LIVING UP TO OUR PURPOSE, BUILDING UP OUR RESILIENCE

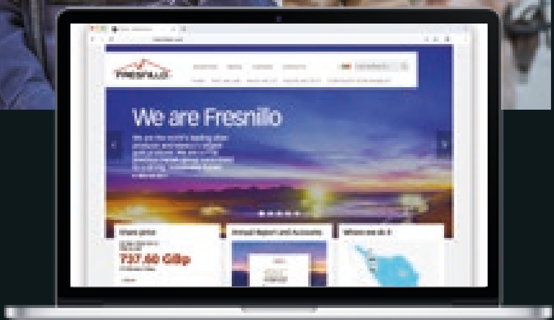
Fresnillo plc | Annual Report and Accounts 2021

FRESNILLO PLC IS THE WORLD'S LEADING SILVER PRODUCER AND ONE OF MEXICO'S LARGEST GOLD PRODUCERS, LISTED ON THE LONDON AND MEXICAN STOCK EXCHANGES.

OUR PURPOSE

At Fresnillo plc, we are focusing on the future, contributing to the wellbeing of people through the sustainable mining of silver and gold.

Covid-19 has continued to challenge the ways in which we all work and live. While the pandemic's impact for most of 2021 was not as significant as in the previous year, the Fresnillo Purpose continued to play an important role in guiding how we could best navigate the situation. Our Purpose is not just a set of words to shape our future, but something that springs directly from how we operate as a business. By living up to our Purpose during the year, we have again been able to protect and support our people, maintain production close to the expected levels and continue to contribute to the wellbeing of our stakeholders – including shareholders, local communities, suppliers, the authorities and the environment.



WWW.FRESNILLOPLC.COM

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Performance highlights

Through the ongoing challenges of Covid-19, we continued to contribute to the wellbeing of people while building on the lessons we learnt during 2020, enabling us to record a creditable performance during the year.

ATTRIBUTABLE GOLD PRODUCTION

751.2 koz

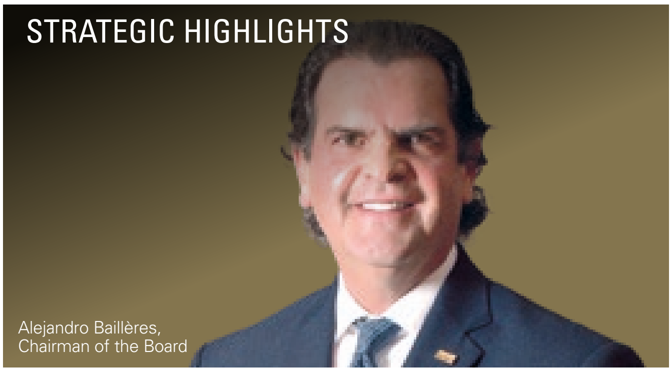
-2.4%

ATTRIBUTABLE GOLD RESOURCES

39.0 moz

+0.1%

STRATEGIC HIGHLIGHTS



Alejandro Baillères,
Chairman of the Board

Appointed Alejandro Baillères as the new Chairman.

Defined a strategy to mitigate the impact of the lower-than-expected retention rate at some of our mines following the labour reform. This included: reviewing our incentive schemes, commencing a recruitment programme and purchasing equipment.

Completed the construction of the Juanicipio plant on schedule.

Extended the commissioning timeline at Juanicipio by approximately six months due to delays in the granting of permits to connect to the power grid.

Pushed back the start up of the Pyrites Plant (phase II) in the Fresnillo district, due to reasons similar to those at Juanicipio.

Maintained our dividend in line with our stated policy.

Built greater resilience into our portfolio of Tailings Storage Facilities.

Transferred 80 people to the new shared services function Baluarte Minero to further exploit synergies between Fresnillo and Peñoles.

Continued to adapt our community engagement and social investment portfolio to combat the impact of Covid-19.

Developed a company-wide training scheme to prevent and address workplace harassment.

For more information
see pages 6-9

OPERATIONAL HIGHLIGHTS

Attributable silver production of 53.1 moz (including Silverstream), flat vs. 2020, marginally below guidance, as the higher ore grade at San Julián Disseminated Ore Body (DOB) and, to a lesser extent, the contribution of development ore from Juanicipio, was offset by a lower ore grade and volume of ore processed at Saucito and Fresnillo.

Attributable gold production of 751.2 koz decreased 2.4% vs. 2020, ahead of guidance, due to a lower ore grade at Ciénega, and a lower ore grade and volume of ore processed at San Julián Veins, partly mitigated by a higher volume of ore processed and ore grade at Noche Buena.

Silver resources up 1.2% primarily due to successful exploration at Fresnillo and San Julián (Veins), partly offset by depletion and a higher cut-off grade at Saucito and San Julián (DOB); gold resources remained stable at 39.0 moz.

Silver reserves decreased 8.2% to 419.8 moz mainly due to depletion and exploration results at Fresnillo, and depletion at Saucito and San Julián (DOB), partly mitigated by exploration at San Julián (Veins).

Gold reserves decreased 7.1% to 7,834 koz primarily due to depletion at Herradura and Noche Buena.

We regret to report that one fatality occurred during 2021.

For more information
see pages 34-57

ATTRIBUTABLE SILVER PRODUCTION (INCLUDING SILVERSTREAM)

53.1 moz

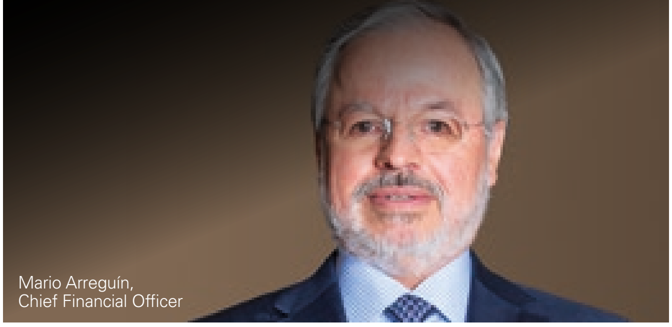
+0.1%

ATTRIBUTABLE SILVER RESOURCES

2,319.7 moz

+1.2%

FINANCIAL HIGHLIGHTS



Mario Arreguín,
Chief Financial Officer

Adjusted revenue[1] of US$2,847.9 million, up 9.2% over 2020 due to the higher silver, lead and zinc prices and increased volumes of silver sold.

