DIRECTORS' REMUNERATION REPORT CONTINUED
PROPOSED DIRECTORS' REMUNERATION POLICY FOR 2019

INTRODUCTION

This part of the Directors' Remuneration Report sets out the remuneration policy of the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'). The policy has been developed taking into account the principles of the 2018 version of the UK Corporate Governance Code (the '2018 Code') and the views of our major shareholders. The Remuneration Committee have assessed the criteria recommended by Code Provision 40 of the 2018 Code. It believes that the Company's remuneration policy has always been inherently clear, simple, designed to avoid of excessive rewards, predictable and proportionate. The changes to the remuneration policy seek to create even closer alignment between remuneration and the Company's purpose, values and strategy. It describes the policy which will be applied for the financial year ending 31 December 2019. The remuneration policy will be put to a vote at the 2019 Annual General Meeting and if approved, the effective date of the policy will be the date of the 2019 Annual General Meeting of the Company, 21 May 2019.

As required by UK law, the remuneration policy is binding in relation to Directors. The Company currently has no Executive Directors who would be bound by the remuneration policy. However, the Company will (as it has previously done) treat the Chief Executive Officer as if he were an Executive Director for the purposes of the remuneration policy and for reporting on his remuneration.

REMUNERATION POLICY

The Group's remuneration policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors and members of the Executive Committee. The retention of key management and the alignment of management incentives and the creation of shareholder value being key objectives of this policy.

Setting base salaries for Executive Directors and members of the Executive Committee at an appropriate level is a key to managerial retention in Mexico. Therefore, the Remuneration Committee seeks to ensure that salaries are market competitive both within the Mexican context and internationally for comparable companies. Total compensation is set within a range around the median level for the Company's peer group within Mexico and internationally, total remuneration is benchmarked triennially to ensure that the whole remuneration package is maintained at this level over the long term. Salaries are positioned within the range according to experience and service.

The table below sets out the key elements of Executive Directors' pay set out in the remuneration policy (the 'Policy Table'):

BASE SALARY

PROVIDES THE CORE REWARD FOR THE ROLE	
Operation	Reviewed annually and fixed for 12 months starting on 1 April each year and the review is influenced by: • Role, experience and performance. • Average workforce salary adjustments. • Mexican economic factors. • Comparison with the Company's peer group in Mexico and internationally. Salaries are benchmarked triennially by reference to companies of similar size and complexity and will be positioned within a mid-range of the Company's comparator peer group in Mexico and internationally. The next review will take place in April 2019.
Maximum value	The Executive Director's salary will be reviewed taking account of the benchmarking information received by the Remuneration Committee and the maximum value of the Executive Director's base salary will be positioned within the mid-range for companies in the peer group of Mexican and international resources companies. An Executive Director's salary will be increased in line with increases applied across the whole workforce. In exceptional circumstances, the Executive Director's salary may be increased by up to but never more than 10% above the average pay increase for the whole workforce of the Company in any year. The rationale for such increases will be fully explained in the Annual Report on Remuneration.
Performance metric	The Remuneration Committee considers individual salaries at the appropriate meeting each year by reference to the factors noted under the 'Operation' heading in this table. Details of the current remuneration of the Executive Director are provided in the Annual Report on Remuneration.
Discretion	The Remuneration Committee will establish the Company's comparator peer group in Mexico and internationally as part of the triennial review which it will consider in April 2019. The peer group will be reviewed again in April 2019. The Committee will report on the outcome of these reviews within the relevant Annual Report on Remuneration.

DIRECTORS' REMUNERATION REPORT CONTINUED
PROPOSED DIRECTORS' REMUNERATION POLICY FOR 2019 CONTINUED

ANNUAL BONUS

REWARDS THE ACHIEVEMENT OF BOTH SHORT AND LONG-TERM FINANCIAL AND STRATEGIC BUSINESS TARGETS AND DELIVERY OF PERSONAL OBJECTIVES

Operation

Targets are renewed annually and relate to the strategic aims of the business as a whole. A scoring system is used for the plan. Each objective set for the executive at the beginning of the year is allocated a points-rating which represents a median performance target for that objective. Upper and lower point thresholds are set to allow for outstanding performance and to ensure that underperformance is not rewarded. For each member of the Executive Committee (including the Chief Executive Officer, the Chief Financial Officer, the Vice President of Exploration and the Chief Operating Officer), a bonus is only payable if the aggregate performance equals or exceeds 100 points. Bonus payments are paid for aggregate performance against target at or above 100 points is made on a prorated basis between two months' salary paid for the achievement of 100 points and six months' salary paid for the achievement of 115 points or more, as follows:

Number of points	Months' salary paid
100.00	Two months' salary.
100.01-115.00	Prorated on a linear basis between two months' salary and six months' salary.
115.01+	Six months' salary.

