

Managing our risks – response/mitigation to our risks continued

1 – Potential actions by the government (political, legal and regulatory)

Risk description

Regulatory measures or policies issued by the government, at all three levels: federal, state and municipal, may have an adverse impact on the operation of the Company. This could include: new stricter environmental regulations or guidelines, environmental taxes, new forms of labour and union contracting, longer and more complicated permitting and licensing processes, more complex and time-consuming arrangements for accessing explosives, more complex or onerous tax compliance obligations for us and our contractors, as well as more frequent reviews by tax, environmental and social security authorities.

The current federal government has expressed a negative sentiment towards the mining industry and particularly open-pit mining, which is why it has decided not to grant any more mining concessions during the current government term that ends in 2024, and is likely to review in detail the status of the concessions that have already been granted, seeking to remove those that are not being exploited or worked. On the other hand, it promotes the right of indigenous and Afro-Mexican communities to be consulted prior to the granting of mining concessions, which could potentially affect the granting of new concessions in Mexico.

In May 2022, a reform to the Mining Law was approved to reserve the exploration, exploitation, benefit and use of lithium to the State. The aim is for this mineral to be used for the benefit of national development; although gold and silver are not mentioned specifically, other minerals declared as 'strategic by the state' are mentioned, and at some point, precious metals could be considered under this heading. This would directly and seriously affect the concessions currently exploited by the Company.

Another risk for 2023 is the possible presentation of a comprehensive reform initiative to the Mining Law via the Senate, in which sensitive matters affecting the mining sector will be discussed, such as transparency of information, consultation with indigenous peoples and communities, modification of the concession regime in terms of its validity and grounds for cancellation, among others.

The federal government, by investing in a new petrochemical refinery in 'Dos Bocas', Tabasco, and buying an oil refinery in 'Deer Park', Texas, indicates that its energy policy promotes fuel oil and coal, which discourages the generation of energy based on clean sources. This complicates attention to and compliance with international climate change goals and standards.

We paid special attention to the following aspects:

- Government actions that negatively impact the mining industry.
- Regulatory changes to mining rights and adverse tax changes.
- Changes in tax regulations.
- Increased frequency of reviews by tax authorities with special attention to the mining industry.
- Inability to obtain necessary water concessions due to government control or private interests.
- Failures/delays in obtaining necessary environmental permits.
- Disputes arising from the US-Mexico-Canada Trade Agreement (USMCA or TMEC).

Factors contributing to risk

- Change of head of the Mexican Economy Minister, who is the federal government's authority on mining matters. Tatiana Clouthier left the post and was succeeded by Raquel Buenrostro. This change is perceived as negative for the mining industry, as Buenrostro has expressed her dissatisfaction with mining companies for not paying taxes and polluting.
- The federal government reported that it would review the granting of concessions to mining companies and that no more concessions would be granted during this six-year term (which ends in 2024). It is therefore possible that it will withdraw unexploited gold and silver concessions.
- Labour reform that prohibits subcontracting, which mainly generates complications in relationships with contractors.
- New taxes and discrepancies in the criteria used in audits carried out by the tax authority.
- Increased frequency of audits by tax authorities with a special focus on the mining industry.
- The federal government promotes investment in coal instead of renewable or clean energy. This has made it more difficult to operate with clean energy.
- The federal government's implementation of policies that support the use of coal will result in more greenhouse gases being released into the atmosphere and reduce the development of renewable energy.
- The United States and Canada requested dispute settlement consultations with Mexico under the North American Free Trade Agreement (T-MEC or USMCA) over Mexico's energy policies that they consider discriminatory and say harm international companies and cross-border supplies.
- Since 2020, the so-called Mining Fund, whose main objective was to distribute resources to communities neighbouring the mines, according to the royalties paid by companies under the Federal Law of Rights, has been closed. Since then, although companies continue to pay these royalties, they do not necessarily translate into investments for the communities neighbouring the mines.
- In addition, the perception of corruption in Mexico remains high. The country's score in Transparency International's Corruption Perceptions Index 2022 remained relatively unchanged, despite a higher ranking. As a result, delays in obtaining permits for certain operations and/or projects remain a risk.

Controls, mitigating actions and outlook

1. Engagement and constant communication with all levels of government.
2. Increased monitoring of the processes being implemented at the Ministry of Labour and Economy.
3. We remain alert to the changes proposed by the authorities, including fiscal initiatives on energy and mining, so that we are able to respond in a timely and relevant manner. Daily monitoring, follow-up and attention to issues before the Congress of the Union that may affect the mining industry.
4. In relation to the new labour law prohibiting subcontracting, changes have been implemented in the relationships with contractors and personnel structures have been adapted to comply with the law.
5. We continue to collaborate with other members of the mining community through the Mexican Chamber of Mines 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.
6. We continue to comply with all applicable environmental regulations and are fully committed to sustainable activity.
7. We are committed to maintaining dialogue with the community throughout the life of a mining project, from initial exploration to eventual closure, with the objective of building long-term relationships and value, while ensuring operational continuity.
8. We seek to maintain full compliance with tax authority requirements and we continue to cooperate with any ongoing tax inspections.
9. We maintain a register and control of vaccinated staff and encourage all staff to be vaccinated as soon as possible.
10. Follow-up and timely compliance with all suggestions from the health authorities.



For more details see Partnering with our communities on pages 110-119.



For more details see Health on pages 83-84.



For more details see Caring for our people on pages 73-84.



For more details see Protecting our environment on pages 85-109.

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.
- Monitoring and control of the activities and initiatives carried out by the Ministry of Economy and the Presidency of the Republic.

Link to strategy



Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

2022: Very high (1)

2021: Very high (1)

Managing our risks – response/mitigation to our risks continued

2 – Security

Risk description

We face the risk of theft of gold doré and silver concentrates as well as of items including equipment, tools and materials. These thefts can take place inside the mines or during transportation.

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 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 criminal elements.

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 2022, in the states where our business units and projects are located, such as Zacatecas, Guanajuato, and Sonora.

The main risks we face are:

- High-impact robberies.
- Theft of assets such as minerals, equipment, instruments, inputs, etc.
- Consumption and sale of toxic substances in our mining units.
- Homicide.
- Kidnappings.
- Extortions.
- Vandalism.

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

Behaviour

Increasing

Risk rating (relative position)

2022: Very high (2)

2021: Very high (2)

Factors contributing to risk

- A severe increased presence of organised crime in the vicinity of the mining units particularly in Fresnillo, Saucito and Juanicipio.
- A severe increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions where our mining units and projects are located.
- Increased consumption and sale of drugs at the mining units, particularly Saucito.
- Theft of concentrates and assets in mining units and/or during transfer.
- Theft of material, equipment, tools and spare parts from mines and projects.
- Roadblocks or blockages on the roads and/or highways near the mining units.
- The Mexican state of Zacatecas is notorious for high levels of perceived insecurity and high rates of high-impact crime in 2022. There are records of several vehicle thefts from company employees and organised crime checkpoints on the roads near Fresnillo and Saucito mines.
- 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 Herradura and Noche Buena mines.

