2.8%	4.0%	2.3%
Sites requiring biodiversity management plans (MM2/EN12)				
Number of sites legally requiring plans	2	1	1	0
Percentage of sites with legally required plans in place	100%	100%	100%	N/av
Number of sites with voluntary plans in place	1	1	1	1
Habitats protected or restored (hectares) (EN13)				
Protected	0	0	0	0
Restored	0	51.93	0.62	2
Partnerships exist	Yes	Yes	Yes	N/av
Status at close of reporting period	Monitoring	Monitoring	Monitoring	N/av
IUCN Red List species and National Conservation List species (EN14)				
Critically endangered	2	3	3	N/av
Endangered	2	8	8	N/av
Vulnerable	19	12	14	N/av
Near threatened	12	11	9	N/av
Least concern	4	6	6	N/av

1. Energy produced at our test solar panel plots described in our [2015 report](#).

2. In Manitoba, we collect and report on fugitive dust. Collection and reporting at the same level of detail is not required in Peru. Ambient monitoring is conducted, but does not result in total particulate releases.

3. Correction in calculation.

4. Correction in calculation based on GRI G4 definition.

5. All three spills were at our Manitoba Business Unit. Two were chemical spills and one was acid-generating rock. None of these spills went off Hubbay property.

6. This number does not include containers or light bulbs from Manitoba.

CSR Performance 2017 Targets and Achievements



Target	Achievement	Details
HEALTH AND SAFETY		
Improve on our current three-year average lost time accident severity of 7.5	Not achieved	As of December 31, 2017, our three-year average lost time accident severity was 9.7. This increase is due to Peru's drop in hours from construction to production, from 20,500 in 2014 to 8,000 in 2017. Overall, the severity in Manitoba dropped by 1.4, while Peru rose by only 0.6.
Improve on our three-year total recordable injury frequency average of 3.1	Achieved	As of December 31, 2017, our three-year average total recordable injury frequency was 2.8.
Progress our focus on fatality prevention by implementing our Critical Control Framework at each site	Achieved	Each business unit reviewed the top five hazards in their hazards registers to ensure the proper controls were in place. This fed into our overall plan to have critical controls in place so that we keep working toward our ongoing focus on fatality prevention.
Improve our performance benchmarking by moving to ICMM classification and boundary criteria	Achieved	We are now collecting this data, and when we have three years of history, we will switch our external reporting.

Target	Achievement	Details
COMMUNITY		
Implement a program to achieve company-wide exposure to the human rights introductory video being developed with MAC and the Canadian government, and connect it to Hudbay policies and standards	Achieved	Training took place in Peru to improve human rights and security, and we held a lunch-and-learn training session in Toronto at the beginning of 2018.
ENVIRONMENT		
Achieve a 1% greenhouse gas emissions intensity reduction in Manitoba	Not achieved	See Environment > Manitoba .
Achieve a 1% fresh water consumption intensity reduction in Manitoba	Not achieved	See Environment > Manitoba .
Achieve a 5% greenhouse gas emissions intensity reduction at camp in Peru	Achieved	See Environment > Peru .
Achieve a 5% fresh water consumption intensity reduction at camp in Peru	Achieved	See Environment > Peru .
GOVERNANCE		
Adopt a new compliance management system to facilitate employee training on policies and procedures	Achieved	See Business Conduct .
Adopt and roll out a new Supplier Code of Conduct and Ethics	Achieved	See Business Conduct .
Conduct an organizational review intended to ensure Hudbay is well positioned to achieve its growth objectives	Achieved	See Organizing for Growth: Creating an Agile and Effective Organization .
FINANCIAL EXCELLENCE/GROWTH TARGETS		
Continue to pursue efficiency improvements in our operations to sustain cost reductions achieved in 2016 and generate incremental free cash flow and increase net asset value	Achieved	At Constancia, we introduced automation of the controls that feed our grinding circuit, and at Lalor, we deployed underground load-haul-dump vehicles that are remotely guided by a human operator on the surface.
Advance high-return in-house brownfield opportunities to increase throughput from the Lalor mine and related milling facilities, incrementally adding zinc and gold production in the near and medium term, respectively	Achieved	We successfully ramped up Lalor mine production and processed a test batch ore from the Lalor gold zone, which demonstrated that we can achieve good recovery rates at the Flin Flon concentrator.
Deliver on plans to advance the development of the high-grade Pampacancha deposit so that it can start to be mined late in 2018	Partially achieved	Negotiations to secure surface rights over the Pampacancha deposit are ongoing. The community provided Hudbay with access to the land to carry out early-works activities.

