

## MANAGING OUR RISKS CONTINUED

### RESPONSE/MITIGATION TO OUR RISKS

#### 3. ACCESS TO LAND

##### RISK DESCRIPTION

Failure or significant delays in accessing the surface land above our mineral concessions and other land of interest is a permanent risk to our strategy, and has a potentially high impact on our objectives. Possible barriers to land access include:

- Rising expectations of land owners.
- Refusal to acknowledge prior land acquisition terms and conditions by members of a community.
- Influence of multiple special interests in land negotiations.
- Conflicts in land boundaries with an often arduous resolution process.
- Succession issues among land owners resulting in a lack of clarity about the legal entitlement to possess and sell land.

- Litigation risk i.e. increased activism by agrarian communities and/or judicial authorities.
- Presence of indigenous communities in the proximity of land that is of interest, where prior and informed consultation and consent of such communities may be required.

Furthermore, insecurity in our exploration and operational areas as well as potential actions by the government increase the complexity of land access risk.

As the issue with the Ejido El Bajío is not yet resolved, operations at Soledad & Dipolos remain suspended.

##### RESPONSE/MITIGATION

Successful land access plays a key role in the management of our mining rights, focusing on areas of interest or strategic value. At the end of 2018, after adding required areas and divesting areas of less interest, we held 1.8 million hectares of mining concessions, which represents no change year-on-year. Other initiatives include:

- Careful advanced planning for land requirements and acquisitions by anticipating any issues with a potential land purchase before intensive exploration. In certain areas of interest, we negotiate leasing or occupation agreements with purchase options, in compliance with legal and regulatory requirements.
- The fostering of strong community relations through investment in community programmes and infrastructure. Such investments totalled US\$3.1 million in 2018.



See Social and Sustainability Review pages 66–84.

- Always seeking tri-party cooperation between the Government, community and ourselves in securing access to land.
- Early involvement of our community relations and negotiation teams during the negotiation and acquisition processes, including the exploration stage.
- Working with our land negotiation teams, which comprise specialists hired directly by Fresnillo and also provided by Peñoles as part of the service agreement.

As part of an ongoing review of the legal status of our land rights, we identified certain areas of opportunity and continue to implement measures to manage this risk on a case-by-case basis. Such measures include, whenever possible, negotiating with agrarian communities for the outright purchase of land. We use mechanisms provided under agrarian law and also utilise other legal mechanisms under mining law which afford added protection for land occupation. These activities form part of our ongoing drive to reduce exposure to risk regarding surface land.

##### DESCRIPTION OF RISK LEVEL

The mining industry continues to face legal challenges in regard to access to land by individuals and local communities who may seek to disregard previous land agreements. This has been a consistent challenge in recent years.

In addition, in areas close to land of interest, prior and informed consultation and consent of indigenous communities may be required on a case-by-case basis.

The outcome is that despite our many strategic actions, the perceived level of this risk remains very high.

##### KEY RISK INDICATORS

- Percentage of land required for advanced exploration projects which is under occupation or other agreements other than full property ownership (overall and by project).
- Total US\$ and percentage of project budget spent on HSECR activities, including community relations (at projects and exploration sites).

##### RISK APPETITE

#### MEDIUM

##### Risk rating (relative position)

2018: Very high (3)

2017: Very high (2)

##### LINK TO STRATEGY



##### CHANGE IN HEAT MAP

