

## 4. SECURITY

### RISK DESCRIPTION

Our people, contractors and suppliers face the risk of kidnapping, extortion or harm due to insecurity conditions in some of the regions where we operate. We face the risk of restricted access to operations/projects and theft of assets.

The influence of drug cartels, other criminal elements and general lawlessness in some of the regions where we operate, combined with our exploration and project activities in certain areas of transfer or cultivation of drugs, makes working in these areas a particular risk for us.

For example, activities at the San Nicolás del Oro prospect remained suspended because of the level of insecurity in the state of Guerrero.



### RESPONSE/MITIGATION

We closely monitor the security situation, maintaining clear internal communications and coordinating work in areas of higher insecurity. We have adopted the following practices to manage our security risks and prevent and deal with possible incidents:

- We maintain close relations with authorities at federal, state and local levels, including army encampments located near the majority of our operations.
- We have completed the implementation of increased technological and physical security of our Merrill Crowe plants at Herradura and Noche Buena, including the use of a remote monitoring process, also in use at the San Julián mine. At the Saucito and Fresnillo mines, this programme is 90% and 40% complete, respectively; implementation at these two mines has taken longer than expected due to the extent of the new arrangements and the increased scope (remote monitoring). However, we expect to complete full implementation of our higher internal standard requirements across all business units during 2019.

- During 2018, we replaced the majority of our security contractors, all of which now meet our operational standards and reinforce our security strategies.
- We have maintained our logistics controls in order to reduce the probability of theft of mineral concentrate. These controls include: the use of real-time tracking technology; surveillance cameras; tests to identify alterations in transported material; guard services; control checkpoints in a 'safe corridor'; and reduced number of authorised stops in order to optimise delivery times and minimise the exposure of convoys.
- We continue to invest in community programmes, infrastructure improvements, and government initiatives to support the development of lawful local communities and discourage criminal acts.
- We suspend access to areas with an unacceptably high level of insecurity.
- Both internally and among our contractors, we continue to promote the reporting of criminal acts to the authorities.



### DESCRIPTION OF RISK LEVEL

We have continued to experience a high level of security incidents, both in frequency and severity, however our operations were not materially impacted. The perceived level of risk has therefore remained very high. In the regions and projects where we operate, we did not observe an improvement in the crime rate during 2018.

Following the change of administration, we have yet to see evidence of the new national security strategy. We expect this to include the creation of a National Guard.

We refer to The Global Peace Index<sup>1</sup> ranking, which indicates a higher likelihood of violent demonstrations and political instability. This index uses three broad themes: level of safety and security in society; the extent of ongoing domestic or international conflict; and the degree of militarisation. Mexico ranks 140 of 163 countries worldwide (from best to worst), as a country with a low state of peace, and has fallen two places in the ranking. In addition, we also use the Mexico Peace Index<sup>2</sup> ranking as a reference. This is a comprehensive index of the following indicators: homicides; violent crimes; weapons crimes; organised crime; and detention without a sentence. The index ranks states from 1 to 5, where 1 represents the most peaceful. Zacatecas (3.3 on the index) tends to rank among the less peaceful states in Mexico, while Chihuahua (2.9), Sonora (2.2) and Durango (2.0) are located in the medium range.

### KEY RISK INDICATORS

- Total number of security incidents affecting our workforce (thefts, kidnapping, extortion, etc.).
- Number of sites affected and work days lost, by region and type of site.
- Number of media mentions related to security issues affecting the mining industry where we operate.

### RISK APPETITE

#### LOW

#### Risk rating (relative position)

2018: Very high (4)

2017: Very high (4)

### LINK TO STRATEGY



### CHANGE IN HEAT MAP



<sup>1</sup> Global Peace Index 2018 prepared by the Institute for Economics & Peace, <http://economicsandpeace.org/>

<sup>2</sup> Mexico Peace Index 2018 prepared by the Institute for Economics & Peace, <http://economicsandpeace.org/>