Maximum value

The maximum percentage of salary is 50% (six months' salary) and is paid where Executive Directors achieve 115.01 points or more under the Annual Bonus Plan (the target is 100 points).

Performance metric

The KPI targets set out in the previous table will apply and are intended to focus on risks that are within the control and influence of management. Thus, the management of safety, security, project, human resource, exploration teamwork, synergies, community and environmental risks are all currently implicitly covered within the KPIs. The KPIs and targets, which are set by reference to the reserves and resources and financial metrics at the previous year end and/or set in the budget for the forthcoming financial year are also designed to ensure that both short-term objectives and the long-term development of the Fresnillo Group are given equal priority. The achievement of project milestones will be used to measure project management performance and the Committee's discretion will be applied for subjective metrics such as teamwork.

Details of the measures, targets and performance which is tested on an annual basis will be provided in the Annual Report on Remuneration.

Discretion

The Remuneration Committee considers that the KPIs, upon which bonuses are based, may need to evolve from year-to-year in line with the strategy and therefore it retains the discretion to make appropriate adjustments to the KPIs themselves, the bonus bands within the overall maximum and the individual KPI weightings from year-to-year.

The Remuneration Committee retains the discretion to adjust bonus payments in the following circumstances:

(i) A downward adjustment where the KPI outcomes would result, in the opinion of the Remuneration Committee, in a bonus payment which cannot be justified by the Company's financial or operational performance during the year (or in respect of previous years). In this case a downward adjustment would be applied.

(ii) Where factors outside the control of Executive Directors e.g. force majeure circumstances have significantly depressed the level of points awarded. In deciding whether adjustment is merited, the Remuneration Committee will consider the appropriateness of the Executive Director's response to those circumstances; in this situation a modest upward adjustment may be considered.

(iii) Poor executive response to adverse health, safety or environmental performance during the year, in which case a downward adjustment would be considered.

The use of any such discretions will be fully explained in future Directors' Remuneration Reports.

Note: Any adjustment in individual KPI weightings will not result in their achievement being any less difficult to satisfy.

BENEFITS

HELP RECRUIT AND RETAIN EMPLOYEES	
Operation	An Executive Director would be entitled to life insurance, the use of a company car and chauffeur, meal and subsistence benefits, the payment of premiums for medical insurance covering limited expenses and check-ups. Benefits may be changed if Company policy on benefits changes.
Maximum value	The current benefits are set out in the Annual Remuneration Report. The maximum value of benefits will be determined by Company policy that is applicable from time to time.
Performance metric	None.
Discretion	The Remuneration Committee may consider changes to the benefits made available to Executive Directors in line with any changes in the policy for benefits provided to all employees.

PENSION

REWARDS CONTINUED EMPLOYMENT AND SUSTAINED CONTRIBUTION	
Operation	The Group operates a defined contribution scheme. Executive Directors are entitled to membership of the defined contribution scheme.
Maximum value	The maximum Company contribution for any employee may not exceed 13% of salary.
Performance metric	None.
Discretion	Not applicable.

ALIGNMENT OF EXECUTIVE REMUNERATION AND THE MARKET

In setting the fixed remuneration of Executive Directors and the members of the Executive Committee, information relating to the mining company comparators is provided by various consultants. Information relating to the Mexican economic metrics and internal benchmarking is collated by management for the Remuneration Committee to consider.

A formal review of the Executive Director and Executive Committee members' remuneration is conducted by Willis Towers Watson and will be undertaken at least once every three years. These enable the Remuneration Committee to validate the Company's policy towards remuneration and ensure that it is globally as well as locally competitive. The analysis evaluates the elements of base salary, short-term compensation (guaranteed payments and short-term bonus) and long-term compensation (primarily stock programmes) separately. With assistance from Willis Towers Watson, the Remuneration Committee has established a peer group which will be used to benchmark any Executive Director's and any Executive Committee member's remuneration (the 'Peer Group') to ensure that it remains within the parameters set out in this policy (see page 137 of the Annual Report on Remuneration). The Peer Group will be reviewed at least every three years, and updated where necessary, to ensure that it remains an appropriate comparator group of companies.