Controls, mitigating actions and outlook

1. Our property security teams closely monitor the security situation, maintaining clear internal communications and coordinating work in areas of greater insecurity.
2. Management is fully committed to protecting our workforce.
3. 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.
 - Regular interactions and meetings with the 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.
 - Increase in logistical controls in order to reduce the potential for theft of mineral concentrate. These controls include the use of real-time tracking technology; surveillance cameras to identify alterations in the transported material; protection and support services on distribution routes;
4. We continue to invest in community programmes, infrastructure improvements and government initiatives to support the development of legal local communities and discourage criminal acts.
5. We have increased the number of anti-doping tests conducted at the start of the day in the mining units.
6. Frequent inspections are carried out inside the mines to verify that drugs are not consumed and sold.
7. Drug consumption prevention campaigns are carried out, focused on employees.

3 – Global Macroeconomic Developments (energy and supply chain disruptions, inflation, productivity and cost)

Risk description

Geopolitical tensions have the potential to impact our key markets, operations and investments.

Increased trade tensions may undermine rule-based trading systems and lead to trade actions (increased tariffs, retaliations and sanctions) potentially impacting our operations or investments.

Disruption or restrictions to the supply of any of our key strategic inputs, such as electricity, water, fuel, sulphuric acid or mining equipment, could negatively impact production.

As a result of post-pandemic Covid-19 and the Russia-Ukraine war, economies around the world, including Mexico, were negatively affected by lockdowns and disruptions in supply chains. Globally, economies almost came to a complete halt for more than five months during 2020 and some months of 2021. During 2022, we saw significant increases in critical inputs and

operating costs and higher inflationary pressures, along with a shortage of critical inputs and equipment. We expect this to continue through 2023.

This situation could create an adverse impact on our operations, costs, sales and earnings, and potentially on the economic viability of projects.

In macroeconomic terms we have the following results:

- The Mexican peso performed strongly during 2022 and is one of the strongest emerging currencies. On average during 2022 it traded at 20 pesos per US dollar. At the end of the year the dollar exchange rate was 19.5 pesos.
- General inflation in Mexico was 7.8% in Mexican peso terms for 2022. Company-specific inflation was 8.4% in dollar terms.
- Economic growth for Mexico during 2022 was 4.3%.

Key risk indicators

- Percentage of compliance by suppliers and contractors.
- Increase in the price of critical inputs for the operation.
- Increased cost of operation.

Link to strategy



Risk appetite

Low

Behaviour

Increasing

New principal risk. In 2021 this risk was considered alongside the metals prices risk. It has now been deemed to be a separate Principal risk, due to the increase in its importance.

Risk rating (relative position)

2022: High (3)

Factors contributing to risk

- The unnerving combination of war, inflation, energy scarcity, and climate change wasn't what anyone expected as life was just beginning to move forward from the Covid-19 pandemic.
- Inflation has become a major concern for the global economy, two years into the pandemic. Price rises are reaching record highs in Europe and the United States and may be countered by monetary policy. In Latin America, central banks have been acting quickly and forcefully since last year, raising interest rates.
- The impact of post-pandemic Covid-19 and the Russia-Ukraine war on supply chains has been global, prolonged, and resulted in a series of major shocks to companies' logistical systems.
- Disruptions in the value chain of critical inputs for our operations such as spare parts (primarily delivered by land transport from the US and maritime transport from China and Europe).
- Disruptions also include reduced availability of maintenance teams/contractors to resolve issues, as well as travel restrictions leading to officials not being able to travel and inspect projects, resulting in delays.
- Increased operating costs due to higher prices for critical inputs such as steel, cyanide, copper, diesel, haulage equipment, oxygen and truck tyres.
- Analysts surveyed by Banco de Mexico estimate that Mexico's GDP growth will decelerate from 3.0% to 0.9% from 2022 to 2023.
- In terms of inflation, we experienced an increase in two of our main energy inputs compared to the previous year, with diesel (US percentage per litre) increasing by 4.0% and kWh (US percentage per kWh) by 5.9%.

Controls, mitigating actions and outlook

1. In order to maintain our security of supply, contingency plans are in place to address any short-term disruptions to strategic resources. We negotiate early with suppliers of key inputs to ensure continuity. Certain key supplies are purchased from several sources to mitigate potential disruption arising from exposure to a single supplier.
2. We execute operational excellence initiatives to counter inflation and improve margins, and also enhance cost competitiveness by improving the quality of the portfolio.
3. We maintain a rigorous, risk-based supplier management framework to ensure that we engage solely with reputable product and service providers and keep in place the necessary controls to ensure the traceability of all supplies (including avoiding any conduct related to modern slavery).
4. To achieve cost competitiveness, we endeavour to buy the highest possible proportion of our key inputs, such as fuel and tyres, on as variable a price basis as possible and to link costs to underlying commodity indices where this option exists.
5. We are committed to incorporating sustainable technological and innovative solutions, such as using sea water and renewable power when economically viable, to mitigate exposure to potentially scarce resources.



For more detail see Sustainability at the core of our purpose on pages 64-119.



For more detail see Review of operations on pages 30-51.

Managing our risks – response/mitigation to our risks continued

4 – Impact of metals prices (commodity prices and exchange rates)

Risk description

The volatility in the price of gold and silver is high and unpredictable. There is an inherent risk when investing or planning for the future price of these precious metals.

Our results are heavily dependent on commodity prices – principally gold and silver. The prices of these commodities are strongly influenced by a variety of external factors, including world economic growth, inventory balances, industry demand and supply, possible substitution, etc.

Factors contributing to risk

- The risk is further exacerbated when there are macro economic and geopolitical factors that directly affect the price of commodities, both positively and negatively, such as post pandemic Covid-19, the war between Ukraine and Russia, and generalised inflation around the world.
- Lately, the attraction of investing not only in gold and silver, but also in other financial instruments such as cryptocurrencies, has increased. This could lead to investors reducing their investment activities in precious metals.

Controls, mitigating actions and outlook

1. We consider exposure to commodity price fluctuations an integral part of our business and our usual policy is to sell our products at prevailing market prices.
2. We monitor the commodity markets closely to determine the effect of price fluctuations on earnings, capital expenditure and cash flows. Very occasionally, when we feel it is appropriate, we use derivative instruments to manage our exposure to commodity price fluctuations. We run our business plans through various commodity price scenarios and develop contingency plans as required.
3. We have hedging policies for exchange rate risk, including those associated with project-related capex and a hedging policy for precious metals.
4. We focus on cost efficiencies and capital discipline to deliver competitive all-in sustaining cost.
5. We work to improve debt profile and reduce annual interest bill.
6. We maintain long-term optionality by ensuring our pipeline of opportunities is continuously replenished.
7. Security, liquidity and return represent the order of priorities for our investment strategy. We maintain a strong and flexible balance sheet, consistently returning capital to shareholders while leaving sufficient funds to progress our short-, medium- and long-term growth plans and maintain the financial flexibility to take advantage of opportunities as they may arise.
8. We have a risk-averse investment strategy, managing our liquidity by maintaining adequate cash reserves and financing facilities through the periodic review of forecast and actual cash flows. We choose to hold surplus cash in demand or term deposits or highly liquid investments.
9. In order to maximise the extension of the average life of our debt profile, on 29 September 2020 Fresnillo plc successfully priced a US\$850 million 30-year bond (Coupon 4.25%) in the international market, coupled with an 'Any and All tender offer' for Fresnillo's 5.50% senior unsecured USD notes due 2023, which was tendered by US\$481.7 M (~60%), significantly reducing the short-term refinancing risks and improving the liquidity and solvency capabilities of the Company.