Revenue of US$2,703.1 million, up 11.2% over 2020 due to higher adjusted revenue and lower treatment and refining charges.

Gross profit of US$936.9 million, up 6.5% due to the favourable effect of higher metal prices; EBITDA[2] of US$1,206.3 million, up 3.2%.

Profit from continuing operations before net finance costs and income tax of US$666.7 million, up 2.6%.

Capex of US$592.1 million, up 43.6%.

Dividends of US$245.6 million paid, up 134.6%, in line with our dividend policy which includes a consideration of profits generated in the year.

Strong balance sheet and low leverage ratio; cash and other liquid funds[3] of US$1,235.3 million, up 15.4% driven by our operational performance, despite an investment of US$592.1 million in capex and spending US$130.3 million on exploration expenses to underpin our future growth.

For more information
see pages 58-69

ESG HIGHLIGHTS

Partnered with health authorities to vaccinate our people at mine sites. 78% of our workforce have been vaccinated.

Continue to implement the 'I Care, We Care' programme with a focus on High Potential Incidents and Critical Risk Controls.

Generated an economic impact of US$2,120 million in 2021 through wages, taxes and payments to suppliers. 71% of our workforce are from the regions where we operate.

Collaboration with health authorities to support vaccination in remote communities neighbouring la Ciénega, San Julián and Penmont, totalling 9,889 vaccine shots.

Reported Climate Change following the TCFD recommendations.

Supplied 49.7% of our electricity from renewable sources.

For more information
see pages 70-119

Find out more online at
www.fresnilloplc.com

1 Adjusted revenue is the revenue shown in the income statement adjusted to add back treatment and refining costs and gold, lead and zinc hedging. The Company considers this a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices. The reconciliation of Adjusted revenue to revenue as shown in the income statement is provided on page 60.
2 Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses. The reconciliation of EBITDA to amounts determined in accordance with IFRS can be found on page 65.
3 Cash and other liquid funds are disclosed in note 30(c) to the consolidated financial statements.

Where we operate

Based in Mexico, Fresnillo draws on the country's significant geological resources and strong potential for continued growth. We benefit from Mexico's skilled workforce and solid infrastructure, and are proud to continue playing an important part in a rich mining tradition that stretches back more than 500 years. Our mining concessions extend to approximately 1.7 million hectares in Mexico, securing valuable employment for just over 20,000 people and contributing some US$2,120[1] million to the country's economy each year.

1 Total economic impact. This is considered to be a social performance measure. For more detail see page 113.
2 Au:Ag ratio of 1:80.

KEY ASSETS

OPERATING MINES

Asset	Type	Main metal	EBITDA	Reserves (Silver)[3]	Reserves (Gold)[3]	Year[1]
1 **Fresnillo**	Underground	Silver primary	US$183.8m	99.5 moz	305 koz	1554
2 **Saucito**	Underground	Silver primary	US$270.6m	124.9 moz	586 koz	2011
3 **San Julián**	Underground	Silver primary	US$271.2m	74.6 moz	311 koz	2016
4 **Ciénega**	Underground	Gold/Silver	US$84.8m	34.6 moz	331 koz	1992
5 **Herradura**	Open pit	Gold	US$309.0m		5,638 koz	1997
6 **Soledad-Dipolos**[2]	Open pit	Gold		Excluded in 2021		2010
7 **Noche Buena**	Open pit	Gold	US$66.6m		216 koz	2012

1 Represents start of commercial production.
2 Operations at Soledad-Dipolos are currently suspended.
3 As of 31 May 2021.

Read more in our Review of Operations on pages 40-57

DEVELOPMENT PROJECTS

8 **Juanicipio**	Silver project in the Fresnillo District. Annual total production expected to average 11.7 moz silver and 43 koz of gold.

For more detail on the Juanicipio project See page 39

ADVANCED EXPLORATION PROJECTS

Asset	Main metal	Resources (Silver)[4]	Resources (Gold)[4]
9 **Orisyvo**	Gold	12.7 moz	9,575 koz
10 **Guanajuato**	Silver/Gold	100.6 moz	1,693 koz
11 **Rodeo**	Gold	13.8 moz	1,331 koz
12 **Tajitos**	Gold		1,093 koz

4 As of 31 May 2021.

In addition, we have many further early stage projects and prospects located in Mexico, Peru and Chile.

For more on our exploration projects and prospects See pages 35-38

Chairman's statement – **Alejandro Baillères**

LIVING UP TO OUR PURPOSE, BUILDING UP OUR RESILIENCE

This last year has again seen our Purpose come to the fore – supporting our people through the continuing challenge of Covid-19, as well as the new labour reform, and enabling them to maintain satisfactory levels of production. As we move into 2022, we are continuing to adjust to the labour reform and invest in infrastructure that will make Fresnillo a more resilient business.

I am pleased to present my first Annual Report statement as Chairman of Fresnillo. Having been a member of the Board since 2012, I know that I have the support of a committed Board and management team executing a proven long-term strategy. Under my chairmanship, continuity will be the watchword: we will remain loyal to our core principles, ensuring we always behave in a way that is faithful to our Purpose and contributes to the wellbeing of all stakeholders – including shareholders, our workforce, local communities, suppliers, government authorities and the environment.

Before turning to our performance for 2021, I would like to pay personal tribute to my father Alberto Baillères, who sadly passed away on 2 February 2022, having stepped down as Chairman in April 2021. He chaired Fresnillo with distinction since our listing in London in 2008, though his leadership of the Group extended over half a century. The Board and I believe that the best way to honour his memory is to preserve and build on his legacy of responsibility, integrity and respect – these are not only the values of Fresnillo but also the principles by which my father lived his professional and personal life.

Delivering on our promises

As we anticipated, the pandemic again disrupted our activities in 2021, although not to the same extent as the previous year. The introduction of new labour legislation added to the challenges we faced and caused additional disruption during the year, primarily at our underground mines. This meant that silver production fell marginally below guidance, while higher production at Herradura helped us to exceed our guidance for gold production.

We achieved US$2,703.1 million in total revenue and US$2,847.9 million in adjusted revenue during the year. This represented an increase of 11.2% and 9.2% respectively, primarily due to higher prices for silver. Gross profit rose year-on-year by 6.1% to US$936.9 million, primarily driven by higher prices. Cash and other liquid funds increased from US$1,070.4 million to US$1,235.3 million, reflecting the increased cash generated by the mines. Please see pages 58-69 for further details on our financial performance.

