

MANAGING OUR RISKS RESPONSE/MITIGATION TO OUR RISKS

CONTINUED

7 – Access to land

RISK DESCRIPTION

Significant failure or delay in accessing surface land above our mining concessions and other lands of interest is a permanent risk to our strategy and has a potentially high impact on our objectives.

The biggest risk is failing to gain full control of the lands where we explore or operate.

Possible barriers to access to land include:

- Increasing landowner expectations.
- Refusal to comply with the terms of previous land acquisitions and conditions regarding local communities.
- Influence of multiple special interests in land negotiations.
- Conflicts regarding land boundaries, and a subsequent resolution process.

- Succession problems among landowners resulting in a lack of clarity about the legal right to own and sell land.
- Risk of litigation, such as increased activism by agrarian communities and/or judicial authorities.
- Presence of indigenous communities in proximity to lands of interest, where prior and informed consultation and consent of such communities are required.
- Operations in Soledad-Dipolos remain suspended, as the problem with the Ejido El Bajío remains unresolved.

FACTORS CONTRIBUTING TO RISK

- The Federal Government may continue its policy of not granting new mining concessions. However, this could be mitigated by carefully negotiating concessions with mining geological interest already granted to us.
- Social insecurity prevailing in the regions where our mining interests are located may not allow work to be carried out necessary to demonstrate the minimum investments required by law, leading to the possible cancellation of the concession.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

Successful access to land plays a key role in managing our mining rights, focusing on areas of strategic interest or value.

At the end of 2020, after disinvesting certain areas of mining interest, we maintained 1,446,287 hectares of mining concessions granted. A further 234,403 hectares is in the process of being granted. In total, we have 1,680 million hectares, representing a year-on-year decrease of 28,000 hectares.

Other initiatives include:

- Meticulous analysis of exploration objectives and construction project designs to minimise land requirements.
- Judicious use of lease or occupation contracts with purchase options, in compliance with legal and regulatory requirements.
- Early participation of our community relations teams during the negotiation and acquisition of socially challenging objectives.

- Strategic use of our social investment projects to build trust.
- Close collaboration with our land negotiation teams, which include specialists hired directly by Fresnillo and also provided by Peñoles as part of the service agreement.

As part of an ongoing review of the legal status of our land rights, we identify certain areas of opportunity and continue to implement measures to manage this risk on a case-by-case basis. Such measures include, wherever possible, negotiations with agricultural communities for the direct purchase of land.

We use mechanisms provided for in agricultural law and also use other legal mechanisms under mining legislation that provide greater protection for land occupation. These activities are part of our ongoing drive to reduce risk exposure to surface land.

COVID-19 PANDEMIC IMPACT

During 2020, insecurity problems in our exploration and operations areas have increased. In addition, the Government suspended activities, which caused delays to the land-regularisation processes.

KEY RISK INDICATORS

- Percentage of land required for advanced exploration projects that are under occupation or agreements other than total ownership (generally and per project).
- Total US dollars and percentage of project budget spent on HSECR activities, including community relations (on exploration projects and sites).

LINK TO STRATEGY



RISK APPETITE

Medium

CHANGE IN HEAT MAP



Decreasing

RISK RATING (RELATIVE POSITION)

2020: High (7)

2019: Very high (3)