

4 – Human resources

RISK DESCRIPTION

Fresnillo plc's most valuable asset is its workforce.

The Covid-19 pandemic has several health risks for employees. The way that mining works (especially underground), where there are several workers in one place, further increases the possibility of contagion. Due to the complex nature of mining operations and the remote locations in which they are often located, it is difficult to implement health measures and carry medical prevention equipment.

Close working conditions at mine sites are placing workers on the frontline in terms of health and safety risks, prompting us to quarantine workers when national lockdown regulations did not force us to do so.

Faced with the risk of contagion from the Covid-19 pandemic threat, we implemented several strategies to protect and preserve the health of employees and contractors in all business units. The close cooperation between our human resources function and our medical team has been fundamental to the application of timely tests and the care of infected personnel.

However, the risk of contagion continues and increased in the months of September to December, mainly in the Fresnillo District, where the highest number of cases of contagion across the Company has been detected. This situation is likely to be exacerbated when the new strains of the virus reach Mexico.

Until such a time that the vaccine is broadly available, and the population becomes immune to Covid-19, this will remain a very high risk to the Fresnillo plc workforce and in general to all humanity.

Our people are critical to meeting our goals. We face multiple risks in the processes of selection, recruitment, training and retention of talented people with technical skills and experience.

Obtaining qualified labour in the mining sector has become a major risk. More and more people trained and experienced in mining processes are required. Unfortunately, there are not enough candidates with the required profiles.

Digital and technological innovation has the potential to generate substantial improvements in the productivity, safety and environmental management of the Company. However, to achieve this, in addition to demanding significant investment, different skillsets will be required in the workforce. There is a risk that our workforce will either be unable to transform as needed or will be resistant to change and unwilling to accept the impact of automation or to acquire new technological skills.

The lack of reliable contractors with sufficient infrastructure, machinery, performance history and trained people is also a risk that could affect our ability to develop and build mining works.

FACTORS CONTRIBUTING TO RISK

- A resurgence of cases in the months of September to December in Mexico maintained the level of risk as very high.
- Unfortunately, the population does not follow the measures to prevent Covid-19 and that increases the risk of contagion.
 - Workers in the mining sector have been particularly affected by the pandemic, given the employment architecture of the industry, which can feature remote fly in-fly out or drive in-drive out operations, congested underground working conditions, and workers residing in mine-site compounds or neighbouring communities. These conditions make some Covid-19 preventive measures difficult to implement, which makes mineworkers vulnerable to both acquiring and spreading the virus.
- At some mines we have a lack of specialised personnel to cover working hours.
- In certain regions where we operate there are not enough candidates with the necessary skills to operate the mining equipment.
- The Secretary of Labour is suggesting changes to the law aimed at eliminating the outsourcing of personnel. Should this legislation be passed it would complicate our relationship with the contractors who support our mining operations and projects.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

Our Employee Performance Management System is designed to attract and retain key employees by creating suitable reward and remuneration structures and providing personal development opportunities. We have a talent management system to identify and develop internal candidates for key management positions, as well as identify suitable external candidates where appropriate.

Recruitment: We have evaluated our recruitment requirements for key positions by 2021, and our goal is to meet them through internal training and promotion, and recruitment through:

- Our close relationships with universities that offer earth science programmes. We have programmes dedicated to identifying potential performance-based candidates who can be hired as trainees and/or employees at graduation. We welcomed seven professionals and 18 engineers to our coaching programme during the year.
- CETEF (Fresnillo Center for Technical Studies), which teaches specific mining operational skills. The five graduates hired in 2020 joined as full-time employees.
- CETLAR (Centre for Technical Studies of Peñoles), which trains mechanical and electrical technicians. The 12 graduates hired in 2020 joined as full-time employees.

Our focus is continuous improvement, powered by opportunities for training, development and personal growth; in brief, we focus on fair recruitment, fair remuneration and benefits, and gender equality. In the trusted staff structure, 15.29% of the population are women, of the new income staff 17% were women, and 17% of the female population were promoted.

In partnership with the University of Arizona, we developed a five-hour online training module on Diversity, Equity and Inclusion for our executives, managers and high potential talent. Around 300 leaders participated in this training, which covered the following topics: defining and addressing Fresnillo's strategy for diversity, equity and inclusion; understanding unconscious bias and different types of diversity; identifying the types of microaggressions; recognising toxic masculinity; and reviewing stereotypes, prejudice and discrimination. The online training included a variety of exercises, case studies and discussions.

In order to keep our staff up to date and trained, 86% of employees and 98% of unionised staff have been trained this year. Staff with participation in institutional development programmes increased from 37.3% to 46.8%. 80.4% of the organisation's leaders have participated in leadership-focused institutional development programmes.

MANAGING OUR RISKS RESPONSE/MITIGATION TO OUR RISKS

CONTINUED

4 – Human Resources

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

Retention: Our goal is to be the employer of choice, and we recognise that to be a profitable and sustainable Company, we need to generate value for our employees and their families. We do this by providing a healthy, safe, productive and team-oriented work environment that not only encourages our people to reach their potential, but also supports process improvements.

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Performance: As a result of the current situation, this year the internships were 100% virtual, and in conjunction with Peñoles courses were taught in mining, geology, metallurgy, topography security and communication. In total there were 433 students (61.43% men and 38.57% women).

We have continued our performance assessment process, reinforcing formal feedback. We promote the certification of key technical skills for operational personnel and have implemented a programme to develop administrative and leadership skills for the required positions. We develop our high-potential intermediate managers through the Leaders with Vision programme.

→ For more details see Our People on pages 86-87

Pandemic: The safety of our workforce is protected with sanitary protocols in each mining unit in accordance with the recommendations of the Sanitary Authority.

A series of security measures have been applied:

- Constant health monitoring of employees.
- Temperature control.
- Social distancing.
- Strict hygiene.
- Home working.
- Selective Covid-19 tests.

Support for employees' mental health: 24-hour helpline for all employees, access to psychological help, support for families and available medical advice.

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

COVID-19 PANDEMIC IMPACT

Undoubtedly the Covid-19 pandemic is one of the biggest threats facing our people. Employee health and wellbeing has been affected by this pandemic and has led to changes in staff management.

Homeworking and isolation at the mines and projects have changed traditional work dynamics across the business.

KEY RISK INDICATORS

- Number of positions filled by area of speciality, for vacancies and new positions.
- Employee turnover rate.
- Average hours of training and professional development per employee.
- Number of contractor personnel relative to unionised personnel per business unit.
- Number of rapid, suspicious and PCR tests per business unit.
- Evolution of confirmed cases in hospital and at home.

LINK TO STRATEGY



RISK APPETITE

Medium

CHANGE IN HEAT MAP

⬆ Increasing

RISK RATING (RELATIVE POSITION)

2020: High (4)
2019: Low (12)