Our approach is to remain steady, constant and focused on the long term through the cycles that may impact our business. Our strategy is well established, and our dividend policy remains unchanged. We aim to pay out 33-50% of profit after tax each year, while making certain adjustments to exclude non-cash effects in the income statement. Dividends are paid in the approximate ratio of one-third as an interim dividend and two-thirds as a final dividend. Before declaring a dividend, the Board carries out a detailed analysis of the profitability of the business, underlying earnings, capital requirements and cash flow. Our goal is to maintain enough flexibility to be able to react to movements in precious metals prices and seize attractive business opportunities.

We declared an interim dividend of $9.90 US cents per share, with a final dividend of 24.0 US cents per share, bringing the total for the year to 33.9 US cents per share.

Living up to our Purpose

Once again, our Purpose has been at the heart of how we think and act, and it has supported our people and their communities through what were at times difficult and demanding days.

Our Purpose is to contribute to the wellbeing of people through the sustainable mining of silver and gold.

Thanks in large part to the protocols we introduced in our mines and to the testing and vaccination programme that we continued to support for our people and their communities, we have managed to loosen the grip of the pandemic. We have built on the extensive and unprecedented experience we gained in the previous year, working with the local and federal authorities to enable our people to continue working through the third and fourth waves of Covid-19, albeit with some inevitable restrictions.

“OUR PURPOSE IS TO CONTRIBUTE TO THE WELLBEING OF PEOPLE THROUGH THE SUSTAINABLE MINING OF SILVER AND GOLD.”

Chairman's statement continued

During my many visits to our operating units, it has been particularly pleasing to see that our people increasingly engage with our Purpose. They were of course familiar with the words, but since the onset of the pandemic they have witnessed the actions behind those words. Our Purpose is not an empty corporate promise but a way of thinking and acting that guides everything we do and every decision we take, from the mine stope to Boardroom – with the health and safety of our people always our overriding priority.

Building up our resilience
Our experience with the pandemic has underlined the need for our business, our people and our communities to be resilient to many factors that could affect us. During 2021 we focused on building up our resilience across four key areas.

For example, we continued to build greater production resilience through the development of our new mine at Juanicipio, which we expect to produce an annual average of 11.7 moz silver and 43.5 koz gold when fully operational. Following construction of the Juanicipio plant on schedule, we expected to be granted approval for connection to the national power grid by the end of the year. Unfortunately, this was delayed and as a result we have extended the commissioning timeline by approximately six months to comply with new requirements from the authorities. Future Group production will also be underpinned by the start-up of the new Pyrites plant at Fresnillo. In addition, we continued to invest in efficiency improvements at the Fresnillo mine through a series of infrastructure investments.

Our exploration activities have continued to deliver a more resilient pipeline, with the increased budget for 2021 supporting extensive brownfield activities in the Fresnillo and San Julián Districts, as well as good progress at Guanajuato.

Across the business, the support of our workforce has been vital to our past successes and future plans. We rely on our people for their skills and commitment and do everything we can to provide them with rewarding careers. During 2021, one of our greatest challenges was to continue to benefit from a trained and supportive workforce in the face of major legislative change. Mexico's new labour reform law came into effect in September, restricting our ability to subcontract labour. Our response was to work hard to retain as many of our contractors' people as possible, bringing them in-house to join our unionised employees. This was a demanding and somewhat disruptive process, and I would like to thank everybody involved for their perseverance and patience. Ultimately, we believe that although the move away from outsourcing may be a challenge in the short term, in the medium and long term it will lead to a more cohesive and resilient workforce. The Chief Executive comments further on labour reform in his statement on pages 16-19.

During the year, we also supported greater resilience in the communities where our people live, by maintaining our commitment to investment in local healthcare – including providing Covid-19 testing equipment and vaccines – employment, education programmes, capacity building, training and support for local entrepreneurs.

Board activities
The Board met regularly through the year and discussed a wide range of matters, from how the Company was supporting vaccination programmes in remote communities to the impact of the new labour reforms.

One of our most important tasks is to maintain oversight of Fresnillo's culture, and we received regular updates on how our Purpose and values continued to be the beacons that guide our actions. During 2021, we were pleased to see our teams develop a five-hour online training module to promote diversity, equality and inclusion. We comply with the ethnic diversity

> "DURING 2021 WE FOCUSED ON BUILDING UP OUR RESILIENCE ACROSS FOUR KEY AREAS."

targets set for FTSE 100 Boards and continue to make good progress in developing an inclusive culture. This includes promoting the participation of women in our workforce, with the total percentage of women increasing to 11.0% in 2021 from 9.7% in the previous year. Our Board composition during 2021 meant that we were one of the most gender progressive companies in Mexico according to both the 50/50 Women on Boards Gender Diversity Index and the Women Corporate Directors Foundation.

Workforce engagement was again a key agenda item for the Board. Bringing workers' voices into the Boardroom enables us to incorporate their perspective into our strategic discussions and decision-making. Our Designated Non-Executive Director (NED) for workforce engagement held two online meetings with unionised and non-unionised employees during the year, gaining valuable insight into strategically important topics such as health, safety, Covid-19, ethical culture, inclusion, and gender equality.

I provide more details of the Board's activities in my introduction to the Governance Report on pages 156-157, including how we supported our people and local communities through the pandemic.

Board changes

In April 2021, we announced a number of Board changes that took effect at the AGM in June, including the stepping-down of my father as Chairman of Fresnillo and my subsequent appointment as his successor.

The Board was delighted to welcome two new Directors at the AGM. Héctor Rangel joined us as an independent Non-Executive Director – a position he previously held from April 2008 to January 2009 – and Eduardo Cepeda as a Non-Executive Director. Both Directors have extensive expertise in finance and the business environment in Mexico and have already brought valuable insights to the Board.

Héctor is the President of BCP Securities Mexico, a joint venture with BCP Securities LLC, a US investment bank specialising in emerging markets. Prior to this role, he was the Chief Executive Officer of Nacional Financiera S.N.C. and Banco Nacional de Comercio Exterior and a member of Mexico's cabinet under President Felipe Calderon. He has wide-ranging corporate and investment banking expertise having held various executive positions with the Grupo Financiero Bancomer from 1991 until 2008, including a tenure as Chairman of the Board. Héctor has also been appointed a member of the Audit Committee.

Eduardo was President and Senior Country Officer at JP Morgan based in Mexico City from 1993 to 2019. He was also Chief Executive Officer of JP Morgan Wealth Management Latin America from 2009 to 2012. As a key participant in the growth and development of JP Morgan's business in Mexico and Latin America, he has led many important investment banking transactions, both in the public and private sectors.