Target	Achievement	Details
Advance permitting and technical work at the Rosemont project	Achieved	We released an updated feasibility study for Rosemont in March 2017, and received the Record of Decision from the US Forest Service, one of two required federal permits, in June 2017.
Utilize free cash flow generation to reduce debt and further reduce our cost of capital	Achieved	Net debt declined 43% in 2017 to \$623 million, and we renegotiated our credit facilities and equipment financings to reduce the interest rates we pay on them.
Continue to evaluate exploration and acquisition opportunities that meet our criteria described above, and pursue those opportunities that we determine to be in the best interest of the Company and our stakeholders	Achieved	In January 2018, we announced the acquisition of interests in two properties within trucking distance of Constanca that we believe have significant exploration potential.

CSR Performance 2018 Targets



Health and Safety

- Improve on our current three-year average lost time accident severity of 9.7
- Improve on our three-year total recordable injury frequency average of 2.8

Community

- Finalize human rights risk assessment framework and carry out trial for at least one location

Environment

- Establish improved corporate guidance and process for eco-efficiency performance tracking and site-level target setting that accounts for the complexity and variability of mining operations and integrates consideration of business and environmental priorities
- Maintain AA score in the MAC TSM Tailings protocol for Manitoba and Peru
- Peru Business Unit: maintain current energy and water consumption to occupancy ratio at the accommodation camp

Governance

- Cascade updated values through the organization via workshops at each Hudbay business unit, the production of a values video by the CEO, and a face-to-face meeting at each location with the CEO to discuss company values

Financial Excellence/Growth Targets

- Generate operating cash flow at or above budget targets
- Improve access to/cost of capital
- Grow net asset value per share by 8%
- Advance the development of the high-grade Pampacancha deposit so that it can start to be mined in 2019
- Advance permitting and technical work at the Rosemont project

Note: With significant operational changes occurring through 2018 within the Manitoba Business Unit (including the closure of the Reed mine and ramp-up of the Lalor mine, and associated changes in ore supply to the Flin Flon and Stall mills), it was not practical to identify numerical targets for 2018.

CSR Performance
GRI Index



STRATEGY AND ANALYSIS

General Standard Disclosures

External Assurance

G4-1	Statement from the most senior decision-maker of the organization	No
	Our Company > CEO Message	

ORGANIZATIONAL PROFILE

General Standard Disclosures

External Assurance

G4-3	Name of the organization	No
	Our Company	

G4-4	Primary brands, products and services	No
	Our Company Business and Financial Review Business and Financial Review > Strategy	

General Standard Disclosures

External Assurance

G4-5	Location of the organization’s headquarters	No
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[Our Company](#)

G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	No
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[Our Company](#)

G4-7	Nature of ownership and legal form	No
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[Our Company](#)

G4-8	Markets served	No
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[CSR Approach > Responsible Supply Chain](#)

G4-9	Scale of the organization	No
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[Business and Financial Review](#)
[Business and Financial Review > Financials](#)

G4-10	Employee/workforce details	No
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[CSR Performance](#)

Workforce details are not currently provided by gender. There were no significant variations in employment numbers.

G4-11	Percentage of total employees covered by collective bargaining agreements	No
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[CSR Performance](#)

General Standard Disclosures

External Assurance

G4-12	Describe the organization’s supply chain	No
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[CSR Approach > Responsible Supply Chain](#)

G4-13	Significant changes during the reporting period regarding the organization’s size, structure, ownership or supply chain	No
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[Our Company > CEO Message](#)
[Business and Financial Review](#)
[Business and Financial Review > Business Activities](#)

G4-14	Whether and how the precautionary approach or principle is addressed by the organization	No
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[CSR Approach > CSR Governance](#)

G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	No
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[CSR Approach > CSR Governance](#)
[CSR Approach > UN Sustainable Development Goals](#)

G4-16	Memberships of associations and national or international advocacy organizations	No
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[CSR Approach > CSR Governance](#)

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

General Standard Disclosures

External Assurance

G4-17	Entities included in the organization's consolidated financial statements	No
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[About This Report](#)
[Annual Information Form](#)

G4-18	Process for defining report content	No
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[CSR Approach > Materiality](#)

G4-19	Priorities identified	No
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[CSR Approach > Materiality](#)

G4-20	Boundaries – Internal	No
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[CSR Approach > Materiality](#)
[CSR Performance > GRI Index](#)

G4-21	Boundaries – External	No
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[CSR Approach > Materiality](#)
[CSR Performance > GRI Index](#)

G4-22	Effect of any restatement of information in previous reports	No
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There are no restatements of information from previous reports.