→ For more details see Our markets on pages 22-23.

→ See note 30 in the consolidated financial statements on page on pages 269-271.

→ For more details see Financial review on pages 52-61.

→ For more details see Financial review on pages 52-61.

→ For more details see Financial review on pages 52-61.

→ For more details see Financial review on pages 52-61.

Key risk indicators

- Profit sensitivity to percentage change in precious metals prices and the Mexican peso/US dollar exchange rate.
- EBITDA sensitivity to percentage change in metals prices and the Mexican peso/US dollar exchange rate.

Link to strategy



Risk appetite

High

Behaviour

Increasing

New principal risk. In 2021 this risk was considered alongside the global macroeconomic developments risk. It has now been deemed to be a separate Principal risk, due to the increase in its importance.

Risk rating (relative position)

2022: High(4)

5 – Human Resources (attract and retain requisite skilled people/talent crisis)

Risk description

Fresnillo plc's most valuable asset is its workforce.

Our ability to achieve our business strategy depends on attracting, developing and retaining a wide range of internal and external skilled and experienced people.

Managing talent and maintaining a high-quality labour force in a fast-changing technological and cultural environment is a key priority for us. Any failures in this respect could have a negative impact on the performance of the existing operations and prospects for future growth.

The Covid-19 pandemic has several health risks for employees, with our workers in the mines on the frontline in terms of health and safety risks. The way that mining works (especially underground), where there are several workers in one place, 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. At times, we have had no option but to quarantine workers, even when national lockdown regulations did not force us to do so.

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, and our industry requires more and more people trained and experienced in mining processes. 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.

In addition, it is difficult to hire the employees of contractors working for the Company.

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

Behaviour

Increasing

Risk rating (relative position)

2022: High (5)

2021: High (6)

Factors contributing to risk

- Business interruption or underperformance may arise from a lack of access to capability. Tight labour markets are leading to heightened competition for diverse talent and critical skills, such as digital, climate and energy.
- Changing societal expectations are placing pressure on our corporate and employer brand – who we are and what we stand for.
- There was a significant increase in staff turnover during 2022.
- Talent retention also became more difficult this year.
- 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.
- With the new labour law prohibiting outsourcing, we had to hire staff from contractors, and this caused added complications.
- Unfortunately, not everyone follows 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 preventative measures difficult to implement, which makes mineworkers vulnerable to both acquiring and spreading the virus.

Managing our risks – response/mitigation to our risks continued

5 – Human Resources (attract and retain requisite skilled people/talent crisis) continued

Controls, mitigating actions and outlook

1. We develop the talents of our employees through training and career development, invest in initiatives to widen the talent pool and are committed to our diversity and inclusion policy. Through these actions we aim to increase employee retention, as well as the number of women, people with disabilities and employees with international experience in the workplace.
2. 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.
3. We aim for continuous improvement, driven by opportunities for training, development and personal growth; in short, we focus on fair recruitment, fair pay and benefits and gender equality. In the trusted staff structure, 19.87% are women as are 28.81% of new joiners, while 21.40% of the female population were promoted during the year.
4. **Recruitment:** we have evaluated our recruitment requirements for key positions, and our goal is to meet them through internal training and promotion, as well as by 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. During the year, we hosted 16 students from different Earth Science professions at our mining units to support their training, and 104 engineers took part in our training programme.
 - CETLAR (Centre for Technical Studies of Peñoles), which trains mechanical and electrical technicians. The seven graduates of 2022 were hired as full-time employees.
5. **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.

Management and leadership skills development programmes were conducted during 2022 with 30 superintendents, 129 advisors and 69 facilitators.

In order to keep our staff updated and trained, 88% of employees and 99% of unionised staff have received training this year. In 2022, 232 employees participated in institutional development programmes, which means that 45% of staff with more than two years of service have participated at least once. Of this 45%, 10.4% are women. 702 courses and studies were conducted through external training, benefiting 520 employees. 77.3% of our leaders have participated in institutional development programmes focused on leadership.
6. **Performance:** the virtual internship programme continued this year in conjunction with Peñoles, with courses in mining, geology, metallurgy and topography. In total there were 698 students (57.02% men and 42.98% 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.
7. **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 range of security measures has been implemented:
 - Use of sanitary measures within mining units;
 - Constant health monitoring of employees;
 - Temperature control;
 - Social distancing;
 - Strict hygiene;
 - Home office; and
 - Selective Covid-19 tests.

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

→ For more details see Health on pages 83-84.

→ For more details see Caring for our people on pages 73-84.

6 – Cybersecurity

Risk description

Information is one of our most valuable assets and we work hard to protect it. We fully recognise the importance of the confidentiality, continuity, integrity and security of our data and systems.

As a mining company, we can be under threat of cyber attacks from a broad set of groups, from 'hacktivists' and hostile regimes to organised criminals. Their objectives range from taking advantage of mining's role in regional and global supply chains, to impacting national economies.

Some threat actors also focus on finding unprotected, misconfigured and unpatched systems and exploit them, due to the industry's heavy reliance on technology and automated systems that support operations.

The following are the top eight cybersecurity and privacy risks that have been identified through environment monitoring and workshops with business units, operations, and IT. These risks comprise Peñoles/Fresnillo overall cybersecurity and privacy risk profile:

- Corruption of data – Critical data where any unauthorised modification can have adverse impacts.
- Unauthorised access – Cybersecurity and privacy incidents due to incorrect access permissions or system abuse, exploitation or misuse.
- Breach and data theft – Disclosure of critical and sensitive company data by an internal or external source.
- Business disruption – Disrupting key applications or systems for a period of time.
- Lack of cybersecurity ownership – Failure to assign responsibility for implementing and adopting cybersecurity practices on a daily basis.
- Non-compliance – Cybersecurity and privacy incidents resulting in non-compliance with applicable regulations, including privacy.
- Health and safety incidents – Breach of availability, integrity or confidentiality of data which impacts health and safety.
- Halt or loss of operations – Cybersecurity and privacy incidents which result in loss of operating licence or closure of operations.

