

March 5, 2021

Germán Larrea Mota-Velasco
Chairman of the Board of Directors

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Delegación Miguel Hidalgo
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Southern Copper Corporation
1440 E. Missouri Avenue, Suite 160
Phoenix, AZ 85014 USA

Dear Mr. Larrea:

We are writing to you as investors regarding the environmental, social and governance practices of Grupo México S.A.B. de C.V. (“Grupo México”) and its majority-owned subsidiary Southern Copper Corporation (“Southern Copper”). As described below, we are concerned regarding the sustainability of Grupo México and Southern Copper’s business practices. We respectfully request an opportunity to engage in a dialogue with the appropriate company representatives to address the concerns outlined below.

Environmental Concerns

As you are aware, Grupo México and Southern Copper face significant environmental risks in their operations. In 2019, Grupo México’s port facility in Guaymas, Sonora spilled sulfuric acid into the Sea of Cortez and Mexico’s Federal Prosecutor for Environmental Protection ordered the facility to close temporarily.¹ In response to the Sea of Cortez spill, Mexico’s Ministry of Environment and Natural Resources announced that it was investigating 22 environmental accidents that had been attributed to Grupo México over several years.²

The 2014 Buenavista del Cobre mine spill of toxic chemicals into the Sonora and Bacanuchi rivers was described as “the worst natural disaster provoked by the mining industry in the modern history of Mexico” by Mexican Environment Minister Juan José Guerra Abudas.³ According to a 2017 working group report of the United Nation’s

¹ Valentina Ruiz Leotaud, “Grupo México’s activities in Guaymas suspended after sulfuric acid spill,” Mining.com, July 21, 2019. <https://www.mining.com/grupo-mexicos-activities-in-guaymas-suspended-after-sulfuric-acid-spill>

² “SEMARNAT atenderá de manera contundente los problemas ambientales de emergencia en el país,” Secretaría de Medio Ambiente y Recursos Naturales, July 16, 2019. <https://www.gob.mx/semarnat/prensa/semarnat-atendera-de-manera-contundente-los-problemas-ambientales-de-emergencia-en-el-pais>

³ Juan Montes, “Grupo Mexico to Face Major Cleanup Fees After Spill,” *Wall Street Journal*, August 26, 2014. <https://www.wsj.com/articles/grupo-mexico-to-face-major-cleanup-fees-after-spill-1409094116>

Human Rights Council, local authorities had raised concerns that Grupo México's commitments after the spill to build water treatment plants and a health clinic had not been fulfilled.⁴ In 2018, the Supreme Court of Mexico ruled that local communities need to be consulted regarding Southern Copper's construction of a new mine tailings dam in the same area.⁵ And in 2020, the Supreme Court of Mexico ruled that the trust created to compensate victims of the spill needed to be reopened.⁶

There have been significant environmental problems in the U.S. as well. In 2009, Grupo México's U.S. subsidiary ASARCO paid \$1.79 billion USD as part of the largest environmental bankruptcy in U.S. history to settle claims by the U.S. Environmental Protection Agency ("EPA") for hazardous waste pollution at more than 80 sites.⁷ In 2015, the U.S. Department of Justice and the EPA reached a settlement with ASARCO to pay a \$4.5 million USD civil penalty and spend \$150 million USD to improve its pollution control technology at its Hayden, Arizona smelter.⁸ In March 2020, the EPA fined ASARCO \$33,000 USD for 33 violations of the fugitive dust control plan that had been required by the 2015 settlement.⁹

Social Concerns

Grupo México and Southern Copper also face social risks in the treatment of their workforces, communities and respect for labor rights. Last September, Grupo México reached an agreement with President López Obrador to allow the recovery of the bodies of 63 miners who had perished in the 2006 Pasta de Conchos coal mine collapse.¹⁰ President López Obrador has also pledged to seek to resolve a 13-year-old

⁴ "Report of the Working Group on the issue of human rights and transnational corporations and other business enterprises on its mission to Mexico," United Nations Human Rights Council, April 27, 2017. P. 10. https://ap.ohchr.org/documents/dpage_e.aspx?si=A/HRC/35/32/Add.2