G4-23	Significant changes from previous reporting in scope of priorities	No
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There are no significant changes from previous reporting in scope of priorities.

STAKEHOLDER ENGAGEMENT

General Standard Disclosures

External Assurance

G4-24	List of stakeholder groups	No
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[CSR Approach > Stakeholder Engagement](#)

G4-25	Basis for identifying and selecting stakeholders	No
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[CSR Approach > Stakeholder Engagement](#)

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by our activities, and whose actions can reasonably be expected to affect our ability to successfully implement our strategies and achieve our objectives.

G4-26	Approach to stakeholder engagement	No
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[CSR Approach > Stakeholder Engagement](#)

G4-27	Topics raised through stakeholder engagement and response	No
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[CSR Approach > Stakeholder Engagement](#)

REPORT PROFILE

General Standard Disclosures

External Assurance

G4-28	Reporting period	No
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[About This Report](#)

G4-29	Date of most recent report	No
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[About This Report](#)

General Standard Disclosures

External Assurance

G4-30

Reporting cycle

No

[About This Report](#)

G4-31

Contact

No

[Contact Us](#)

G4-32

GRI Content Index and In Accordance option

No

[About This Report](#)

G4-33

External assurance policy

No

[About This Report](#)

Our external report is not externally assured, and we do not have a policy around external assurance. The financial data comprising EC1 is externally assured through the auditing of our Financials.

GOVERNANCE

General Standard Disclosures

External Assurance

G4-34

Governance structure

No

[Our Company > Corporate Governance](#)
[CSR Approach > CSR Governance](#)
[Management Information Circular](#)

G4-37

Process for consultation between stakeholders and highest governance body on economic, social and environmental topics

No

[Our Company > Business Conduct](#)
[CSR Approach > Human Rights and Security](#)
[CSR Approach > Stakeholder Engagement](#)
[Social Impact > Our Approach](#)

G4-38	Composition of the highest governance body	No
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[Our Company > Corporate Governance
Management Information Circular](#)

G4-39	Indicate whether the Chair of the highest governance body is also an executive officer	No
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[Our Company > Corporate Governance](#)

G4-40	Nomination and selection process for the highest governance body and its committees	No
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[Management Information Circular](#)

G4-41	Process for the highest governance body to ensure conflicts of interest are avoided and managed	No
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[Our Company > Business Conduct
CSR Approach > CSR Governance
Annual Information Form](#)

G4-44	Process for evaluation of the highest governance body's performance	No
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[Website > Corporate Governance Guidelines and Board Charter](#)

G4-45	Highest governance body's role in the identification of economic, social and environmental impacts, risks and opportunities	No
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[Our Company > Risk Management
CSR Approach > CSR Governance](#)

G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities	No
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[CSR Approach > CSR Governance](#)

G4-49	Process for communicating critical concerns to the highest governance body	No
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[Our Company > Business Conduct](#)
[CSR Approach > Human Rights and Security](#)
[CSR Approach > Stakeholder Engagement](#)

G4-51	Remuneration policies for the highest governance body and senior executives	No
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[Management Information Circular](#)
[Website > Corporate Governance Guidelines and Board Charter](#)

G4-54	Ratio of the annual total compensation for the organization's highest paid individual in each country of significant operation to the median annual total compensation for all employees	No
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[CSR Performance](#)

ETHICS AND INTEGRITY

G4-56	Organization's values, principles, standards and norms of behaviour	No
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[Our Company > Business Conduct](#)
[CSR Approach > CSR Governance](#)
[CSR Approach > Human Rights and Security](#)
[CSR Approach > Responsible Supply Chain](#)
[Website > Policies](#)