Factors contributing to risk

- Cyber risks have increased significantly in recent years owing in part to the Covid-19 pandemic and the proliferation of new digital technologies, the increasing degree of connectivity and a material increase in the monetisation of cybercrime.
- Theft of information through social engineering and 'phishing' campaigns (fraudulent attempts to obtain sensitive information or data, such as usernames or passwords, by appearing to be a trustworthy entity in an electronic communication).
- An increased reliance on cloud systems and infrastructure can make IT defences less robust and may bypass security controls.
- Access to hacking tools and training is readily available and heavily automated. Without proper punishment for perpetrators globally, attackers can easily launch sophisticated attacks with little risk.
- There is a global lack of regulation regarding cybersecurity and e-crime that could deter criminals.

Controls, mitigating actions and outlook

- Our information security management model is designed with defensive structural controls to prevent and mitigate the effects of computer risks. It employs a set of rules and procedures, including a Disaster Recovery Plan, to restore critical IT functions in the event of an attack.
- Our systems are continuously monitored by cybersecurity experts at a Security Operations Centre (SOC). Incident response plans are in place and tested periodically to ensure we can respond quickly and effectively.
- Our systems are regularly audited to identify any potential threats to the operations and additional systems have been put in place to protect our assets and data.
- We have implemented a training and awareness programme, which is designed to increase awareness of cyber risk and ensure that employees take the appropriate actions.
- We have invested in global IT security platforms and Managed Security Services Providers (MSSPs) in order to proactively monitor and manage our cyber risks. We conduct routine third-party penetration tests to independently confirm the security of our IT systems and we seek to enhance the monitoring of our operational technology platforms.
- Since 2020, a fully staffed cybersecurity office has been in place to improve our cybersecurity position. Its main objective is to identify and manage cybersecurity risks and align them with our business mission and strategy, as well as monitor the supporting processes. Aligned to best practices and standards, its approach is based on two key frameworks:
 - The U.S. National Institute of Standards and Technology (NIST CSF) Cybersecurity Framework that describes how companies can assess and improve their ability to prevent, detect, and respond to cyberattacks.
 - Information Control Objectives and Technologies to Others (COBIT), which was created by ISACA, the international professional association for IT management and governance, to provide an implementable set of IT-related controls, processes and facilitators.
- Our approach is also based on the MITRE ATT&CK™ which is used as the basis for the development of specific threat models and methodologies in the private sector, government and in the cybersecurity products and services community.
- We also monitor the environment for relevant alerts and act proactively to assess our readiness, reinforcing our capabilities as needed.
- A governance model, continuous risk monitoring, information security policies, awareness-raising campaigns and training form the basis for our IT/OT operational guarantee.
- Our plan for 2023 is to focus our efforts on incorporating key indicators around cyber risk reduction in the cybersecurity dashboard, implementing and maturing controls in line with the threat landscape and emphasising the importance of individual responsibility to each employee, in order for them to stay vigilant and alert to cyber threats.

Key risk indicators

- Total number of cybersecurity incidents affecting our Company.
- Number of media mentions related to cybersecurity issues affecting the mining industry.

Link to strategy



Risk appetite

Low

Behaviour

Increasing

Risk rating (relative position)

2022: High (6)

2021: High (9)

Managing our risks – response/mitigation to our risks continued

7 – Projects (performance risk)

Risk description

The pursuit of advanced exploration and project development opportunities is essential to achieving our strategic goals. However, this carries certain risks:

- Economic viability: the impact of the cost of capital to develop and maintain the mine; future metals prices; and operating costs throughout the mine's life cycle.
- Access to land: a significant failure or delay in land acquisition has a very high impact on our projects.
- Uncertainties associated with the development and operation of new mines and expansion projects: includes fluctuations in the degree of ore and recovery; unforeseen complexities in the mining process; poor quality of the ore; unexpected presence of groundwater or lack of water; lack of community support; and inability or difficulty in obtaining and maintaining the required building and operating permits.
- Delivery risk: projects can exceed the budget in terms of cost and time; they cannot be built according to the required specifications or there may be a delay during construction; and major mining teams cannot be delivered on time.

Other important risks:

- Failure to effectively manage our development projects could result in delays to the start of production and cost overruns.

- Projects that cannot be delivered on time, on budget and according to planned specifications.
- Geotechnical conditions of the ore body/poor rock quality.
- High costs making it difficult to justify the project.
- Delay in the development of the project due to lack or delay of critical equipment, supplies and spare parts.
- Disruptions in the supply chain for construction materials and equipment.

The following risks relate specifically to prospective projects in Chile and Peru:

- Government instability, especially in Peru.
- Potential actions by the government (political, legal and regulatory).
- Security.
- Licence to operate (community relations)
- Access to water (national regulation and geographic complications).
- Environmental compliance.
- Competition for land (threat from green power generation companies, for example thermosolar).
- Informal mining.
- Industrial safety compliance (National Geological and Mining Service SERNAGEOMIN).
- Increased mining taxes and fees.

Key risk indicators

- Earned value (rate of financial advancement vs. physical advancement).
- Percentage of required land acquired.
- Percentage of major equipment ordered and received according to plan.
- Percentage of mine development completed.

Link to strategy



Risk appetite

Medium

Behaviour

Stable

Risk rating (relative position)

2022: High (7)

2021: High (7)

Factors contributing to risk

- Uncontrolled increases in the costs of critical inputs directly affect the progress of projects and affect the planning of each project.
- In some regions there are no specialised contractors or contractors with the technology to develop the projects.
- Contractor productivity may be lower than anticipated, causing delays in the programme.
- Increase in the number of high impact crimes (homicide, kidnapping, extortion) in the regions of the projects.
- We have identified the following threats to project development:
 - Insufficient resources for project execution.
 - Changes in operational priorities that can affect projects.
- Inadequate management structure for project supervision.
- Lack of efficient and effective contractors.
- Delays in obtaining necessary permits for construction and operation.
- Lengthy procedures for land acquisition, electricity supply and water.

Controls, mitigating actions and outlook

- Our investment assessment process determines how best to manage available capital using technical, financial and qualitative criteria.
 - **Technical:** we evaluate and confirm the resource estimate; conduct metallurgical research of mineral bodies to optimise the recovery of economic elements; calculate and determine the investment required for the overall infrastructure (including roads, energy, water, general services, housing) and the infrastructure required for the mine and plant.
 - **Financial:** we analyse the risk in relation to the return on the proposed capital investments; set the expected internal rates of return (IRR) per project as thresholds for approving the allocation of capital based on the current value of expected cash flows of invested capital; and perform stochastic and probabilistic analyses.
 - **Qualitative:** we consider the alignment of investment with our Strategic Plan and business model; identify synergies with other investments and operating assets; and consider the implications for safety and the environment, the safety of facilities, people, resources and community relations.
 - The management of our projects is based on the PMBOK standard of the Institute of Project Management (PMI). It allows us to closely monitor project controls to ensure the delivery of approved projects on time, within budget and in accordance with defined specifications.
 - The executive management team and the Board of Directors are regularly updated on progress. Each advanced exploration project and major capital development project has a risk record containing the project-specific identified and assessed risks.
- The project development process in 2022 included:
- Orisyvo, Rodeo, Guanajuato, and Tajitos.
 - Fresnillo – San Carlos mega pumping station ramp. Tailings flotation plant. Adequacy of Pyrites plant, 2nd phase. Fresnillo south and power substation reinforcement. Installation of the 30 MW power transformer.
 - Proaño/Fresnillo – Over-elevation of the San Carlos tailings dam.
 - Saucito – Deepening of Jarillas ramp and continuing the construction of the tailings dam, Cell 4B.
 - La Ciénega – Continuing the construction of the third tailings dam.
 - San Julián – Constructing stage four of the tailings dam.
 - La Herradura – Fuel station and constructing the carbon-in-column process.



