

Letter from the President

Sustainable development is an *ongoing challenge* for Grupo México. The companies that comprise the group are joined in a philosophy of continual improvement that includes the principles of social responsibility and has been a constant since our company began.

Our capacity to generate value makes us one of the economic pillars of development in the regions where we operate. Despite adverse conditions and uncertainty in the markets at the beginning of 2009, we managed to generate US \$3.55 billion over the year, distributed to employees, vendors, governments, financial institutions, and other interest groups.

This year, we want to emphasize the importance of more responsible water management, this being a vital element for the planet. The scarcity of quality water can limit our ability to generate value as this is a basic supply for our mining-metallurgic processes. The advances made on managing this resource have resulted in an 8.3% increase in the use of recovered water over the last two years, which means that 69% of the water we consume is water recovered from our own processes. We continue working to increase our capacity of recovered water to reduce fresh water consumption a further 2% in 2010.

The wastewater treatment plant in San Luis Potosí started operations in 2009. With an initial capacity of 50 liters per second, this project is one of the most modern of its type in the world and will guarantee a greater supply of quality water for

both the community and our operations. It is equally important to recognize the work of our team at Southern Peru achieving a more efficient use of this resource by the communities that neighbor our operations at Cuajone and Toquepala. Over the last few years we have participated in important water infrastructure projects, such as dams and irrigation canals, and also strengthening local institutions, which have, without doubt, influenced the growth in farm production in this region.

Energy is one of the principal costs for our operation, in both the mining and railroad sectors, therefore concern for the conservation and efficient use of energy is especially clear. In the mining division, our consumption of electricity lowered 1.2% compared to 2008 and our goal is to reduce this by a further 2% for 2010. In our railroad operation, this commitment is better reflected in the efficient use of fuel, increasing fuel performance by more than 33% over the past 11 years. This ongoing search for energy efficiency emphasizes even more the environmental advantage of transporting by railroad, as the railroad is 3 times more efficient in fuel consumption than transporting by truck.

The harmonious co-existence between the railroad and the communities through which we transit is another priority for our operation. This commitment translates principally into railroad accident prevention programs, which reduced accidents by 23% in 2009. Our goal is to reduce this rate by a further 10% in 2010.

Our people are the cornerstone of our company. Our workforce increased by 25,000 employees in 2009 through the incorporation of PEMSA and ASARCO into the group. The safety of our people is our top priority and we continue to make advances towards our goal of Zero accidents. With the firm commitment of everyone, we reduced Grupo México's accident rate by 19% in 2009 from 2.91 to 2.37 and we aim to reduce this rate a further 12% in 2010. Specifically referring to the mining division, we have reduced the accident rate from 1.84 to 1.53. Last year, Grupo México invested US \$41.7 million in improving workplace conditions, training programs, medical centers, and occupational health campaigns.

Another important aspect in the integral development of our people is their professional growth, through a training plan based on performance evaluation and a challenge system implemented throughout the company. In 2009, we provided 734,000 hours of training, representing an average of 36 hours per employee over the year.

Social and community infrastructure is another key aspect for the development of our people. Given the nature of our industry, mining operations are usually away from urban centers and therefore the infrastructure is often insufficient. In 2009, we invested US \$12.5 million in our schools for employee families, sports and cultural programs, and also in basic residential infrastructure and services. This commitment extends

to our neighboring communities, through the investment of US \$7 million in building infrastructure, developing social programs, promoting production projects, and generating opportunities in health and education.

This report presents a synthesis of our performance and a general perspective of our challenges in key aspects of sustainability. The information provided has been prepared according to Global Reporting Initiative (GRI) standards and verified by an independent auditing firm. We recognize the efforts of our colleagues to reach the advances achieved. It is only with the commitment of everyone that we will be able to face the global responsibility of sustainable development.

Germán Larrea Mota-Velasco
CHAIRMAN OF THE BOARD