ECONOMIC

Specific Standard Disclosures		External Assurance	Impact Boundaries
Aspect: Economic Performance			
DMA	Disclosure of Management Approach Our Company > CEO Message Our Company > Corporate Governance Our Company > Risk Management Business and Financial Review > Strategy Social Impact > Our Approach Annual Information Form	No	1, 2, 3, 5, 6, 7, 8, 9, 10, 11
G4-EC1	Direct economic value generated and distributed CSR Performance	No	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change CDP Website > 2017 Disclosure	No	
G4-EC3	Coverage of the organization's defined benefit plan obligations Management's Discussion and Analysis (Dec. 31, 2017) – pages 34 and 35	No	
Aspect: Indirect Economic Impacts			
DMA	Disclosure of Management Approach CSR Approach > Responsible Supply Chain Social Impact > Our Approach Social Impact > Manitoba Social Impact > Peru Social Impact > Arizona Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.	No	1, 2, 3, 6, 8, 9, 10, 11

Specific Standard Disclosures	External Assurance	Impact Boundaries
<p>G4-EC7 Development and impact of infrastructure investments and services supported</p> <p>Story > Building Trust as We Grow Responsibly Social Impact > Peru</p> <p>We contribute to the development and maintenance of local infrastructure and services in the regions where we operate. However, we have not calculated the indirect economic benefits that flow to local and regional communities from our activities.</p>	No	
<p>G4-EC8 Significant indirect economic impacts, including the extent of impacts</p> <p>CSR Approach > Responsible Supply Chain Social Impact Social Impact > Manitoba Social Impact > Peru Social Impact > Arizona</p>	No	
Aspect: Procurement Practices		
<p>DMA Disclosure of Management Approach</p> <p>CSR Approach > Responsible Supply Chain</p>	No	1, 3, 4, 9, 10, 11
<p>G4-EC9 Proportion of spending on local suppliers at significant locations of operation</p> <p>CSR Approach > Responsible Supply Chain</p>	No	

ENVIRONMENTAL

Specific Standard Disclosures		External Assurance	Impact Boundaries
Aspect: Water			
DMA	Disclosure of Management Approach Environment > Our Approach Environment > Manitoba Environment > Peru Environment > Arizona Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.	No	3, 6, 8, 11
G4-EN8	Total water withdrawal by source CSR Performance	No	
G4-EN10	Percentage and total volume of water recycled and reused CSR Performance	No	
Aspect: Biodiversity			
DMA	Disclosure of Management Approach Environment > Our Approach Environment > Manitoba Environment > Peru Environment > Arizona Story > Working Toward No Net Loss of Biodiversity	No	3, 7, 8, 10, 11
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas CSR Performance	No	
G4-EN13	Habitats protected or restored CSR Performance	No	

Specific Standard Disclosures	External Assurance	Impact Boundaries
MM1 Amount of land disturbed or rehabilitated CSR Performance	No	
MM2 The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number and percentage of those sites with a plan in place CSR Performance	No	
G4-EN14 Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk CSR Performance	No	
Aspect: Effluents and Waste		
DMA Disclosure of Management Approach Environment > Our Approach Story > Strengthening Tailings Management Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.	No	1, 2, 3, 5, 6, 8, 10, 11
G4-EN24 Total number and volume of significant spills CSR Performance	No	
MM3 Total amount of overburden, rock, tailings and sludges and their associated risks CSR Performance	No	

Specific Standard Disclosures	External Assurance	Impact Boundaries
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Aspect: Environmental Grievance Mechanisms

DMA	<p>Disclosure of Management Approach</p> <p>CSR Approach > Stakeholder Engagement CSR Approach > Materiality Social Impact > Our Approach</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	2, 3, 6, 8, 11
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G4-EN34	<p>Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms</p> <p>CSR Performance</p> <p>Hudbay reports on the main topics raised from grievances and has not segmented those that have been filed, addressed and/or resolved based specifically on environmental impacts.</p>	No	
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SOCIAL: LABOUR PRACTICES AND DECENT WORK

Specific Standard Disclosures	External Assurance	Impact Boundaries
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Aspect: Employment

