

## MANAGING OUR RISKS RESPONSE/MITIGATION TO OUR RISKS

### 1 – Potential actions by the Government, e.g. implementation of more stringent regulations for obtaining permits

#### RISK DESCRIPTION

Regulatory actions can have an adverse impact on the Company. These could include stricter environmental regulations, forms of procurement or explosives, more challenging permit processes, more onerous tax compliance obligations for us and our contractors, as well as more frequent reviews by tax authorities.

The right of indigenous communities to be consulted regarding mining concessions could potentially affect the granting of new concessions in Mexico.

The Federal Government wants to discourage the generation of energy based on clean sources, and encourage that from fuel, oil and coal.

We paid special attention to the following aspects:

- Government actions that negatively impact the mining industry.
- Regulatory changes to mining rights and adverse fiscal changes.
- Increase in the frequency of the reviews by the tax authorities with special focus on the mining industry.
- Inability to obtain necessary water concessions because of government control or private interests.
- Failures/delays in obtaining the required environmental permits.

#### FACTORS CONTRIBUTING TO RISK

- An effective strategy by health authorities for the implementation of the Covid-19 vaccine may not be implemented.
- In September, the position of Undersecretary of Mining at the Ministry of Economy was cancelled due to austerity measures by the Government of Mexico. This government decision will complicate communication and on-the-go procedures such as permits, licences, concessions, etc.
- The Federal Government reported that the delivery of concessions to mining companies would be reviewed and that no more concessions would be granted during this six-year term (ending in 2024).
- The Secretary of Labour is promoting an initiative that aims to significantly reduce outsourcing.
- The Federal Government promotes investment in coal rather than renewable or clean energy. This has led to increased difficulty in operating on clean energy.
- A Federal Government initiative aims to discontinue the Mining Fund (financial support that the Government provides to communities near the mine for social development). This would have an impact on mining development in the country.
- The beginning of the United States–Mexico–Canada Agreement (USMCA or TMEC) with new labour dispositions.
- In addition, Mexico's corruption perception remains high. The country's score in International Transparency 2020 Corruption Perception Index was relatively unchanged, despite a higher ranking. As a result, delay in obtaining permits for certain operations and/or projects remains a risk.

#### CONTROLS, MITIGATING ACTIONS AND OUTLOOK

Commitment and constant communication with all levels of government.

Increased monitoring of the processes being implemented at the Ministry of Economy.

Follow-up and timely compliance with all suggestions of the health authorities.

→ For more details see Occupational Health on pages 90-91

We remain attentive to the changes proposed by the authorities, including mining tax initiatives, so that we can respond in a timely and relevant manner.

We continue to collaborate with other members of the mining community through the Mexican Mining Chamber to lobby against any new harmful taxes, royalties or regulations. We also support industry lobbying efforts to improve the general public's understanding of the mining industry.

We continue to comply with all applicable environmental regulations and are fully committed to operating sustainably.

→ For more details see Environment on pages 92-105

We are committed to maintaining community dialogue throughout the life of a mining project, from the first exploration to the eventual closure, with the aim of creating long-term relationships and value, while ensuring operational continuity.

→ For more details see Communities on pages 106-109

We seek to maintain full compliance with the requirements of the tax authority.

In doing so, we continue to cooperate with any ongoing tax inspections.

#### COVID-19 PANDEMIC IMPACT

The Federal Government or state government orders another total or partial stoppage of operations in mining units for a wave of mass contagions, mainly in Sonora and Zacatecas.

#### KEY RISK INDICATORS

- Number of media mentions related to mining regulations. These could include the mention of tax, royalties, the banning of mining activities in protected areas and legal precedents. The indicator also provides details about the media itself, such as the speaker profile and political alignment.

#### LINK TO STRATEGY



#### RISK APPETITE

Low

#### CHANGE IN HEAT MAP

↑ Increasing

#### RISK RATING (RELATIVE POSITION)

2020: Very high (1)  
2019: Very high (2)