For more details see Review of operations on pages 30–51.

8 – 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 the 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.
- It is becoming increasingly difficult to negotiate land prices, with landowners demanding more money and benefits for access to land.
- Social insecurity prevailing in the regions where our mining interests are located may not allow the necessary work to be carried out to demonstrate the minimum investments required by law, leading to the possible cancellation of the concession.

Controls, mitigating actions and outlook

1. Successful access to land plays a key role in managing our mining rights, focusing on areas of strategic interest or value.
2. At the end of 2022, we had 270,268 hectares in the process of being granted and 1,415,960 hectares of mining concessions granted. In total, we had 1,686,228 hectares in the control of Fresnillo plc. This represents an increase of 8,307 hectares compared to 2021.
3. 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.
4. 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.
5. 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.

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

Behaviour

Decreasing

Risk rating (relative position)

2022: Medium (8)

2021: High (4)

Managing our risks – response/mitigation to our risks continued

9 – Licence to operate (community relations)

Risk description

At both a local and global level, the mining industry's stakeholders have high expectations relating to social and environmental performance. These expectations go beyond the responsible management of negative impacts to include continuous engagement and contribution to stakeholder development.

Failure to adequately address these expectations increases the risk of opposition to mining projects and operations. Negative sentiment towards mining or specifically towards Fresnillo plc could have an impact on our reputation and acceptability in the regions where we have a presence.

Factors contributing to risk

- Higher expectations and scrutiny of social and environmental performance.
- Rising expectations on shared benefits regarding land agreements.
- Perceived competition on access to natural resources, notably water.
- Significant reduction in government spending on community infrastructure, development programmes and services.
- Anti-mining activism fuelling opposition to mining.
- Insecurity and access to water are the issues of greatest concern to people and community leaders in the regions where we have a presence.
- The environmental impact of a mine is also an issue that can concern communities close to our operations.

Controls, mitigating actions and outlook

Efficient risk management allows us to detect threats such as social opportunities, associated with our operation. This process helps us identify, assess, plan for, communicate and manage significant risks that could potentially impact our social license.

The risk identification mechanism includes social studies, complaints and claims process, deployment of social programmes, as well as meetings with key stakeholders and media monitoring.

For this, we implement a process of evaluation of detected risks, which we work on through specialised workshops, risk management and action plans for each one, and through committees that prevent their materialisation.

The social risks that are classified as High Risk are escalated for administration by RED teams, which identify the areas and personnel that have the decision-making level to offer concrete and timely solutions.

Likewise, constant and direct contact is maintained with the leaders of each business unit, including discussion of the risks that they are able to help mitigate.

Governance of our complaints process improves every year. Complaints are received, evaluated and managed, involving those directly responsible, while keeping complainants informed about the status of each case, until satisfactory closure is achieved.

We have implemented an internet-based process to capture concerns from the community, including the facility for cases to remain anonymous, thus encouraging and facilitating people to raise concerns, and to do so without fear of recrimination.

We monitor the following risks:

- Negative perception of the Company's social and environmental performance.
- Failure to identify and address legitimate concerns and expectations of the community and of society at large.
- Insufficient or ineffective engagement and communication.
- Failure to contribute purposefully to community development.

Key risk indicators

- Number of local actions by non-governmental organisations (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.

Link to strategy



Risk appetite

Low

Behaviour

Decreasing

Risk rating (relative position)

2022: Medium (9)

2021: High (5)

- Covid-19 Response: collaboration with Health Authorities to support the logistics of vaccination centres in the regions where we operate. Campaigns to raise awareness of preventive measures such as the use of masks. Rapid testing support for remote communities. Collaboration with parents and school authorities on the safe return to classes.
- Community engagement: our strategy, which embraces all phases of the mining lifecycle, is based on purposeful engagement to address concerns and expectations. Key activities include:
 - Organising formal and informal meetings to enable stakeholder identification and engagement planning.
 - Carrying out social baseline studies that include human rights and due diligence regarding indigenous peoples, and perception studies that support our Social Management plans and help us manage impacts, risks and opportunities.
 - Operating a grievance mechanism to address stakeholder concerns.
 - Monitoring public opinion within local and international media.
 - Collaborating with peers to adopt best practices in social performance.
 - 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 also plays an important role in supporting our social acceptability. Employment, procurement, talent development and the payment of our fair share of taxes contribute to regional development. Our Social Investment portfolio focuses on Education, Water, Health & Sports and Capacity Building to support our communities, in collaboration with non-governmental organisations (NGOs). For our education focus, we work with ENSAMBLE ALEJANDÍA, INNOVEC and First Robotics; for Water, with Captar AC Y FORMAC; and for Health with the National University Foundation y FutbolMas; para Desarrollo de Capacidades, con Proempleo y CEDO.
- Responsible approach to managing the impacts of the reform to regulate subcontracting: our response to the New Labour Legislation in Mexico has ensured compliance with the reform. Extending job offers to the qualified workforce has also mitigated the negative impacts of the reform on local people and communities.



For more details see Communities on pages 110-119.

10 – Safety

Risk description

Our operations and projects are inherently hazardous, with the potential to cause illness or injury, damage to the environment, and disruption to communities. Major hazards include process safety, underground mining, surface mining and tailings and water storage.

Our workforce faces risks such as fire, explosion, electrocution and carbon monoxide poisoning, as well as risks specific to each mine site and development project.

These include rockfalls caused by geological conditions, cyanide contamination, explosion, becoming trapped, electrocution, insect bites, falls, heavy or light equipment collisions involving machinery or personnel and accidents occurring while personnel are being transported.

A poor safety record or serious accidents could have a long-term impact on morale and on our reputation and productivity.

Factors contributing to risk

- We are saddened to report that one fatality was recorded during 2022, and also that we experienced a significant increase in the accident rate related to:
 - Rockfall/terrain failure.
 - Loss of vehicle/equipment control.
 - Team-vehicle-person interaction.
 - Transport of staff.
 - Contact with electric power.
 - Fire.
 - Becoming trapped.
 - Contact with hazardous substances.
- During 2022 we had 373 high potential incidents, 3% more than 2021.
- Frequent transportation of our people to remote business units is an ongoing feature of our operations. In many cases, these units have poor accessibility by road. Failure to comply with safety programmes, measures and audits or with the findings of inspections, continues to be a safety risk.
- Our people not being sensitive to the latent risks of our operations.
- Omissions and failures to follow security protocols.