DMA	<p>Disclosure of Management Approach</p> <p>Our People > Our Approach</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	1, 3, 5, 11
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G4-LA1	<p>Total number and rates of new employee hires and employee turnover by age group, gender and region</p> <p>CSR Performance</p>	No	
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Specific Standard Disclosures		External Assurance	Impact Boundaries
G4-LA2	<p>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</p> <p>CSR Performance</p>	No	
Aspect: Labour/Management Relations			
DMA	<p>Disclosure of Management Approach</p> <p>Our People > Our Approach</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	1, 3, 5, 11
G4-LA4	<p>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements</p> <p>CSR Performance</p>	No	
MM4	<p>Number of strikes and lockouts exceeding one week's duration, by country</p> <p>CSR Performance</p>	No	
Aspect: Occupational Health and Safety			
DMA	<p>Disclosure of Management Approach</p> <p>Our People > Our Approach Website > Environmental, Health and Safety Policy</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	1, 2, 3, 5, 6, 7, 8, 9, 10, 11
G4-LA5	<p>Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs</p> <p>CSR Performance</p>	No	

Specific Standard Disclosures	External Assurance	Impact Boundaries
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G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	No
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[CSR Performance](#)

Hudbay does not currently track gender-specific data relating to this disclosure as it is not applicable to our company.

Aspect: Labour Practices Grievance Mechanisms

DMA	Disclosure of Management Approach	No	1, 3, 5, 6, 11
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[CSR Approach > Stakeholder Engagement](#)

[Our People > Our Approach](#)

[Social Impact > Manitoba](#)

Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.

G4-LA16	Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	No
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[CSR Performance](#)

SOCIAL: HUMAN RIGHTS

Specific Standard Disclosures	External Assurance	Impact Boundaries
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Aspect: Non-Discrimination

DMA	Disclosure of Management Approach	No	1, 5, 11
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[CSR Approach > Human Rights and Security](#)

[Our People > Our Approach](#)

Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.

Specific Standard Disclosures		External Assurance	Impact Boundaries
G4-HR3	<p>Total number of incidents of discrimination and corrective actions taken</p> <p>CSR Performance</p>	No	
Aspect: Freedom of Association and Collective Bargaining			
DMA	<p>Disclosure of Management Approach</p> <p>Our People > Our Approach Story > Working Together to Build a Successful Future</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	1, 5, 8
G4-HR4	<p>Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights</p> <p>CSR Performance</p>	No	
Aspect: Security Practices			
DMA	<p>Disclosure of Management Approach</p> <p>CSR Approach > Human Rights and Security</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	1, 2, 3, 11
G4-HR7	<p>Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations</p> <p>CSR Performance</p>	No	
Aspect: Indigenous Rights			
DMA	<p>Disclosure of Management Approach</p> <p>CSR Approach > Human Rights and Security</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	3, 7, 8, 10, 11

Specific Standard Disclosures	External Assurance	Impact Boundaries
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G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	No
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Note: There were zero violations in 2017.

MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous peoples' communities	No
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[CSR Performance](#)

Aspect: Human Rights Grievance Mechanisms

DMA	Disclosure of Management Approach	No	2, 3, 4, 6, 7, 8, 9, 10, 11
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[CSR Approach > Human Rights and Security](#)
[CSR Approach > Stakeholder Engagement](#)
[CSR Approach > Materiality](#)
[Social Impact > Our Approach](#)

Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.

G4-HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	No
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[CSR Performance](#)

SOCIAL: SOCIETY

Specific Standard Disclosures	External Assurance	Impact Boundaries
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Aspect: Local Communities

MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	No
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[CSR Performance](#)
[Social Impact > Peru](#)

Specific Standard Disclosures		External Assurance	Impact Boundaries
Aspect: Artisanal and Small-Scale Mining			
MM8	<p>Number and percentage of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks</p> <p><u>CSR Performance</u></p> <p>Of Hudbay's five sites, there are two (in Peru and Chile) where artisanal and small-scale mining is taking place.</p>	No	
Aspect: Resettlement			
DMA	<p>Disclosure of Management Approach</p> <p><u>Social Impact > Our Approach</u></p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	3, 6, 8, 10, 11
MM9	<p>Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process</p> <p><u>CSR Performance</u></p>	No	
Aspect: Closure Planning			
DMA	<p>Disclosure of Management Approach</p> <p><u>Social Impact > Our Approach</u></p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	1, 2, 3, 6, 7, 8, 10
MM10	<p>Number and percentage of operations with closure plans</p> <p><u>CSR Performance</u></p> <p>100% of Hudbay's operations have closure plans.</p>	No	