The Board also approved several recommendations from the Nominations Committee during the year. These included the appointment of Alberto Tiburcio as Chairman of the Remuneration Committee, with Charles Jacobs becoming a member of the Nominations Committee. At the same time, I was honoured to succeed my father as Chairman of the Nominations Committee, and as a member of the Remuneration Committee.

Outlook

There is an inevitable degree of caution around expectations for 2022 and beyond, with operational challenges being potentially worsened by the pandemic – and the knock-on effect on workforce availability – as well as by the ongoing impact following the implementation of the new labour law. However, one thing is certain: we will remain steadfast to our Purpose and will continue to put the health and safety of our people at the centre of every decision.

On behalf of the Board, I would like to thank all our people – from those working in the mines to our executive management team – for their dedication and expertise during the year. We have increased production, built up our resilience and equipped Fresnillo with the strength and attributes to continue delivering long-term value to all our stakeholders. Together, supported by our culture and guided by our Purpose, we face the future with confidence.

Alejandro Baillères
Chairman

CONTRIBUTING TO THE WELLBEING OF PEOPLE...

With the greatest electrical and thermal conductivity of all metals, silver is a key component in many products, and is essential to the rapid and sustained growth of technologies that enable connectivity and help combat climate change.

As a major presence in many regions of Mexico, we are committed to being a positive influence at all times – supporting local people and communities by:

Providing career and procurement opportunities

20,116

people employed at our mines in 2021.

Read more in People on pages 78-81

Investing in social programmes

US$3.14m

invested during 2021 across the four focus areas of our social investment portfolio: Education, Health, Water and Capacity Building.

Read more in Sharing the benefits on pages 113-119

Paying our taxes

US$375.0m

paid to local and federal government in 2021.

Read more in Sharing the benefits on pages 113-119

Silver and gold play important roles in the everyday lives of people across the world

Connectivity
From smartphones and computers to the internet of things, the way we all live, work and play is being transformed at an ever-increasing pace. People and businesses are more connected than ever before. With the greatest electrical and thermal connectivity of all metals, silver is a key component in the electronics that are driving this unstoppable trend.

Proven and emerging technologies
Our metals are essential to technologies that are leading the fight against climate change – including electric vehicles and solar panels. While silver nanoparticles stop the spread of germs in food containers, sprays and cosmetics, gold is used in medical screening tests and both metals are key to technologies used in water treatment.

Financial security
For over 2,000 years, gold has been a mainstay of our financial system – not only for transactions but also as a secure store of personal wealth. Much of the world's jewellery is fashioned with gold or silver, and in many parts of the world jewellery is considered to be a private monetary reserve.

Read more in Review of our Markets on pages 26-27

Almost every electronic device depends on silver for its functionality

Our Purpose continued

Wind energy represents 49.7% of our electricity supply

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

...THROUGH THE SUSTAINABLE MINING OF SILVER AND GOLD

As the world's leading producer of silver, we have a clear responsibility to set the standards for our industry by integrating responsible business practices into everything we do:

Addressing climate change

We are working hard to support the world's transition to a low-carbon future. Initiatives including greater use of wind power, dual-fuel trucks and on-demand mine ventilation help us achieve a double win – mitigating our environmental impact while reducing our operating costs at the same time.

Read more in Climate Change on pages 88-100

Improving how we manage water and waste

Water resilience is an increasingly important issue for a warming planet. Our operations not only incorporate closed-circuit processes and reuse municipal water where possible – we also constantly strive to improve our water efficiency and work closely with communities to enhance their access to clean and fresh water. In addition, we are continuing to strengthen our management of tailings storage facilities and cyanide, to reduce the risk of accidents to our people and communities.

Read more in waste management on pages 102-104, water stewardship on pages 105-106 and sharing the benefits on pages 113-119

Managing the mining lifecycle

Our responsibilities continue even when mines are worked out or become financially unviable. We aim for Fresnillo to always be a force for good – and our commitment is to leave the area safe, either returning it to its previous state or, in many instances, improving it for the benefit of local people.

Read more in engaging communities effectively in the lifecycle of mining on page 109

Engaging with stakeholders

A healthy and safe work environment builds trust among our workforce, our communities and regional and national governments. Responsible social practices such as consultation with indigenous peoples, prevention of modern slavery and our social investment portfolio keep us ahead of the curve in social acceptability wherever we explore, develop and operate.

Read more in Sustainability on pages 72-119 and Relationships with key stakeholders on pages 150-155

We achieved a water reuse efficiency of 79% in the year, reusing wastewater from municipalities and our own operations and accommodations.

Our stakeholders

PUTTING OUR STAKEHOLDERS FIRST

We mandated the use of masks and hygiene measures, notably handwashing and the use of anti-bacterial gel. In addition, we implemented a daily sanitisation programme for work areas, accommodation and transportation.

Workforce

An experienced and committed workforce is essential to our Purpose. Engaging our people for the long term allows us to instil a long-lasting culture where everybody understands our Purpose and how we do business.

Our skilled and dedicated workforce comprises a total of 7,359 employees, together with 12,757 contractor personnel who provide services along our full value chain, supported by an experienced and purpose-led leadership team.

In response to the labour reforms introduced by the Government, which restricted our ability to subcontract labour, we worked hard to retain as many of our workforce as possible in order to support production at our mines.

Read more in People on pages 78-81

Communities

Mutually beneficial relationships with our communities ensure long-lasting acceptability of our operations. Acting ethically, being accountable for our impacts and sharing the benefits of mining are essential to building trust in the communities where we operate.

The Covid-19 crisis has continued to heighten the expectations that communities have of companies' citizenship activities. During the year, we remained flexible and adaptable to support the issues that matter to our communities. For example, we collaborated with the Mexican public health authorities to support vaccination in the regions where we operate, significantly increasing local vaccination rates. We also partnered with our communities to support the safe return to school, sharing preventive measures, donating sanitising products and masks for children, rehabilitating infrastructure.

Read more in Communities on pages 109-112

Contractors

Historically, a trained and motivated contractor workforce has been a key aspect of our way of working. However, during 2021 the Mexican Government enacted a new law that has prohibited outsourcing services, except for certain specialised services or projects. We invested considerable time and resources in identifying which activities and personnel needed to be internalised to maintain our production goals. We subsequently updated our incentives system and prepared competitive economic proposals, an ambitious recruitment programme and an equipment leasing and purchase plan.

