

MANAGING OUR RISKS CONTINUED

RESPONSE/MITIGATION TO OUR RISKS

11. ENVIRONMENTAL INCIDENTS

RISK DESCRIPTION

Environmental incidents are an inherent risk in our industry. These incidents include the possible overflow or collapse of tailing deposits, cyanide spills and dust emissions, any of which could have a high impact on our people, communities and business.

RESPONSE/MITIGATION

Our environmental management system ensures compliance with Mexican regulations, provides transparency, and supports initiatives that reduce our environmental footprint.

Four of our five mining units are certified under ISO 14001 and have Clean Industry certification; our San Julián mine is currently in the process of obtaining both.

Our leaching operations in Herradura and Noche Buena operate in compliance with the Cyanide Code issued by the International Cyanide Management Institute.

The recent disaster in Brazil has led to increased focus on the issue of tailings dam safety across the global mining industry, and motivated us to review our controls to mitigate this risk.

Our controls include carrying out a number of studies to confirm that an area is suitable prior to the construction of a dam. These studies include geotechnical, geological, geophysical, hydrological and seismic analysis. Prior to construction, the CNA (National Commission for Water) undertakes various studies and continues to periodically review dams in relation to environmental impacts, on an ongoing basis.

Evidence that the Company continues to comply with all the CNA's parameters is the fact that all permits are still held by Fresnillo plc. In addition, management carries out thorough internal and third party reviews for all tailings dams within the Group. Furthermore, management continues to take actions to mitigate this risk, for example by engaging a third party to conduct a design stability assessment before a tailings dam is approved for an increase in capacity, and to carry out regular tests throughout the lifetime of the dam.

We rigorously adhere to the requirements established by each project's environmental permit (Environmental Impact Statement issued by the Ministry of Environment, SEMARNAT). We also continue to support contractors in their efforts to integrate environmental management systems.

 See our performance in our Environment section on pages 76–80 of this report.

DESCRIPTION OF RISK LEVEL

Our environmental management system, together with our investment in preventative measures and training, are key factors which reduce the risk of major environmental incidents. Based on the perceived level of risk due to the recent severe and catastrophic industry developments, the Board has decided to increase the severity of this risk.

KEY RISK INDICATORS

- Number of BUs with ISO 14001:2004 certification.
- Number of BUs with Clean Industry certification.
- Number of BUs with International Cyanide Code certification.
- Number of environmental permits for all advanced exploration projects (according to schedule).

RISK APPETITE

LOW

Risk rating (relative position)

2018: Medium low (11)

2017: Low (12)

LINK TO STRATEGY



CHANGE IN HEAT MAP