Specific Standard Disclosures	External Assurance	Impact Boundaries
Aspect: Anti-Corruption		
DMA	Disclosure of Management Approach	No
	<p>Our Company > Business Conduct CSR Approach > Responsible Supply Chain</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	1, 2, 6, 8, 9
G4-SO4	<p>Communication and training on anti-corruption policies and procedures</p> <p>CSR Performance</p>	No

Specific Standard Disclosures	External Assurance	Impact Boundaries
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Aspect: Grievance Mechanisms for Impacts on Society

DMA	<p>Disclosure of Management Approach</p> <p>Our Company > Business Conduct CSR Approach > Stakeholder Engagement Social Impact > Our Approach</p> <p>Note: We re-evaluate our management approach every three years as part of our materiality review process; an evaluation was last conducted in 2017.</p>	No	1, 3, 5, 6, 11
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G4-SO11	<p>Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms</p> <p>CSR Performance</p> <p>Hudbay reports on the main topics raised from grievances and has not segmented those that have been filed, addressed and/or resolved based specifically on impacts on society.</p>	No	
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Impact Boundaries Legend

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

About This Report



Since 2014, we have combined our annual report and our corporate social responsibility (CSR) report. We believe social performance is as important as financial and operating performance, and that combining the reports presents a representative account of the Company's activities in 2017.

We published our **Management's Discussion and Analysis of Results of Operations and Financial Condition** and the **consolidated financial statements** for the year ended December 31, 2017, on February 21, 2018. Copies are posted on our website. The **Business and Financial Review** section of this report covers the content usually included in our annual report.

We have produced an annual CSR report every year since our 2003 report, and this is our 10th report based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. Our most recent previous report was released in May 2017. This report contains standard disclosures from the GRI G4 Guidelines, prepared largely in accordance with the Core option.

Our report covers all operating and project locations reported in **Our Company**, as well as our Tom and Jason properties in the Yukon, and exploration activities managed by Hudbay in Chile during the 2017 calendar year. CSR report content has been defined based on our materiality analysis and aspects identification process, which applied to all of Hudbay's operating assets.

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

Qualified Person

The technical and scientific information in this annual report related to the Constancia mine and Rosemont project has been approved by Cashel Meagher, P. Geo., Hudbay's Senior Vice President and Chief Operating Officer. The technical and scientific information related to the Manitoba sites and projects contained in this annual report has been approved by Robert Carter, P. Eng., Hudbay's Lalor Mine Manager. Messrs. Meagher and Carter are qualified persons pursuant to NI 43-101. For a description of the key assumptions, parameters and methods used to estimate mineral reserves and resources, as well as data verification procedures and a general discussion of the extent to which the estimates of scientific and technical information may be affected by any known environmental, permitting, legal title, taxation, socio-political, marketing or other relevant factors, please see the Technical Reports for the Company's material properties as filed by Hudbay on SEDAR at www.sedar.com.

Forward-Looking Information

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

Forward-looking information includes, but is not limited to, production, cost and capital and exploration expenditure guidance, anticipated production at our mines and processing facilities, anticipated environmental, health and safety performance, anticipated social development programs, the anticipated timing, cost and benefits of developing the Rosemont project, Pampacancha deposit and Lalor growth projects, the anticipated impact of any delays to the start of mining the Pampacancha deposit, the anticipated results of litigation challenging the Rosemont permitting process, anticipated exploration plans, anticipated mine plans, anticipated metals prices and the anticipated sensitivity of our financial performance to metals prices, events that may affect our operations and development projects, the permitting, development and financing of the Rosemont project, the potential to optimize the scale of production at Lalor and to efficiently process the excess base metals ore and initial gold zone ore production at the Flin Flon mill, anticipated cash flows from operations and related liquidity requirements, the anticipated effect of external factors on revenue, such as commodity prices, estimation of mineral reserves and resources, mine life projections, reclamation costs, economic outlook, environmental regulation and legislation and other government regulation of mining operations, and business and acquisition strategies. Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results and events to be materially different from those expressed or implied by the forward-looking information.