At the end of the financial year, a total of 677 contractor personnel had been brought into our workforce as employees. We also deployed recruitment campaigns across all units to train local people with no previous mining experience.

Read more in Stakeholder Engagement on page 154

We have a comprehensive strategy in place to safeguard the health of our people. Our focus is on prevention and emergency response, the promotion of healthier lifestyles, and the enhancement of wellbeing through the early identification and management of health risks to prevent occupational and chronic diseases.

Chief Executive’s statement – **Octavio Alvídrez**

A CREDITABLE PERFORMANCE, A MORE RESILIENT FUTURE

Following the most disrupted and unforeseen year in our history, 2021 was an altogether calmer and more predictable period for Fresnillo. Guided by our Purpose, we continued to focus on the wellbeing of people while, at the same time, achieving a respectable operational performance and continuing to position the Company to meet the challenges of future years.

Although Covid-19 again cast a shadow over the world, the lessons we learned during 2020 were instrumental in helping Fresnillo minimise the pandemic's impact – keeping our people safe, supporting our efficiency improvement programmes and, ultimately, enabling us to record a creditable performance. While we remain vigilant regarding the evolution of the pandemic and its potential impact on our operations, our teams have adapted well to new protocols and this helped us deliver silver production marginally short of guidance, with gold production exceeding expectations.

To support the wellbeing of our people and their communities, we continued to engage extensively and play our part as a large employer and supportive neighbour. As a result, we maintained our investment in local healthcare – for example by contributing testing equipment and vaccines – as well as in the provision of employment opportunities and education programmes, including an initiative to ensure that families in remote communities could access educational content via the internet while schools were closed due to the pandemic.

Environment, Social and Governance (ESG) matters sit at the heart of our Purpose, and in 2021 we further strengthened our commitment by expanding our ESG team. Our first ESG Compliance Manager is now in post – and in the coming months we expect to appoint an ESG Operations Manager based in the mines to provide feedback directly to our senior management.

Production highlights and price review

With some restrictions necessitated by the pandemic adding to limited short term disruption as a result of the new labour reforms discussed below, our production of silver fell marginally below guidance while production of gold exceeded forecasts.

Total silver production was 53.1 moz, in line with the previous year. Higher ore grades at San Julián DOB and, to a lesser extent, the contribution of development ore from Juanicipio, were offset by a lower ore grade and volume at Saucito and Fresnillo.

Gold production was down by 2.4% vs. the previous year, to 751.2 koz. This was primarily due to a lower ore grade at Ciénega, and a lower ore grade and volume of ore processed at San Julián Veins, partly mitigated by a greater volume of ore processed and a higher ore grade at Noche Buena.

Attributable by-product lead production decreased 10.5% to 56,573 tonnes primarily due to a decrease in volume of ore processed and lower ore grade at Saucito and Fresnillo and a lower ore grade at Ciénega, while attributable by-product zinc production decreased 6.9% due to a lower volume of ore processed and ore grade at Saucito and, to a lesser extent, lower ore grade and recovery at Ciénega.

Please find more details on production at each of our mines on pages 40-57

Precious metals prices began the year on a high, continuing the trend established in 2020. However, they fell away to an extent during the second half as the global economic uncertainty created by the pandemic receded and investors again sought returns in areas such as equities and crypto currencies. The average realised silver price was US$24.9 per ounce, an increase of 16.9% over 2020, while gold prices remained relatively flat at US$1,795.0 per ounce. Average prices for zinc and lead increased by 31.7% and 21.6% respectively. Please see pages 26-27 for more detail on prices and how they have been influenced by market dynamics.

Delivering value through a proven strategy

Our strategy has remained unchanged since our earliest days. Tried, tested and proven to deliver long-term shareholder value, it was again the engine room for our performance during 2021. The strategy consists of four distinct pillars:

Maximising the potential of existing operations

Our ability to drive production was impacted to an extent by Mexico's new labour reform which restricted our ability to subcontract labour. The law came into effect on 1 September 2021, and led to us having to bring a proportion of our contractor workforce into the company as employees. Historically, a trained and motivated contractor workforce has been a key aspect of our way of working and the reform has necessitated significant work. While we took steps to prepare following the announcement of the reform in April, subsequent contractor uptake varied. In particular, our underground mines in the Fresnillo District and at Ciénega were more affected due to a higher number of contractor personnel working on site, and this led to an increased number of staff vacancies and greater workforce rotation. This in turn affected equipment availability and utilisation rates.

We continue to take a series of actions to mitigate the impact of the law, including new recruitment campaigns, training and investment in new equipment. These actions are proving effective and we expect to complete the staffing process in the Fresnillo District and Ciénega in the third quarter of 2022. Our open pit mines, which have experienced less of an impact, should be fully staffed during the first quarter of 2022. I believe that in the long term the switch to relying on our own resources instead of those of contractors will make Fresnillo a more operationally resilient business. For details of our workforce composition at the end of the year, see page 79.

Home to the Fresnillo and Saucito mines as well as our new mine at Juanicipio, the Fresnillo district is the foundation for the Group's silver production, due to its extensive reserves and resources. As we mine deeper, our challenge is to develop more metres across a greater number of veins and to focus on productivity, cost control and technology investment. We made progress on a number of infrastructure investments during the year, including a new pumping station, and electricity and ventilation infrastrucutre.

"TO SUPPORT THE WELLBEING OF OUR PEOPLE AND THEIR COMMUNITIES, WE CONTINUED TO ENGAGE EXTENSIVELY AND PLAY OUR PART AS A LARGE EMPLOYER AND SUPPORTIVE NEIGHBOUR."

Chief Executive's Statement continued

The deepening of the San Carlos shaft at Fresnillo remains on track for completion in 2022. It will provide easier and faster access to 56% of the mine's reserves, enabling us to significantly reduce haulage costs.

At Saucito, we continued with the project to deepen the Jarillas shaft to 1,000 metres. Again, when completed in 2025, this will reduce haulage costs by providing access to deeper levels of the mine where almost half of the reserves are located.

Delivering growth through development projects

Our new mine at Juanicipio was completed towards the end of 2021, as planned. Unfortunately, approval to complete the tie-in to the national power grid was not granted by Comisión Federal de Electricidad (CFE), the state-owned electricity company, before year end as expected. The mill commissioning timeline was therefore extended by approximately six months to comply with new requirements from Centro Nacional de Control de Energía (CENACE), In the meantime, we are continuing pre-commissioning testing before ramping up operations once the required permits have been granted.