THE CONSIDERATION OF WIDER EMPLOYMENT CONDITIONS AND REMUNERATION

When setting pay and benefits for Executive Directors and members of the Executive Committee, the Remuneration Committee takes account of pay and conditions across the Group. It will consider the overall pay increase percentage negotiated each year, with employee representatives as its starting point taking account of inflation and other information supporting the annual pay award for employees. Subject to the 10% limit in the Policy Table, the Remuneration Committee may agree pay increases above or below the agreed percentage in exceptional circumstances, where in its discretion it considers such variance to the norm to be justified. Other than the Willis Towers Watson report specifically commissioned by the Remuneration Committee, the same benchmark reports are used in the evaluation of executive and employee remuneration, thus providing a common approach to both.

Below Board level, a statutory profit-sharing arrangement ('PTU') is operated which in some years has enabled employees to receive significant levels of bonus in line with the increased profitability of the relevant employing company. Neither the Chief Executive Officer nor any of the Non-executive Directors participate in a PTU scheme within the Fresnillo Group. The other members of senior management group below Board level are employed by Servicios Administrativos Fresnillo S.A. de C.V., which pays annual PTU payments. However, such payments are modest.

The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007). Membership of the latter scheme is voluntary, members earning a salary of no more than 25 times the minimum wage in force from time to time may make contributions of 5% to the scheme.

On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5-8% of salary to this plan. Members may elect to match percentages between 5% to 8% of salary.

Executive Directors may participate the Group's pension schemes on the same basis as any other employee.

DIRECTORS' REMUNERATION REPORT CONTINUED
PROPOSED DIRECTORS' REMUNERATION POLICY FOR 2019 CONTINUED

The Remuneration Committee does not consult with employees in setting Directors' remuneration. Engagement with employees as a stakeholder group is primarily the responsibility of the Board; however, where appropriate, the Remuneration Committee will consider any relevant feedback from employees to the Board in relation to remuneration matters when discharging its responsibilities under this Policy.

ENGAGEMENT WITH SHAREHOLDERS ON REMUNERATION

The composition of the Remuneration Committee has been designed to ensure that the views of the controlling shareholder (through the membership of the Chairman of the Board on the Committee) and the independent shareholders (through the membership of a UK-based Director on the Committee) can be represented. The Remuneration Committee has considered the views of organisations such as Institutional Shareholder Services ('ISS') and the Investment Association both generally and as reported to the Company in relation to its own executive remuneration practices prior to each Annual General Meeting, when considering the Remuneration Policy and its application.

POLICY ON RECRUITMENT

The Remuneration Committee will consider the remuneration of new Executive Directors by reference to the remuneration policy set out previously. The Remuneration Committee does not as a default position pay sign-on payments or compensate new Directors for any variable remuneration forfeited from any employment prior to joining the Board. If it did, such payments would be fully explained in the next Annual Report on Remuneration both as to the reason for payment and the rationale for the quantum. Salary will be set so as to be market competitive both within the Mexican context and internationally for comparable companies and taking account of the experience and seniority of the appointee coming into the new role. The Remuneration Committee is likely to set base salaries below median on appointment while retaining discretion to award increases during the first and, possibly, subsequent years to bring salaries into the normal range expected for Executive Directors, in line with the Company's stated policy. Such increases will not exceed the maximum level set out in the Policy Table. New Executive Directors will receive benefits and pensions in line with the Company's existing policy and will be able to participate in the Annual Bonus Plan on a pro-rated basis for the portion of the financial year for which they are in post. The maximum level of variable pay for new recruits will be the same as that set out in the Policy Table for existing employees (pro-rated as necessary).

POLICY ON LOSS OF OFFICE

Other than in circumstances of gross misconduct, Executive Directors and members of the Executive Committee, including the Chief Executive Officer, leaving employment from the Group, will be entitled to receive salary and pro-rated annual bonus based on performance to the date of leaving. Statutory entitlements are payable according to Mexican labour law, based on length of service. Mexican labour law does not make any provision for employers and employees to give or receive notice of termination of employment. Therefore the Committee will not generally make payments in lieu of notice to departing executives. However, the Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. No contractual commitments concerning loss of office were entered into with any Director prior to 27 June 2012.

ANNUAL BONUS PLAN AND POLICY ON VARIABLE REMUNERATION

It is the Company's policy not to use its equity to incentivise long-term performance. The Company's core strategy is one of long-term sustainable growth. Sustainable growth in mining requires the steady and safe expansion of the Group's operations through the discovery of new resources and construction, maintenance and/or expansion of new mines. No distinction is therefore made between short and long-term incentives.