Controls, mitigating actions and outlook

1. Nothing is more important than the safety and wellbeing of our employees, contractors and communities. We believe all incidents are preventable, so we concentrate on identifying, understanding, managing and, where possible, removing the hazard or removing people from the hazardous area.

➔ For more details see Caring for our people on pages 73–84.

2. We constantly seek to improve our safety and health risk management procedures, with focus on the early identification of risks and the prevention of fatalities.
3. Our Safety and Occupational Health Strategy is based on four pillars:
 - Safety and health risk management: workers at all levels are able to identify hazards and controls, so that all jobs are carried out safely.
 - Leadership: all employees and contractors are health and safety leaders and we demonstrate our commitment through each individual's responsible behaviour.
 - Contractor management: our contractors are an integral part of our safety team and culture, and we work together to improve.
 - Reporting, research and learning from our accidents: we share good practices and learn from our mistakes.

➔ For more details see Sharing the benefits on pages 113–119.

4. The Strategy strives to achieve our four main goals of: zero fatalities, zero occupational illnesses, the development of a resilient culture and the automation of hazardous processes.
5. Critical controls and verification tools are regularly strengthened through the verification programme and regular audits of critical controls for potentially high-risk activities.

➔ For more details see Safety on pages 79–82.

6. The safety of our staff is an essential value and a way of life. We tirelessly seek to improve our performance, strengthening our preventive culture, raising awareness of the risks generated by our operational activities and establishing controls and mechanisms to eliminate fatalities.
7. During the year, we continued to implement support measures to strengthen, address and prevent the causes of accidents, injuries and fatalities. These included:
 - Strengthening safety objectives, including establishing proactive performance indicators that allow us to anticipate events.
 - Encouraging managers to own security risks to operations, ensuring that this is a fundamental part of daily activities and that management can be held accountable according to performance and results.
 - Regularly reviewing and auditing Health, Safety, Environmental and Sustainability (HSE&S) processes, training and controls to promote and improve effectiveness at managed and (where practicable) non-managed operations.

Key risk indicators

- Accident rate.
- Days lost rate.
- Accident frequency.

Link to strategy



Risk appetite

Low

Behaviour

Stable

Risk rating (relative position)

2022: Medium(10)

2021: Medium(10)

- Monitoring monthly HSE&S performance at the Group level and sharing learnings from HSE&S incident investigations.
- Continuing the implementation of the 'I Care, We Care' programme in all our operations, including strengthening the programme's five lines of action.
- In 2022, the Chief Executive Officer launched a strategy to intensify the 'I Care, We Care' programme. This strategy focuses on critical risks, controls and processes in order to prevent high potential accidents.
- Assigning Critical Risk Control Protocols to an owner for follow-up in line with their area of influence.
- Strengthening incident investigations with a special focus on high-potential ones.
- Increasing the focus on high-potential incidents (HPI).
- Strengthening the cross-functional communication of lessons learnt, in order to reduce the reoccurrence of similar accidents.
- Enhancing hazard identification and risk assessment.
- Confirming the continuous monitoring of security management as the highest priority of the SSMARC committee. The committee oversees all accident investigations, ensuring appropriate measures are taken to improve safety systems and practices.

Managing our risks – response/mitigation to our risks continued

11 – Union relations (labour relations)

Risk description

Our highly skilled unionised workforce and experienced management team are critical to sustaining our current operations, executing development projects and achieving long-term growth without major disruption.

We run the risk of an outside union seeking to destabilise the current union.
National union politics could adversely affect us, as could pressure from other mining unions seeking to take over Fresnillo's labour contracts.

Factors contributing to risk

- The Labour Reform allows the existence of several unions within a company and gives freedom of choice to the employee. This has led to a complex, rarefied work environment at the Fresnillo mine, with violent clashes between the union and a group of workers seeking to register a new independent union.
- The risk is that the fighting will continue and worsen and eventually the mine's workforce will be reduced. There is also a risk that this conflict could spread to other mines.
- In addition, the TMEC (new trade agreement between Mexico, Canada and the United States replacing NAFTA) with new labour and trade union provisions.

Controls, mitigating actions and outlook

1. We maintain good relations with our employees and unions, founded on trust, regular dialogue and good working conditions. We are committed to safety, nondiscrimination, diversity and inclusion, and compliance with Mexico's strict labour regulations.
2. There are long-term labour agreements (usually three years) in place with all the unions at our operations, helping to ensure labour stability.
3. We seek to identify and address labour issues that may arise throughout the period covered by the labour agreements and to anticipate any potential issues in good time. Employees of our contractor companies are an important part of our workforce and under Mexican law fulfil the same duties and are subject to the same responsibilities as our own employees. We treat contractors as strategic associates and build long-term, mutually beneficial relationships with them.
4. We maintain constructive relationships with our employees and their unions through regular communication and consultation. Union representatives are regularly involved in discussions about the future of the workforce.
5. Increased communication with trade union leaders in mining units to monitor the working environment.
6. Meetings have been held with groups of workers who want to introduce new unions to the Company.
7. Our strategy is to integrate unionised personnel into each team in the business unit. We achieve this by clearly assigning responsibilities and through programmes aimed at maintaining close relations with trade unions in mines and at the national level.
8. We maintain close communication with trade union leaders at various levels of the organisation in order to: raise awareness of the economic situation facing the industry; share our production results; and encourage union participation in our security initiatives and other operational improvements.
9. These initiatives include the Security Guardians programmes, certification partnerships, integration of high productivity equipment, and family activities.
10. We are proactive in our interactions with unions. When appropriate, we hire experienced legal advisors to support us on labour issues. We remain attentive to any developments in labour or trade union issues.
11. We conducted a review of the contractual benefits for union members in our mines.
12. Our executive leadership and the Executive Committee recognise the importance of trade union relations and follow any developments with interest.



For more details see Caring for our people on pages 73-84.

Key risk indicators

- Union members' level of satisfaction.
- Number of media mentions related to mining union developments.

Link to strategy



Risk appetite

Low

Behaviour

Decreasing

Risk rating (relative position)

2022: Medium (11)

2021: High (8)

12 – Exploration (new ore resources)

Risk description

We are highly dependent on the success of the exploration programme to meet our strategic value-creation targets and our long-term production and reserves goals.

In addition to the growing level of insecurity and more challenging access to land detailed in previous risks, other risks that may impact prospecting and converting inferred resources include: the lack of a robust portfolio of prospects

in our pipeline with sufficient potential in terms of indicated and inferred resources; and insufficient concession coverage in target areas.

As our production escalates and more mines approach the end of their lives, replenishing our reserves becomes increasingly challenging.

Factors contributing to risk

We perceive this risk level as increasing in likelihood and impact.

This is mainly due to the following:

- Delays in procedures regarding access to land.
- Restrictions on new mining concessions.
- Reserves not being replenished.