⁵ Project on Organizing, Development, Education, and Research letter to shareholders of Southern Copper Corporation, November 26, 2018, Notice of Exempt Solicitation (PX14A6G). <https://www.sec.gov/Archives/edgar/data/1001838/000175515418000001/poder1.htm>

⁶ Kendal Blust, "Communities affected by mining spill win case in Mexico's Supreme Court," Arizona Public Media, January 22, 2020. <https://news.azpm.org/p/news-topical-nature/2020/1/22/164781-communities-affected-by-mining-spill-win-case-in-mexicos-supreme-court/>

⁷ "Case Summary: ASARCO 2009 Bankruptcy Settlement," U.S. Environmental Protection Agency, accessed January 21, 2020. <https://www.epa.gov/enforcement/case-summary-asarco-2009-bankruptcy-settlement>

⁸ "U.S. EPA Requires Asarco to Cut Toxic Emissions at 103-Year-Old Arizona Copper Smelter," U.S. Department of Justice, November 3, 2015. <https://www.justice.gov/opa/pr/us-epa-requires-asarco-cut-toxic-emissions-103-year-old-arizona-copper-smelter>

⁹ "ASARCO's Arizona Copper Smelter Fined \$33,000 for Failing to Comply with EPA Settlement." U.S. Environmental Protection Agency, March 18, 2020. <https://www.epa.gov/newsreleases/asarcos-arizona-copper-smelter-fined-33000-failing-comply-epa-settlement>

¹⁰ "Families of lost miners sign accord for 'immediate' start to recovery of bodies," Mexico News Daily, September 15, 2020. <https://mexiconewsdaily.com/news/families-of-lost-miners-sign-accord-for-recovery-of-bodies/>

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strike by members of the National Union of Mine, Metal, Steel and Related Workers of the Mexican Republic (“Los Mineros”) at Southern Copper’s Taxco mine.¹¹

Southern Copper’s mining operations in Peru have been the focus of community protests. Southern Copper had paused development of the Tia Maria mine in Peru after protestors were killed by state security forces in 2015 and in 2011.¹² In 2019, local communities again protested the reopening of the Tia Maria mine, citing concerns about the mine’s impact on local crops and water supplies.¹³ On Southern Copper’s 3Q 2020 earnings call, the company disclosed that it has “received the results of a review of the social environment in the Tia Maria project, which was conducted by a global leader in environmental, social and government assessments.”¹⁴ In January 2021, human rights groups denounced the conviction of two of the 2015 protest leaders.¹⁵

Grupo Mexico’s U.S. operations have also raised labor rights concerns. In 2016, the United Steelworkers Union and Los Mineros filed a complaint with the U.S. National Contact Point for the OECD Guidelines for Multinational Enterprises.¹⁶ The complaint alleged that Grupo México’s U.S. subsidiary ASARCO had violated the OECD Guidelines by engaging in conduct designed to avoid reaching a collective bargaining agreement.¹⁷ After determining that the allegations merited further consideration, the U.S. National Contact Point offered mediation to the parties but Grupo México refused to participate.¹⁸

Most recently on January 7, 2021, Region 28 of the U.S. National Labor Relations Board issued a third consolidated complaint against Grupo México’s subsidiary

¹¹ AMLO pledges to resolve 13-year Grupo México mine strike,” BNamericas, August 17, 2020.

<https://www.bnamericas.com/en/news/amlo-pledges-to-resolve-13-year-grupo-mexico-mine-strike>

¹² Robert Kozak, “Southern Copper Temporarily Suspends Copper Project Amid Protests,” Wall Street Journal, May 15, 2015. <https://www.wsj.com/articles/major-peru-mine-sparks-nationwide-protests-1431726237>

¹³ Paul Harris, “Southern Copper gets Tia Maria approval, communities resume protests,” Mining Journal, October 31, 2019. <https://www.mining-journal.com/copper-news/news/1374759/southern-copper-gets-tia-maria-approval-communities-resume-protests>

Marco Aquino, “Protest begins against billion-dollar Southern Copper mining project in Peru,” Reuters, July 15, 2019. <https://www.reuters.com/article/us-peru-southern-copper-idUSKCN1UA2GO>

¹⁴ Southern Copper Corp. (3Q20 Earnings), Southern Copper Corporation, October 27, 2020. <http://www.southernperu.com/ENG/invrel/INFDLPressRelease/cc201027.pdf>

¹⁵ “Tia Maria Verdict Unleashes Storm of Protest,” Peru Support Group, Jan 30, 2021.