From 2022 onwards, Juanicipio will be an increasingly major influence in our operations, with silver and gold production expected to reach annual averages of 11.7 moz and 43.5 koz respectively. During 2021, development ore from Juanicipio was processed in the Fresnillo processing plant, with 1.8 moz of silver and 3.7 koz of gold produced during the period.

Delays related to energy inspection and certification, together with issues caused by the pandemic, also affected the start-up of the new Pyrites Plant at the Fresnillo mine. Although completed late in 2020, connection to the national power grid was unexpectedly delayed by similar circumstances to those we experienced at Juanicipio. The result was again an extension of six months to the commissioning timeline in order to comply with new requirements. Once the Pyrites Plant is fully operational, we anticipate that it will produce an average of 3.5 moz of silver and 13 koz of gold per year, including production from Saucito.

The US$30 million plant optimisation project to improve recovery of lead and zinc from the lower levels at the Fresnillo mine continued as planned. The flotation circuit was connected on schedule early in the year and we are now seeing an improved quality of concentrates, better recovery rates and greater control of impurities. Originally planned for 2022, the installation of vibrating screens to improve milling capacity at the plant continues to be an option. However, we are not yet totally satisfied that doing so will create the right balance between throughput and recovery, and other courses of action remain under consideration.

Extending the growth pipeline

The increased exploration budget for 2021 supported an intensive programme across all our operations, with the aim of increasing the resource base, converting inferred resources into indicated, and improving the confidence of the grade distribution in our reserves. In total, our exploration teams drilled 835,396 metres, around 91% of which was in brownfield sites, notably in the Fresnillo and San Julián districts. We obtained good results that have increased both inferred and indicated resources at these sites. The remaining 9% involved activities on greenfield projects in Guanajuato in Mexico and at the Capricornio and Condoriaco projects in Chile. We also intensified our geological mapping and geochemical sampling activities in the Fresnillo, Herradura and San Julián districts, as well as in Guanajuato.

Our advanced exploration projects at Rodeo and Orisyvo continued to make good progress. We engaged local communities to acquire access to land at Rodeo, which holds inferred and indicated resources amounting to 13.8 moz of silver and 1.3 moz of gold. Although negotiations have been subject to delay, we nevertheless expect to finalise them in 2022. At Orisyvo, we carried out conceptual work – including detailed metallurgy testing which has enabled us to update the feasibility study – and have prepared a 6,000-metre drilling programme to confirm the geotechnical model. The key to further progress is again access to land, and we have started discussions with the owners. We currently expect to commence production at Orisyvo towards the end of 2025.

Exploration continued in Peru and Chile, where we developed new drill targets and restructured our organisation and reporting procedures in order to speed and streamline our activities. We also participated in a number of the new arrangements for awarding concessions that are currently being pursued by the Peruvian government.

With inflationary pressures likely to compress our margins and the labour reform challenges of this year set to continue, we have reduced the exploration budget for 2022. Nevertheless, I am confident that the skills of our exploration teams and the outstanding geologies of both our brownfield and greenfield sites will continue to ensure that we increase or maintain our reserves and resource bases.

Silver resources stood at 2.3 boz, a slight increase of 1.2% over 2020 mainly as a result of the exploration efforts at Fresnillo and San Julián Veins. Gold resources remained stable at 39.0 moz. Silver reserves decreased 8.2% to 419.8 moz mainly due to depletion at Fresnillo, Saucito and San Julián (DOB). Gold reserves decreased by 7.1% to 7.8 moz primarily due to more stringent geotechnical and cost considerations at Herradura and depletion at Noche Buena.

Advancing and enhancing the sustainability of our operations

The safety of our people is always our top priority, and we continued to roll out the 'I Care, We Care' programme across the business. This has helped us achieve a significant reduction in incidents over recent years, including in 2021 when we saw the Total Recordable frequency rate improve from 13.9 injuries per one million hours worked to 10.4 and the Lost Time Injury rate from 6.2 to 5.8. However, we were deeply saddened that in August one of our employees experienced a fatal accident at the Fresnillo mine. We worked with the relevant authorities to carry out a full independent investigation and are continuing to provide support to the employee's family and colleagues. We are committed to following up on this incident and to complying with measures derived from the Root Cause Analysis (RCA) process in order to avoid similar accidents in the future. This incident is a timely reminder that no matter how hard we may work to reduce the likelihood of incidents, safety is a never-ending challenge that requires diligence and the correct observance of protocols at all times.

We have continued to build greater resilience into our portfolio of Tailings Storage Facilities (TSFs) and are committed to implementing sector-specific standards and best practices that follow the guidelines of the International Council of Mining and Metals (ICMM), the International Commission on Large Dams (ICOLD), the Canadian Dam Association (CDA) and the Mining Association of Canada (MAC). Our Independent Tailings Review Panel provides holistic guidance and recommendations for the safe design, construction and operation of our TSFs. We also have Master Services Agreements in place with a number of consultancies and, through them, have named our Engineers of Record. In addition, we have implemented satellite monitoring of our units and have reinforced surveillance and instrumental monitoring of our structures to enable improved decision-making during construction and operation. We fully understand community concerns around TSFs and will continue to invest in their safety in the short, medium and long term.

As the COP26 conference again underlined, climate change is engaging and energising governments and organisations across the world – and we are committed to playing our part by mitigating our environmental impact wherever possible. We will complete our project to install dual fuel engines that run on both Liquid Natural Gas (LNG) and diesel in 2022 as planned, and during the last year we invested in infrastructure to ensure we have the appropriate LNG storage capacity at Herradura. We anticipate seeing the first environmental and cost benefits next year, as both our diesel consumption and CO_2 footprint decrease. In addition, we remain committed to achieving our target of using wind power to provide 75% of our electricity by 2030, assuming that Mexico's energy policy allows us to do so.

We continue to analyse our Energy Strategy in order to pursue a decarbonisation pathway that will be operationally and technologically viable. We are committed to playing our role in mitigating climate change and have improved our TCFD disclosures year on year. During the year ahead, we aim to carry out a thorough review of our current operations to gain insights that will allow us to ramp up our actions from disclosure to action and set emission reduction targets.

The hard work and commitment of our people towards ESG was again recognised by a broad group of authorities and our peers. For example, we were proud to be recognised as one of the World's Most Ethical Companies by Ethisphere, for the second successive year. We have also been members of the FTSE4Good Index since 2017.