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

- the success of mining, processing, exploration and development activities;
- the scheduled maintenance and availability of our processing facilities;
- the accuracy of geological, mining and metallurgical estimates;
- anticipated metals prices and the costs of production;
- the supply and demand for metals we produce;
- the supply and availability of all forms of energy and fuels at reasonable prices;
- no significant unanticipated operational or technical difficulties;
- the execution of our business and growth strategies, including the success of our strategic investments and initiatives;

- the availability of additional financing, if needed;
- the ability to complete project targets on time and on budget and other events that may affect our ability to develop our projects;
- the timing and receipt of various regulatory, governmental and joint venture partner approvals (including those required to develop the Rosemont project);
- the availability of personnel for our exploration, development and operational projects and ongoing employee and union relations;
- the ability to secure required land rights to develop the Pampacancha deposit;
- maintaining good relations with the communities in which we operate, including the communities surrounding our Constancia mine and Rosemont project and First Nations communities surrounding our Lalor and Reed mines;
- no significant unanticipated challenges with stakeholders at our various projects;
- no significant unanticipated events or changes relating to regulatory, environmental or health and safety matters;
- no significant unanticipated changes to the various international and national standards we adhere to;
- no significant unanticipated changes to our water usage, emissions intensity or energy intensity;
- no significant unanticipated changes in the political climate in the various jurisdictions in which we currently or plan to explore or operate;
- the ability to contemplate the effects of climate change at our sites, on our operations and on the extractive industry in general;
- no contests over title to our properties, including as a result of rights or claimed rights of Aboriginal peoples;
- the timing and possible outcome of pending litigation and no significant unanticipated litigation;
- certain tax matters, including, but not limited to, current tax laws and regulations and the refund of certain value-added taxes from the Canadian and Peruvian governments; and
- no significant and continuing adverse changes in general economic conditions or conditions in the financial markets (including commodity prices and foreign exchange rates).

The risks, uncertainties, contingencies and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information may include, but are not limited to, risks generally associated with the mining industry, such as economic factors (including future commodity prices, currency fluctuations, energy prices and general cost escalation), uncertainties related to the development and operation of our projects (including risks associated with the permitting, development and economics of the Rosemont project and related legal challenges), risks related to the maturing nature of our 777 mine and the pending closure of our Reed mine and their impact on the related Flin Flon metallurgical complex, dependence on key personnel and employee and union relations, risks related to the schedule for mining the Pampacancha deposit (including the timing and cost of acquiring the required surface rights and the cost and impact of any schedule delays), risks related to the cost, schedule and economics of the capital projects intended to increase processing capacity for Lalor ore, risks related to political or social unrest or change, risks in respect of Aboriginal and community relations, rights and title claims, operational risks and hazards, including unanticipated environmental, industrial and geological events and developments and the inability to insure against all risks, failure of plant, equipment, processes, transportation and other infrastructure to operate as anticipated, compliance with government and environmental regulations, including permitting requirements and anti-bribery legislation, depletion of our reserves, volatile financial markets that may affect our ability to obtain additional financing on acceptable terms, the failure to obtain required approvals or clearances from government authorities on a timely basis, uncertainties related to the geology, continuity, grade and estimates of mineral reserves and resources, and the potential for variations in grade and recovery rates, uncertain costs of reclamation activities, our ability to comply with our pension and other post-retirement obligations, our ability to abide by the covenants in our debt instruments and other material contracts, tax refunds, hedging transactions, as well as the risks discussed under the heading “Risk Factors” in our 2017 Annual Information Form (AIF), and otherwise throughout this annual report.

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

Note to United States Investors

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

Contact Us



We invite your comments and questions about this report.

For investor relations matters, please contact Carla Nawrocki, Director, Investor Relations, 416 362-7362, [**investor.relations@hubbay.com**](mailto:investor.relations@hubbay.com).

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

Annual and Special Meeting of Shareholders

May 3, 2018, 2 p.m. ET

Toronto, Ontario

Glossary



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

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

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

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

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

Donations – contributions to charities

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

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

GHG emissions – greenhouse gas emissions

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

Grant in lieu – an amount paid instead of property taxes

Lost time accident (LTA) – a work-related injury that prevents the injured person from returning to work on his/her next scheduled workday after the day the injury occurred, because he/she is unfit to perform any duties

MAC – Mining Association of Canada

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

N/ap – not applicable

N/av – not available

Restricted work – a work-related injury where a licensed health care provider or the employer recommends that the employee not perform one or more routine job functions or not work the usual full workday

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

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