

RESOURCES AND RELATIONSHIPS

The key resources and relationships that underpin our business model:

H PEOPLE

We rely on the skills, experience and commitment of our people to meet our business goals. Attracting, engaging and developing the best talent are key to the execution of our strategic plan.

We have a skilled workforce of 5,139 unionised workers and employees and 12,462 contractors, supported by an experienced and value-driven leadership team.

See our people on pages 69–70.

N NATURAL RESOURCES

Our operations rely on a range of natural resources, including surface land, water, energy and fuel. Optimising our use of these resources, minimising the impact of our activities and being transparent and accountable regarding our environmental footprint are essential to maintaining our licence to operate.

- 1.8 million hectares of surface land in mining concessions in Mexico.
- 1,321 megalitres of recycled water in our processes (efficiency of 80.16%).
- 26,000 tonnes of CO₂e avoided through the use of renewable energies.

See environment on pages 76–80.

S RELATIONSHIPS WITH KEY STAKEHOLDERS

Our social licence to operate is our most valuable intangible asset. Sustained trust from our stakeholders mitigates the risk of conflicts that would otherwise compromise our ability to execute our business strategy.

We work with more than 230 local suppliers.

See our stakeholders on pages 22–23.

F FINANCIAL STRENGTH AND CONTROL

We maintain strict controls on cash, costs and expenses and adhere rigidly to capex budgets. Our healthy position regarding cash and other liquid funds¹, balanced by our low leverage ratio, ensure sufficient resources to invest in advancing our pipeline and delivering returns to shareholders.

- Healthy balance sheet and low leverage ratio.
- Total equity of US\$3,128.3 million.

See our strategy on pages 24–27.

M PROPERTY AND EQUIPMENT

Our assets, which include properties, infrastructure, processing plants and mining equipment, give us the capacity to meet our production targets. We operate these assets with a focus on continuous improvement in productivity and greater efficiency in the consumption of materials and energy.

Net book value of property, plant and equipment of US\$2,693.1 million.

See the Finance Review on pages 85–97.

I TECHNOLOGY

We leverage the knowledge of our employees to identify and implement innovative and effective technological solutions to support decision making and meet the challenges associated with new projects, maturing mines with declining ore grades, and rising social and environmental expectations. We ensure that our networks, systems and data are secure, in accordance with best practice.

Ongoing investments in the latest intelligent solutions to improve safety, productivity and decision-making, as well as identify and address gaps in cyber security.

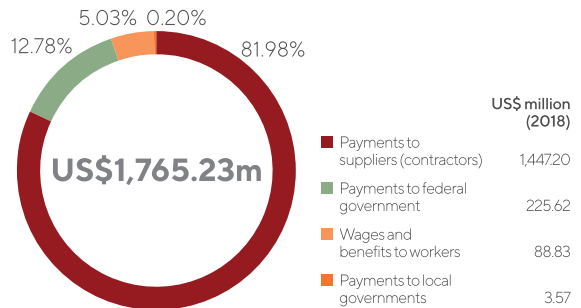
We have linked our resources and relationships to the Capitals outlined in the International Integrated Reporting Council's (IIRC's) framework.

- H Human N Natural S Social
F Financial M Manufactured I Intellectual

VALUE CREATION

Our activities create economic value in the regions where we operate through wages and benefits, payments to local contractors and suppliers, and municipal, state and federal taxes.

ECONOMIC VALUE DISTRIBUTED



FOR EMPLOYEES

We aim to provide a safe working environment with training and development opportunities.

- US\$88.8 million in benefits and payments to employees.
- 293 'I Care, We Care' workshops provided to 9,991 employees and contractors.

FOR COMMUNITIES

We invest in the local communities where we operate and aim to minimise our environmental impacts.

- Social investment through direct contributions to local communities: US\$3.1 million.
- Reading programmes benefitting 8,500 children in 72 schools.
- 1,321 megalitres of water recycled in our processes (efficiency of 80.2%).

FOR GOVERNMENT

We comply with all applicable laws and generate economic value through our operations.

- Obtain exploration, mining rights and environmental permits.
- Mining concession paid: US\$13.3 million.

FOR SHAREHOLDERS

We generate sustainable long-term financial returns.

- EBITDA US\$915.1 million.
- Profit for the year US\$350 million.
- Earnings per share 0.48 (US\$/share).
- US\$298.1 million paid in dividends.

FOR SUPPLIERS

We offer fair prices and provide technical support to our suppliers.

FOR CUSTOMERS

Treatment and refining charges: US\$141.2 million in 2018.

