

Fresnillo plc

(the “Company”)

Remuneration Committee

Terms of Reference:

References within this section to the “**Committee**” shall mean the Remuneration Committee.

1 Membership

1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least three members who shall be non-executive directors and a majority of whom shall be independent non-executive directors.

1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the director of human resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

1.3 The Board shall appoint the Committee Chairman who shall be an independent non-executive director that has previously served on a remuneration committee for at least one year. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be Chairman of the Committee.

1.4 Each member of the Committee shall disclose to the Committee:

(i) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or

(ii) any potential conflict of interest arising from a cross-directorship;

and any such member shall abstain from voting on resolutions of the Committee in relation to which such interests exist and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

2 Secretary

The Company Secretary or his nominee shall act as the Secretary of the Committee.

3 Quorum

The quorum necessary for the transaction of business is two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4 Frequency of Meetings

The Committee shall meet twice each year and at such other times as the Chairman of the Committee shall require.¹

5 Notice of Meetings

5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6 Minutes of Meetings

6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed may be made available to any member of the Board who so requests a copy unless a conflict exists.

7 Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8 Duties

The Committee shall:

8.1 determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive, Chairman, the executive directors, the Company Secretary and the other members of Exco. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;

8.2 review workforce remuneration and related policies and the alignment of incentives and reward with culture;

8.3 in determining such policy referred to in 8.1, take into account all factors which it deems necessary including workforce remuneration and policies and the alignment of incentives and reward with culture. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

¹ The frequency and timing of meetings will need to be determined according to the company's timetable for announcement of results, salary reviews and share awards. Meetings should be organised so that attendance is maximised (for example by timetabling them to coincide with Board meetings).

- 8.4** regularly review the ongoing appropriateness and relevance of the remuneration policy;
- 8.5** liaise with the Nominations Committee to ensure that the remuneration of newly appointed executives is within the Company's remuneration policy;
- 8.6** approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;
- 8.7** review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other members of Exco and the performance targets to be used;
- 8.8** determine the policy for, and scope of, pension arrangements for each executive director and other members of Exco;
- 8.9** ensure that contractual terms on termination, and any payments made, are fair to the individual and the company, that failure is not rewarded, and that the duty to mitigate loss is fully recognised;
- 8.10** determine the policy for post-employment shareholding requirements encompassing both unvested and vested shares;
- 8.11** within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of each executive director and other members of Exco including bonuses, incentive payments and share options or other share awards;
- 8.12** in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code and the UK Listing Authority's Listing Rules and associated guidance;
- 8.13** review and note annually the remuneration trends across the company or group;
- 8.14** review policy relating to any major changes in employee benefits structures throughout the company or group;
- 8.15** agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- 8.16** ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and the UK Corporate Governance Code are fulfilled;
- 8.17** ensure that the Board maintains contact with its principal shareholders about its remuneration policy, practices and procedures; and
- 8.18** be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee. The Committee shall have full authority to obtain reliable, up-to-date information about remuneration in other companies and to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

9 Reporting Responsibilities

- 9.1** The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2** The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3** The Committee shall produce an annual report of the company's remuneration policy and practices which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the AGM.
- 9.4** A description of the activities of the Remuneration Committee shall be included in the Annual Report in line with the UK Corporate Governance Code specifically:
- 9.4.1** an explanation of the strategic rationale for executive Directors' remuneration policies, structures and any performance metrics;
 - 9.4.2** reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
 - 9.4.3** a description, with examples of how the Committee has addressed the factors of clarity, simplicity, risk, predictability, proportionality and alignment of culture when determining executive Director remuneration policies and practices;
 - 9.4.4** whether the remuneration policy operated as intended in terms of Company performance and quantum, and, if not, what changes are necessary;
 - 9.4.5** what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
 - 9.4.6** what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and
 - 9.4.7** to what extent discretion has been applied to remuneration outcomes and the reasons why.

10 Other

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11 Authority

The Committee is authorised:

- 11.1** to seek any information it requires from any employee of the company in order to perform its duties;
- 11.2** to obtain, at the company's expense, any reasonable outside legal or other professional advice; and
- 11.3** to secure the attendance of outsiders with relevant expertise and experience if it considers that necessary.

Approved by the Board of Directors of the Company on 20 February 2019