Maintaining a reasonable investment in exploration, even when metals prices are low, has been our policy through the years. While continuous investment has always been a hallmark of our exploration strategy, replenishing exploited reserves and increasing our total amount of resources could be a challenge in the future.

Controls, mitigating actions and outlook

1. During 2022, we invested a total of US\$167.6 million in exploration activities. Our objectives for 2023 include a budgeted risk capital investment in exploration of approximately US\$175.0 million.
2. The approximate spending split is 55% for operating mines (reserves and resources) and 45% for the Exploration Division; which in turn applies a balanced, priority-based process to allocate the budget.
3. For reference, the mines division uses approximately 60% of its budget for resource conversion and ore grade certainty, and 40% for step-out and expansion drilling. Furthermore, the Exploration Division budget for 2023 will allocate 26% to brownfield targets, 40% to advanced projects and 34% to early exploration stages including regional prospecting work.

Our exploration strategy also includes:

- A focus on increasing regional exploration drilling programmes to intensify efforts in the districts with high potential.
- For local exploration, aggressive drilling programmes to upgrade the resources category and convert inferred resources into reserves.
- A team of highly trained and motivated geologists, including both employees and long-term contractors.
- Advisory technical reviews by international third-party experts and routine use of up-to-date and integrated GIS databases, cutting edge geophysical and geochemical techniques (including drone technology), large to small scale hyperspectral methods, remote sensing imagery and analytical software for identifying favourable regions to be field-checked by the team.
- A commitment to maintain a pipeline of drill-ready high priority projects.



For more details see Our strategy on pages 24-29.

Key risk indicators

- Drill programmes completed (overall and by project).
- Change in the number of ounces in reserves and resources.
- Rate of conversion from resources to reserves.

Link to strategy



Risk appetite

High

Behaviour

Increasing

Risk rating (relative position)

2022: Medium (12)

2021: Medium (13)

Managing our risks – response/mitigation to our risks continued

13 – Tailings dams (overflow or collapse of tailings deposits)

Risk description

Ensuring the stability of our tailings storage facilities (TSFs) during their entire lifecycles is central to our operations. A failure or collapse of any of our TSFs could result in fatalities, damage to the environment, regulatory violations,

reputational damage and disruption to the quality of life of neighbouring communities as well as our operations.

Future regulations could also have implications for our tailings management.

Factors contributing to risk

- Design, construction and operation of current tailings dams under local and national controls, which do not comply with recommended best practices.
- Historical tailings dams with little or no operation construction design.
- Little known conditions of the state of some tailings dams, both current and historical.
- Some historical tailings dams located in rural areas are now surrounded by facilities or residential areas, increasing the consequences of failure.
- Tailings dam failures that could cause landslides or collapses.

Controls, mitigating actions and outlook

We manage our TSFs in a manner that allows the effectiveness of their design, operation and closure to be monitored at the highest levels of the Company.

Catastrophic failures of TSFs are unacceptable and their potential for failure is evaluated and addressed throughout the life of each facility. Our TSFs are constantly monitored and all relevant information is provided to the authorities, regulating bodies and the communities that could be affected.

We manage our TSFs using data, modelling, and construction and operating methods validated and recorded by qualified technical teams and reviewed by independent international experts, whose recommendations we implement in order to strengthen the control environment. Risk management includes timely risk identification, control definition and verification. Controls are based on the consequences of the potential failure of the tailings facilities.

The Global Industry Standard on Tailings Management (GISTM) was published in 2020 and we have committed to adopting this standard at all our operations. We launched a new tailings policy during the year, based on the GISTM, reinforcing our commitment to the safety and health of our workforce, communities and the environment.

In accordance with this new standard, we have updated our risk assessment methods with a focus on more detailed risk identification, failure modes and controls in order to avoid catastrophic failures.

Our tailings policy ensures the stability of our TSFs throughout their lifecycles, managing any potential or actual impact on the environment with sound governance and open communication with stakeholders.

The Executive Committee is well aware of the risks associated with tailings dams. Therefore, before we construct a reservoir, we carry out a series of studies to confirm the suitability of the area. These studies include geotechnical, geological, geophysical, hydrological and seismic analyses. Before construction begins, the Ministry of Environment and Natural Resources (SEMARNAT), through the Federal Office for Environmental Protection (PROFEPA), conducts several assessment studies and then continues to periodically review deposits in relation to the works.

In 2022 we launched a number of initiatives to align our governance practices with current best practices. These initiatives included:

- Updating the inventory of the TSFs and validating the data log.
- Initiating a third-party review programme of dam safety inspections for all TSFs.
- Establishing an Independent Tailings Review Panel (ITRP) comprising renowned international experts.
- Accelerating a review programme by independent experts for all sites.
- Reviewing the ITRP's findings and prioritising recommendations arising from inspections.

The Board and the HSECR Committee continue to keep these issues under scrutiny.

It is important to note that our tailings dams differ from those involved in high-profile incidents, such as the tragedy in Brazil.



For more details see Waste management on pages 102-105.

Key risk indicators

- Percentage of TSFs that comply with international design and construction standards.
- Findings of the Independent Tailings Review Panel (ITRP).
- Dam safety inspections and dam safety reviews.
- Storage capacity versus levels of operation.

Link to strategy



Risk appetite

Low

Behaviour

Decreasing

Risk rating (relative position)

2022: Medium (13)

2021: Medium (11)

14 – Environmental incidents

Risk description

Environmental incidents are an inherent risk in our industry. These incidents include the possible overflow or collapse of tailings deposits, cyanide spills and dust emissions, any of which could have a high impact on our people, communities and businesses.

An operating incident that damages the environment could affect both our relationship with local stakeholders and our reputation, reducing the social value we generate.

We operate in challenging environments, including forests and agricultural areas in Chihuahua and Durango, and the Sonora Desert, where water scarcity is a key problem.

Environmental issues directly related to climate change are considered under our specific Climate Change principal risk below.

We continue to be alert to the following risks:

- Cyanide management risk.
- Impact on the environment in the area of influence through erosion/deforestation/forest loss or disturbance of biodiversity as a result of the operations of the business unit or project activities.
- An event involving a leak or spill of cyanide or SO₂, which due to its chemical properties could generate an event of major consequence on the premises of the business unit and/or in the nearby area.

Key risk indicators

- Number of business units with ISO 9001, 14001, 45001 Certification.
- Number of business units with Clean Industry Certification.
- Number of business units with International Cyanide Code Certification.

Link to strategy



Risk appetite

Low

Behaviour

Decreasing

Risk rating (relative position)

2022: Medium (14)

2021: Medium (11)

Factors contributing to risk

- We have strengthened the regulatory risk pillar of the environmental management model, incorporating monthly updates of environmental regulations. Furthermore, we now regularly monitor the Environmental Authority inspection processes to assure compliance with our environmental commitments and action plans.
- Failure to manage our major hazards or mass passenger transport could result in a catastrophic event or other long-term damage.

