

MANAGING OUR RISKS RESPONSE/MITIGATION TO OUR RISKS

CONTINUED

3 – Security

RISK DESCRIPTION

Our employees, contractors and suppliers face the risk of theft, kidnapping, extortion or damage due to insecurity in some of the regions where we operate.

The influence and dispute of territories by drug cartels, other criminal elements and general anarchy in some of the regions where we operate, combined with our exploration activities and projects in certain areas of drug deposit, transfer or cultivation, makes working in these areas a particular risk to us.

The Federal Government created the Secretariat of Citizen Security and Protection as part of the comprehensive strategy to reduce insecurity. It also created the National Guard, mostly comprising military personnel, with the aim of combating organised crime and drug cartels. Unfortunately, state or local police in most states are unprepared and ill-equipped to combat organised crime, have low wages and are sometimes infiltrated by crime.

According to information from the Secretariat of Security and Citizen Protection, the National Guard and the Attorney General's Office of the Republic, the presence of organised crime and high-impact crimes (homicide, kidnapping and extortion) increased in 2020, in the states where our business units and projects are located, such as Zacatecas, Guanajuato, Sonora, Chihuahua and Durango.

The main risks we face are:

- High-impact robberies.
- Theft of assets such as minerals, equipment, instruments, inputs, etc.
- Homicide.
- Kidnappings.
- Extortions.
- Vandalism.

FACTORS CONTRIBUTING TO RISK

- Increased presence of organised crime in the vicinity of the mining units.
- Increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions of the mining units.
- Consumption and sale of drugs at the mining units.
- Roadblocks or blockages on the roads and/or highways near the mining units.
- The Mexican State of Sonora is notorious for being under constant attack from organised crime gangs. Several attacks have taken place recently jeopardising the continuity of mining operations and the physical integrity of workers employed by Minera Penmont.
- On 23 March, two armoured trucks operated by SEPSA, a money-in-transit carrier, transporting 60 kilograms of gold and 398 kilograms of silver worth US\$2.73 million from Minera Penmont was attacked by an armed group and the precious metals were stolen.
- Lead concentrates were stolen from the Ciénega mine on 22 and 23 May. The transport was intercepted on the way out of the mine by heavily armed members of organised crime gangs.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

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

- We maintain close relations with authorities at the federal, state and local levels, including army camps located near most of our operations. We also communicate with the newly created National Guard.
- We continue to implement greater technological and physical security at our operations, such as the use of a remote monitoring process in Herradura, Noche Buena and San Julián. In the Saucito and Fresnillo mines, in addition to the remote monitoring service, we have also built new local operating and command centres for each business unit. At the Juanicipio development project, we have the necessary infrastructure to provide security services during the mine construction process. Juanicipio also benefits from a local command and operation centre, as well as the remote monitoring service.
- We have maintained our logistics controls in order to reduce the potential for mineral concentrate theft. These controls include: the use of real-time tracking technology; surveillance cameras; tests to identify alterations in the transported material; on-call services; control checkpoints in a safe broker; and fewer 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 legal local communities and discourage criminal acts.
- We have increased the number of anti-doping tests conducted at the start of the day in the mining units.
- Frequent inspections are carried out inside the mines to verify that drugs are not consumed and sold.
- Drug consumption prevention campaigns are carried out, focused on employees.

Management is fully committed to protecting our workforce.

COVID-19 PANDEMIC IMPACT

The Covid-19 pandemic has had a negative impact on the security risk. High-impact crimes did not decrease – in fact they increased in some regions such as Guanajuato and Zacatecas.

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 safety issues affecting the mining industry where we operate.

LINK TO STRATEGY



RISK APPETITE

Low

CHANGE IN HEAT MAP



Increasing

RISK RATING (RELATIVE POSITION)

2020: Very high (3)

2019: Very high (4)