Looking ahead

A degree of uncertainty surrounds the coming 12 months, driven to a significant extent by issues that are beyond our control. Inflationary pressures, the impacts of various laws and the attitude of the Government in Mexico to mining all have the potential to influence our progress. Part of a broad range of issues that are currently affecting many industries in Mexico, the exploration, concessions and permitting processes for mining are no longer as efficient and dynamic as in the past, and these could present difficulties. Furthermore, there is a latent risk that power self-supply contracts could be annulled along with the Wholesale Electricity Market (MEM), hampering our ability to increase the role of renewables in our energy portfolio and potentially increasing operating costs.

Lower production and recovery rates at Herradura and the continuing workforce shortages at Saucito caused by the new labour reform – as well as the impact of recent geotechnical instability in the Saucito area – are also likely to add to the pressures we may face in 2022. In addition, the extension to the timeline for the tie-in to the national grid of both the Juanicipio plant and the Pyrites Plant mean that we now expect lower contributions than previously anticipated from these operations during 2022.

On the upside, we expect our exploration pipeline to continue making good progress, particularly at the Rodeo and Orisyvo projects as well as at Guanajuato and across the Fresnillo district. Precious metals prices also established what looks to be a realistic floor towards the end of the year. Although prices in 2022 will as always be influenced by economic conditions in China, the US and the EU, as well as other variables, our view is that a period of higher prices is the most likely outcome.

I would like to thank the Board and all our people for their support over the last 12 months. This has been another challenging period for a variety of reasons, and Fresnillo would not have been able to deliver such a good set of results in difficult circumstances without their expertise, cooperation and willingness to always go the extra mile for our business.

To conclude, on behalf of all my colleagues at Fresnillo, I would like to offer my sincere condolences following the death of Mr Alberto Baillères. His leadership, vision and direction were largely responsible for making our Company the force it is today, and our thoughts are with his family at this difficult time. He will be greatly missed.

Octavio Alvídrez
Chief Executive Officer

“FROM 2022 ONWARDS, JUANICIPIO WILL BE AN INCREASINGLY MAJOR INFLUENCE IN OUR OPERATIONS.”

Workplace engagement

BUILDING UP OUR RESILIENCE

The pandemic has underlined the need for Fresnillo to be even more adaptable and resilient to the challenges that could affect us, and to reinforce our ability to recover from any adversities. We are addressing this by building:

Operational resilience
We aim to maximise the potential of our existing operations, deliver growth through development projects and extend our growth pipeline. Productivity, cost control and technology investment sit at the heart of a series of initiatives to boost production from our existing mines, while the new mine at Juanicipio will contribute significant production from 2022 onwards.

At the same time, the new Pyrites Plant at the Fresnillo mine will further increase production. We also focus on extending our pipeline, and have made good progress with the potential mines at Rodeo and Orisyvo as well as with brownfield exploration activities across the portfolio.

See Operations on pages 34-57

Workforce resilience
Our response to the labour reform law has been to bring more people in-house instead of relying on contractors.

While this is a challenge in the short term, in the long term we believe that the switch to relying on our own resources instead of those of contractors will make Fresnillo a more operationally resilient business. By taking greater responsibility for our teams, we will be able to exercise more control over training, development, culture and safety – building skills, enhancing career prospects and improving performance. We are also continuing to strengthen the resilience of the communities where our people live, for example by increasing our investment in local healthcare, employment and education programmes.

See People on pages 78-81 and sharing the benefits on pages 113-119

Climate resilience
We are actively working to enhance our ability to anticipate, prepare for, and respond to hazardous events, trends, or disturbances related to climate. The impact of climate change on our business includes both physical and transition risks – and we are developing our understanding of these risks through collaboration with climate modellers and environmental economists.

In terms of mitigating our own impact on climate change, we focus on reducing our GHG emissions through the use of renewable electricity, by introducing dual-fuel technology in our truck fleet and by implementing intelligent ventilation systems.

See Climate Change on pages 88-110

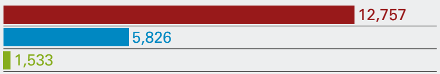
WORKFORCE ENGAGEMENT

At Fresnillo, we believe that an engaged and diverse workforce is fundamental to the effective execution of our business strategy. Our workforce includes unionised and non-unionised employees and contractors, participating in exploration, development and operational activities. As we look to fulfil our Purpose, we work hard to attract and develop people who share our commitment to the sustainable mining of silver and gold. Our engagement mechanisms are inspired by our values of Trust, Responsibility, Respect, Integrity and Loyalty. These mechanisms support ongoing engagement and dialogue through face-to-face interactions. We consult our workforce on a regular basis through surveys and other mechanisms, with their feedback providing valuable insights to the Board and management. The protocol to prevent and address harassment in the workplace is a clear example of how these insights have directly contributed to shaping policy.

OUR WORKFORCE AT A GLANCE

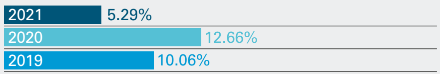
2021 Statistics:

WORKFORCE



- Contractors
- Unionised employees
- Non-unionised employees

PERCENTAGE OF WOMEN



- Manager and senior executive positions
- Employees (unionised and non-unionised)
- Contractors

LOCAL EMPLOYMENT

Learn more on pages 78-81 and sharing the benefits on pages 113-119

WE ENGAGE OUR WORKFORCE TO COLLECT VALUABLE INSIGHTS

- Direct Board Engagement led by our designated Non-Executive Director (NED)
- Engagement, safety, ethics, values and diversity surveys
- Interviews and focus groups on culture and diversity, and community relations assessments
- Engagement through:
  - Union committees
  - Health and safety (union-company) joint commissions
  - Labour Behaviour Commissions (harassment)

BOARD OVERSIGHT

Mr Arturo Fernández, our Designated Non-Executive Director engages directly with the workforce (see page 169 – Workforce engagement report). Mr Fernández brings the workforce's perspective on relevant issues to the Board, which uses the feedback to better understand the issues that matter to the workforce when making Principal Decisions.

In addition, Board Committees monitor different aspects of the engagement mechanisms and their outcomes:

- HSECR Committee: Covid-19, safety, ethics, diversity, equity and inclusion.
- Audit Committee: ethics and prevention of harassment.

COVID-19 AND WELLBEING

- Raise awareness and provide training on preventive measures.
- Encourage and facilitate vaccination.
- Rapid testing and contact tracing.
- Daily monitoring of Covid-19 cases.
- Encourage the use of preventive measures at home to protect their families.