MEMBERSHIP ORGANISATIONS

We are active members of several mining organisations and associations, where we use our influence to promote greater recognition of the advantages that mining brings to society.


1 Cash and other liquid funds are disclosed in note 30c to the Financial Statements.

BUILDING



RELATIONSHIPS WITH KEY STAKEHOLDERS

We rely on strong relationships with our key stakeholders in order to gain trust and social acceptance for our operations, to maintain our licence to operate and to create shared value. To this end, we engage with the communities where we operate, as well as with unions, contractors, partners and suppliers. We also work closely with government and regulators and ensure open communications with investors.

 Find out more about the outcomes of our engagement initiatives in our Social and Sustainability Review on pages 66-84.

EMPLOYEES AND UNIONS

ENGAGEMENT STRATEGY

- Engage union representatives constructively on collective bargaining and health & safety issues.
- Conduct social, ethical and workplace surveys to identify issues that matter to employees.
- Operate Health & Safety programmes in each business unit to foster direct dialogue between employees and management.
- Operate the 'Fresnillo plays fair' whistleblowing line.

LOCAL COMMUNITIES AND CIVIL SOCIETY

- Meet regularly with key stakeholders to understand and discuss their concerns.
- Conduct Social Impact Assessments to identify potential negative impacts and perception studies to capture the expectations of communities.
- Operate grievance mechanisms to address the concerns of communities.
- Consult indigenous communities on new projects.

ISSUES THAT MATTER TO OUR STAKEHOLDERS

- | | |
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| <ul style="list-style-type: none"> • Remuneration. • Working conditions. • Labour rights. • Human rights. • Health & Safety. • Security. | <ul style="list-style-type: none"> • Their values and traditions. • Employment and procurement opportunities. • Public infrastructure and services. • Land acquisitions and resettlements. • Transparency regarding lobbying government payments. • Managing cyanide, mineral waste and hazardous materials. • Water stewardship. • Soil pollution. • Climate change. |
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HOW WE ADDRESS THESE ISSUES

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| <ul style="list-style-type: none"> • Competitive remuneration, training and development opportunities to retain our talent. • Uphold our labour standards and respect human rights to ensure a positive work environment. • Operate a Health and Safety management system based on best practices to ensure a safe and healthy workplace. • Train employees to embed ethics and safety in our culture. • Monitor security situations, maintaining clear internal communications and close relations with authorities at federal, state and local levels. | <ul style="list-style-type: none"> • Ensuring that priority is given to local employment and procurement. • Strengthening regional supply chains through participation in mining clusters in Zacatecas, Sonora and Chihuahua. • Working with community leaders to engage municipalities on projects with the Mining Fund. • Managing community investment portfolio in alliance with NGOs. • Following best practices for land acquisition, resettlements and indigenous consultations. • Disclosing our government relations & lobbying activities and our government payments. |
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**GOVERNMENT
AND REGULATORS**

- Engagement with federal authorities and regulators on regulatory issues through trade unions such as CAMIMEX and sustainability associations such as CESPEDS.
- Direct engagement with federal, state and local authorities regarding mining rights, environmental permitting, etc. in the regions where we operate.

**CONTRACTORS
AND SUPPLIERS**

- Engage contractors with the 'I Care, We Care' programme to embed safety in our culture.
- Engage contractors to certify their safety and environmental management systems and participate in government certifications.

SHAREHOLDERS

- Organise conference calls and roadshows.
- Attend investment forums and conferences.
- Annual General Meeting.

- Water stewardship.
- Mineral waste and hazardous materials management.
- Cyanide Management.
- Climate Change.
- Labour rights.
- Human rights.
- Health & Safety.

- Working conditions.
- Labour rights.
- Human rights.
- Health & Safety.
- Security.

- Operating and Financial performance.
- Growth strategy.
- CAPEX projects.

- Conduct Environmental Impact Assessments to identify potential impacts and mitigation strategies.
- Foster energy efficiency and supply from renewable sources.
- Observe Responsible Water stewardship to secure access, the efficient use of resources, pollution protection, and cooperation with communities.
- Manage our mineral and hazardous waste facilities responsibly.
- Manage cyanide in compliance with the International Cyanide Management Institute (ICMI).
- Participate in the Health, Safety and Environmental certifications of the Mexican authorities.

- Uphold our labour, Health & Safety and Environmental procedures.
- Carry out due diligence procedures to verify the ethical profile of new contractors.
- Provide technical support to help contractors comply with the Self-Management Safety programme.
- Monitor security, maintaining clear communications with contractors.

- Stringent viability criteria for development projects, including rates of return, to ensure adaptability across price cycles.
- Targeted investment and disciplined cash management.