<https://perusupportgroup.org.uk/2021/01/tia-maria-verdict-unleashes-storm-of-protest/>; “Ante la injusta condena de defensores del Valle del Tambo,” Coordinadora Nacional de Derechos Humanos, January 21, 2021. <https://derechoshumanos.pe/2021/01/ante-la-injusta-condena-de-defensores-del-valle-del-tambo/>

¹⁶ “Final Statement: Specific Instance between USW; Mineros; and Grupo Mexico and its U.S. subsidiary, ASARCO, LLC for conduct in the United States,” U.S. National Contact Point for the OECD Guidelines for Multinational Enterprises, August 9, 2016. <https://2009-2017.state.gov/documents/organization/261119.pdf>

¹⁷ *Id.* at 3.

¹⁸ *Id.* at 4.

ASARCO.¹⁹ The complaint alleges that ASARCO engaged in various unfair labor practices that resulted in a 2019 strike against the company.²⁰ In July 2020, the strike ended but ASARCO allegedly refused to reinstate the striking employees.²¹ A hearing has been scheduled for June 2021 before an administrative law judge to review evidence against ASARCO for allegedly violating U.S. labor law.

Governance Concerns

Shareholders also have corporate governance concerns regarding Grupo México and Southern Copper. Last year, the proxy advisory firm Institutional Shareholder Services (“ISS”) recommended a vote against Grupo México’s directors for failing to disclose the names of the director nominees and bundling the election of directors into a single voting item.²² ISS also recommended a vote against Southern Copper’s directors citing a lack of gender diversity, poor meeting attendance by a director, and non-independent directors on key board committees.²³

Four of Southern Copper’s directors are Grupo México executives including you who serve as chairman of both companies.²⁴ As a controlled company of Grupo México, Southern Copper has exempted itself from the NYSE corporate governance rules requiring a majority of independent directors and independent compensation, nominating and corporate governance committees.²⁵ The United Steelworkers Union has submitted a shareholder proposal for the 2021 annual meeting of Southern Copper recommending the appointment of an independent board chair.

We believe that strong corporate governance is important for shareholders because Southern Copper has various related party transactions with Grupo México that are potential conflicts of interest.²⁶ In 2019, a derivative lawsuit filed by a shareholder on behalf of Southern Copper alleged that certain related party transactions between the two companies were not approved by a committee of independent directors.²⁷ While the lawsuit was recently dismissed for lack of personal jurisdiction, the merits of the allegations were not adjudicated.²⁸

¹⁹ Asarco LLC, 28-CA-255235, et al., Order Further Consolidating Cases, Third Consolidated Complaint and Notice of Hearing, U.S. National Labor Relations Board, January 7, 2021.

<https://www.nlr.gov/case/28-CA-255235>

²⁰ *Id.* at 8.

²¹ *Id.* at 14.

²² ISS Proxy Analysis & Benchmark Policy Voting Recommendations, Grupo Mexico S.A.B. de C.V., Institutional Shareholder Services Inc., April 16, 2020.

²³ ISS Proxy Analysis & Benchmark Policy Voting Recommendations, Southern Copper Corporation, Institutional Shareholder Services Inc., July 20, 2020.

²⁴ Proxy Statement (DEF 14A), filed June 17, 2020, Southern Copper Corporation, 5-9.

²⁵ *Id.* at 33.

²⁶ *Id.* at 29-33.

²⁷ *Lacey v. Mota-Velasco, et. al.*, C.A. No. 2019-0312-SG (Del. Ch. 2020).

²⁸ *Id.*

Conclusion

We believe that these environmental, social and governance concerns are shared by many public shareholders of Grupo México and Southern Copper. We urge you to address these concerns and would welcome the opportunity to have a discussion with the appropriate company representatives. Please direct your response to Brandon Rees, Deputy Director of Corporations and Capital Markets, AFL-CIO at 815 16th St NW, Washington D.C. 20006, USA or brees@aficio.org / +1 202-637-5152 to arrange a mutually agreeable time.

Sincerely,

Brandon Rees
Deputy Director, Corporations and Capital Markets
AFL-CIO

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