The Company operates a single cash-based incentive plan for Executive Directors and the members of the Executive Committee, including the Chief Executive Officer.

RECOVERY OF BONUS

The absence of long-term incentives and the operation of Mexican law makes it difficult to adopt claw-back and malus arrangements. The Remuneration Committee has considered whether malus and/or claw-back provisions should be incorporated into the service agreement for the Chief Executive Officer. Given that the Company does not operate any remuneration plans with a timeframe of more than one year, the Remuneration Committee does not consider that there is much value in introducing claw-back provisions into the contractual arrangements with the Chief Executive Officer at this stage. Within this remuneration policy, the Remuneration Committee reserves the right to make downward adjustment to bonus payments where the KPI outcomes would result, in the opinion of the Remuneration Committee, in a bonus payment which cannot be justified by the Company's financial or personal performance during the year (or subsequently in respect of previous years). In this case a downward adjustment would be applied.

ILLUSTRATIONS OF THE APPLICATION OF THE REMUNERATION POLICY FOR THE CHIEF EXECUTIVE OFFICER

The following table sets out the fixed and variable remuneration of the Chief Executive Officer in the different scenarios where he receives, minimum, target and maximum variable pay (based on 31 December 2018 remuneration).

Component	Max value US$'000s		Minimum	Target	Maximum
Share incentives[1]					
Annual bonus	303	Annual variable pay[2]			US$1,295k[4]
				US$1,093k	23.4%
			US$992k	9.2%	
Pension benefits	79	Fixed pay[3]	100%	90.8%	76.6%
Other benefits	78				
Base salary	835				

1 Fresnillo plc does not operate any share option or share-based long-term incentive plans.
2 Variable pay consists only of remuneration where performance measures or targets relate only to one financial year.
3 Fixed pay includes salary, benefits and pension.
4 The Company does not operate any equity-based long-term incentives, consequently, the Company's share price does not have any impact on the variable remuneration paid to Executive Directors and members of the Executive Committee who do not sit on the Board.

EXTERNAL APPOINTMENTS

It is the Board's policy to allow Executive Directors to accept directorships of other quoted and non-quoted companies and retain any fees or other remuneration for doing so, provided that they have obtained the consent of the Chairman of the Company. Any such directorships must be formally notified to the Board.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The remuneration of the Chairman of the Company and the Non-executive Directors consists of fees that are paid quarterly in arrears. The Chairman and Non-executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement. Neither the Chairman nor any of the Non-executive Directors has a service contract with the Company; however each has entered into a letter of appointment with the Company.

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

On their initial appointment, each of the Non-executive Directors signed a letter of appointment with the Company, for an initial period of three years. Since April 2011, the letters of appointment of serving Non-executive Directors have been drafted in accordance with provision B.7.1 of the UK Corporate Governance Code, thus obliging them to retire at each Annual General Meeting and be subject to annual re-election by shareholders to serve for a further term of one year. The amendments have been drafted such that renewed appointment will not necessitate a new letter of appointment.

The Chairman of the Company does not receive any fees for acting as Chairman other than his fees as a Non-executive Director.

Each Non-executive Director is expected to commit a minimum of 14 days per year in fulfilling their duties as a Director of the Company. The fees payable to Non-executive Directors are calculated on the following bases:

- A base fee of £35,000 per annum is paid to each non-UK-based Non-executive Director to reflect the time commitment and level of involvement they are required to make in the activities of the Board as a whole.
- There are no set fees for membership of any Board committees or for the chairmanship of the Board, other than as follows.
  - The UK-based Non-executive Directors receive a higher fee, currently £90,000 per annum, to reflect the additional time commitment that they make in order to travel to Board meetings in Mexico and for responsibilities as Committee members and, where appropriate, as Senior Independent Director and/or Chairman of any Committee.
  - When the Chairman of the Audit Committee is resident in Mexico, he/she will receive an additional fee of £15,000 per annum.
  - Members of the Audit Committee will receive an additional fee of £5,000 per annum.

SHAREHOLDING GUIDELINES

Fresnillo has not introduced share ownership guidelines The Company does not operate share-based incentive arrangements given that the culture for incentives in the Mexican market does not favour share-based incentives. Consequently, there would be neither opportunity nor appetite for executives to build a shareholding in the Company and therefore the Remuneration Committee has not adopted any shareholding guidelines.