

MANAGING OUR RISKS RESPONSE/MITIGATION TO OUR RISKS

CONTINUED

10 – Licence to operate

RISK DESCRIPTION

Across the world, public opinion is wary of the potential adverse social and environmental consequences of mining operations. This sentiment can manifest in the form of opposition of communities to mining operations and increased regulatory obligations for mining companies. Media coverage negative to mining, or specifically to Fresnillo, could impact the granting and maintenance of our social licence in the regions where we have a presence.

We monitor the following risks:

- Loss of/threats to our social licence to operate.
- Failure to identify and manage local concerns and expectations could negatively impact Fresnillo plc.

- Relations with local communities and stakeholders affect our reputation and our social licence to operate and grow.
- Neighbouring communities may not provide their support or hinder operations, affecting our social licence. This could include complaints from communities regarding operations such as dust, blasting vibrations, noise, pollution and water use.
- Social behaviours or actions by a group of people attempting to promote anti-mining sentiment in the area of influence of the business unit.

FACTORS CONTRIBUTING TO RISK

- Activism by anti-mining advocacy groups and other grassroots organisations increase the risk of social conflicts, fuelling the public perception against mining.
- Insecurity and access to water are the issues of greatest concern to the populations and community leaders of the regions where we have a presence.

- The environmental impact of the mine is also an issue that can concern communities close to our operations.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

- **Covid-19 response:** We have implemented measures to mitigate the health risks to our workforce, engage authorities constructively and support our communities. Our communication campaigns in the media have emphasised our corporate citizenship activities.
- **Community engagement:** We earn and maintain the trust of communities through effective engagement and by being accountable for our impacts. Our community strategy, which embraces all phases of the mining lifecycle, aims to build mutual understanding between our operations and local communities, ensuring that we engage, develop and grow together. Key monitoring and engagement activities include:
 - Monitoring public opinion within local and international media.
 - Holding continuous dialogue with our key local stakeholders through formal and informal meetings.
 - Carrying out social baseline, human rights and perception studies to better understand our positive and negative impacts.
 - Operating a grievance mechanism to address stakeholder concerns.
 - Collaborating with peers in the international and Mexican mining community to promote the benefits of the mining industry and responsible mining practices.
 - Communicating our best practices regarding social and environmental responsibility.
- **Environmental performance:** Optimising our use of resources, curbing any negative impact of our activities and being transparent and accountable regarding our environmental footprint are crucial elements of sustainable mining and help us to be positively perceived by communities and regulators.

- **Health and safety performance:** Our goal is to instil a safety culture focused on 'caring for our people', based on shared values across the organisation, driven by senior management and focused on high potential incidents. Our approach to health aims to pre-emptively identify and manage the risks to which our workforce is exposed.
- **Sharing the benefits of mining:** In addition to effective stakeholder engagement, sharing the benefits of mining plays an important role in the wellbeing of people. We create value in the regions where we operate in the form of employment, procurement, talent development, strategic community investment and the payment of our fair share of taxes:
 - Maintaining a Social Investment Portfolio to create long-term value, aligned with the UN SDGs. We have identified four pillars where we can make a real difference: Education, Water, Health & Sports and Capacity Building.
 - Partnering with non-governmental organisations (NGOs) in these three pillars of social investment: Education (IBBY, INNOVEC & First Robotics), Water (Captar AC) and Health (National University Foundation).

 For more details see Communities on pages 106-109

COVID-19 PANDEMIC IMPACT

- The Covid-19 pandemic increased the risk to our social licence to operate in some regions, mainly as a result of nearby communities being worried about contracting the virus from contractors and suppliers visiting the area.
- Covid-19 has increased the social expectations regarding the corporate citizenship of companies. The response of the mining industry to Covid-19 will shape the relationships with stakeholders and the perception of the industry over the next years.

RISK APPETITE

Low

KEY RISK INDICATORS

- Number of local actions by NGOs or other local social groups against mining, by region.
- Number of actions by NGOs or other local social groups against mining in the Americas.
- Number of media mentions related to demonstrations against the mining industry.

CHANGE IN HEAT MAP

The 'Public perception against mining' and 'Community Relations' risks were integrated into this new risk in order to manage risk globally, in the context of community relations and public perception. The aim is to improve the ways in which we implement better mitigation and control actions.

LINK TO STRATEGY**RISK RATING (RELATIVE POSITION)**

2020: Medium (10)