Controls, mitigating actions and outlook

- Our operations are inherently hazardous. We seek to achieve operational excellence to ensure that our employees and contractors go home safe and healthy, and that there are no adverse impacts on the communities and the environment where we operate.
- Our environmental management system ensures compliance with national and international regulations and best practices, provides transparency and supports initiatives that reduce our environmental footprint. We recognise that we are responsible for our activities and for delivering on our environmental commitments.
- Our environmental management system, together with our investment in preventive measures and training, are key factors that reduce the risk of large environmental incidents.
- We have a comprehensive approach to incident prevention. Relevant risks are assessed, monitored and controlled in order to achieve our goal of zero incidents with significant environmental impact. We work to raise awareness among employees and contractors, providing training to promote operational excellence. The potential environmental impact of a project is a key consideration when assessing its viability, and we encourage the integration of innovative technology in the project design to mitigate such impacts.
- We prioritise the efficient use of natural renewable resources by using sea water, favouring the use of renewable power sources, achieving higher rates of reuse and recovery of water through the use of thickened tailings technology and reducing greenhouse gas emissions.
- We recognise that environmental sustainability is key to our ability to generate social value and we perform regular risk assessments in order to identify potential impacts and develop preventive and mitigating strategies.
- Each site maintains updated environmental emergency preparedness and detailed closure plans with appropriate financial provisions to ensure physical and chemical stability once operations have ceased.
- Fresnillo and Saucito are ISO 9001 certified; Fresnillo, Saucito, Herradura and Noche Buena are ISO 14001 and ISO 45011 certified.
- In addition, Fresnillo, Saucito and Juanicipio are certified according to the standards of the Clean Industry; the first two achieved the badge of environmental excellence issued by the Environmental Protection Attorney's Office (PROFEPA). Our Herradura leaching operation complies with the Cyanide Code issued by the International Cyanide Code Institute with the respective certification.
- Environmental protection and safety are critical for cyanide leaching systems. We comply with international best practices as promoted by the International Cyanide Management Institute (ICMI) and the Mexican standard NOM-155SE/MARNAT-2007, which establishes environmental requirements for gold and silver leaching systems.
- Safe management of our tailings facilities has always been a priority. With increased focus on the issue of tailings dam safety across the global mining industry, we have taken the opportunity to renew and increase this focus.



For more details see Cyanide management on page 105



For more details see Protecting our environment on pages 85–109.

Managing our risks – response/mitigation to our risks continued

15 – Climate change

Risk description

The mining industry is highly exposed and sensitive to climate change risk.

Climate change is a systemic challenge and will require coordinated actions between nations, between industries and by society at large. It demands a long-term perspective to address both physical climate change and low-carbon transition risks and uncertainties.

Due to climate change, our operations and projects are expected to face acute physical risks from extreme events such as high temperatures, droughts and extreme rainfall from more frequent and intense hurricanes in the Pacific.

These natural disasters may affect the health & safety of our people, damage access roads and mine infrastructure, disrupt operations and affect our neighbouring communities. In addition, the rise in temperatures may increase our water demand while the decrease in annual precipitation exacerbates water stress in the regions where we operate.

These chronic risks may intensify the competition to access water resources, increasing risks to the

social licence to operate. The societal responses to transition to a low carbon economy include more stringent regulations to reduce emissions, a transformation of the global energy system, changes in behaviour and consumption choices and emerging technologies.

Adaptation measures are necessary to build the flexibility to respond to physical and transitional changes.

One of the most important risks we currently face relates to compliance with all the provisions and requirements of international agreements to reduce pollution and greenhouse gas emissions.

Failure to adapt to the transition and physical impacts of climate change, include:

- government legislation to limit mining activities;
- regulations limiting greenhouse gas emissions from the mining industry;
- acute physical risks such as the increased likelihood of extreme weather events; and
- chronic physical risks such as changing weather patterns including rising temperatures and sea levels.

Key risk indicators

- Energy demand/value added.
- CO₂/energy consumption.
- Zero-carbon fuel share.

Link to strategy



Risk appetite

Medium

Behaviour

Stable

Risk rating (relative position)

2022: Medium (15)

2021: Medium (12)

Factors contributing to risk

- The Federal Government promotes investment in coal rather than in renewable or clean energy. This has led to operating on clean energy becoming more difficult.
- The Federal Government's implementation of policies that support the use of coal will lead to more greenhouse gases being released into the atmosphere and reduce the development of renewable energies.
- Current and emerging climate regulations have the potential to result in increased cost, to change supply and demand dynamics for our products and create legal compliance issues and litigation, all of which could impact the

Group's financial performance and reputation. Our operations also face risk due to the physical impacts of climate change, including extreme weather.

- Warming temperatures will increase water scarcity in some locations, inhibiting water-dependent operations, complicating site rehabilitation and bringing companies into direct competition with communities for water resources.
- The supply of critical inputs to mining processes, such as water and energy, is likely to face greater constraints.
- Employee health and safety will be put at risk by increases in communicable diseases, exposure

to heat-related illnesses and the likelihood of accidents related to rising temperatures.

- Obtaining and maintaining a social licence to operate will become more difficult in communities where climate change exacerbates existing vulnerabilities and increases direct competition between the company and the community for resources.
- Increased physical and non-physical risks will make project financing more difficult to secure.
- Global warming and its effects such as droughts, hurricanes, winter storms and heavy rains, can cause stoppages in operations.

Controls, mitigating actions and outlook

1. Climate change has formed part of our strategic thinking and investment decisions for over two decades.
2. We are considering the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding: Governance, Strategy, Risk Management and Metrics and targets.
3. We recognise the importance of maturing our approach to integrating physical climate change risks and adaptation into financial planning and decision-making processes. We are committed to enhancing our understanding of the site-level impacts and vulnerabilities to refine our adaptation measures.
4. The pervasive and complex nature of climate change means that it can amplify other risks such as environmental incidents, access to water, health & safety of our people, government regulations, and social licence to

operate. The Head of Sustainability and the Head of Risks support the process to refine the identification and risk assessment of physical and transitional risks.



For more details see Climate change on pages 86-101.

5. We use the guides from industry associations (i.e. ICMM), international scientific reports (i.e. IPCC), reports from industry peers and reports of the Mexican Government to identify the physical impacts of climate change.
6. To gain a general understanding, we use the outcomes of scenarios built by the Mexican Government Reports, using the Global Circulation Models (GCMs) and different Representative Concentration Pathways (RCPs).
7. In addition, we use Aqueduct, a tool developed by the World Resources Institute (WRI), to better understand water stress under different

climate change scenarios in the 2020-2030 period.

8. We are implementing a series of controls to manage the threat of extreme weather, including structural integrity programmes across all critical assets, emergency response plans and flood management plans. These controls keep our people safe and help our operations return to normal capacity as quickly as possible.
9. We are increasing the supply of the materials essential to building a low-carbon economy.
10. We are setting targets to reduce our emissions (on an absolute and intensity basis) over the short-, medium- and long-term.



For more details see Climate change on pages 86-101 and Water stewardship on pages 106-107.