SAFETY, 'I CARE, WE CARE'

- Critical risk workshops and joint verification in the workplace.
- High potential incident investigations.
- Training.
- Senior leadership development.

PREVENTION OF HARASSMENT

- Counsellors, as first responders to help people suffering harassment.
- Labour Behaviour Commission to assess and respond to complaints.
- Commissioners to monitor resolutions and restorative actions.

UNION RELATIONS

- Collective bargaining.
- Capacity building.
- Safety symposium.
- Workplace condition evaluations by the health and safety (union-company) joint commissions.

OUR JOURNEY TO DIVERSITY, EQUITY AND INCLUSION

61%

SAY THAT FRESNILLO HAS A CULTURE IN WHICH DIVERSITY IS VALUED

63%

SAY THERE IS TOLERANCE TOWARDS PEOPLE WHO ARE DIFFERENT FROM THEM.

* 2021 Aequales Diversity Survey.

TALENT DEVELOPMENT

- Engineers in training.
- High potential middle managers 'Leaders with Vision' programme.
- Coaching and executive development.

ETHICS, DIVERSITY, EQUITY AND INCLUSION (DEI)

- 'Step-Up' culture training.
- DEI Training.

Coverage:
- Employee non-unionised
- Employee unionised
- Contractor

OUR CULTURE

During 2021 we started on our culture evolution, with the clear objective of caring for the wellbeing of our people while being more effective and efficient. We engage our people over the long term to instil a culture that encourages total commitment to results, empowerment, flexibility, collaboration, transparency and participation. The values that are embedded in our culture support our strategy, inspiring winning behaviours based on operational and relationship principles, accountability, co-creation and teamwork.

Our values are embedded in our culture and support our strategy

TRUST

Makes strategic relations more appreciated and resilient.
We build trust when we engage our people, communities, authorities and shareholders on the issues that matter to them. We trust in our people and their talent to deliver on our company Purpose. Our principal decisions must consider our stakeholders to preserve their trust.

RESPONSIBILITY & RESPECT

Nurtures care and accountability for our actions, decisions and results.
We manage our operations and projects responsibly. Our social acceptability relies on being accountable for our positive and negative impacts on our people, communities and the environment. We recognise the inherent value of every person and welcome different opinions and beliefs.

INTEGRITY

Prevents the negative consequences of unethical actions, acting with full transparency and honesty.
Our behaviours and actions should always reflect our well-established ethical culture. Operating with integrity is the only way to contribute to the wellbeing of people.

LOYALTY

Builds long-term and reciprocal relationships aligned with our organisational principles.
Strong relationships with our workforce, communities, authorities and shareholders ensure our ability to create long-lasting value.

CULTURE EVOLUTION – WINNING BEHAVIOURS

Relationship principles:
- Agility based on trust
- Effective communication
- Inclusive collaboration
- Total commitment to results
- Emotional Intelligence

Operational principles:
- Health and safety
- Social and environmental compatibility
- Risk Management
- Operational and financial discipline
- Efficiency and Innovation

Way of working:
- Accountability
- Teamwork
- Co-creation

Transformational leadership:
- Inspires
- Motivates
- Recognises
- Integrates
- Leverages diversity

91%

OF EMPLOYEES ENJOY THEIR JOB AND FEEL HAPPY TO WORK AT FRESNILLO PLC.

* 2021 Culture Assessment Survey.

IN THE PURSUIT OF A MORE INCLUSIVE CULTURE

"WE ASPIRE TO CREATE AN ENVIRONMENT WHERE WELCOMENESS, BELONGING, AND RESPECT ALLOW OUR PEOPLE TO HAVE AN IMPACT ON THE WORKPLACE IN A MEANINGFUL WAY."

Octavio Alvídrez
CEO, Fresnillo plc

BOARD'S OVERSIGHT

- Ensuring the alignment of Purpose, strategy, culture and workforce engagement
- Monitoring the culture and the outcomes on engagement, safety, ethics, diversity, equity and inclusion

See the Corporate Governance section on pages 156-206

WORKFORCE ENGAGEMENT

- Covid-19 prevention and wellbeing programme (Bienestar Siempre)
- 'I Care, We Care' programme
- Culture evolution strategy
- Harassment Prevention programme
- 'Step-Up' Ethics programme
- Union relations
- Diversity, equity and inclusion programme

See the workforce engagement section on pages 20-21

Based on our values, our culture drives an open mindset, collaboration, innovation, transparency and total commitment to results and operational excellence that enhances productivity while reducing costs and our environmental footprint.

MONITORING OUR CULTURE

- Engagement: Great Place To Work and Culture and leadership assessment surveys.
- Safety Culture: 'I Care, We Care' and LEAL surveys
- Ethics culture: 'Step-Up' Culture and Ethisphere's ethics quotient surveys
- Gender diversity – Aequales Survey
- Whistleblowing line KPIs
- Diversity KPIs
- Turnover rate

See the Our people section on pages 78-85 and ethics and integrity on pages 74-77

OUTCOMES FROM MONITORING OUR CULTURE

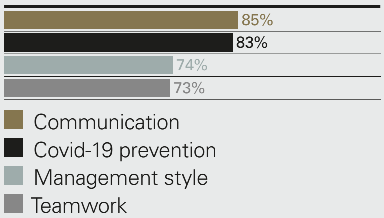
- Robust strategies to support our business objectives by embedding diversity, collaboration and agility in decision-making, based on a sound understanding of our culture and the winning behaviours that we expect
- Transformational leadership that thrives and promotes the wellbeing of our people wellbeing

UNDERSTANDING AND DISCOVERING OPPORTUNITIES

We carried out a culture assessment focused on five dimensions: Leadership, recognition, communication, teamwork and openness. The survey identified positive features of our culture as well as opportunities to improve.

CULTURE DIAGNOSIS

% of agreement:



For example, it identified gaps in transformational leadership, such as recognising performance, valuing different ideas, openness to change and collaborative work. Empowerment and accountability are behaviours that we aspire to embed in our culture. These insights have been used to reassess our leadership model and redesign our leadership development programmes.

* 2021 Culture Diagnosis Survey.

Business model

Our ability to create value is underpinned by the quality of our assets, the capability of our people, our operational performance, mitigation of risks and disciplined capital allocation.

STRATEGIC RESOURCES AND RELATIONSHIPS

PEOPLE
Attracting, developing and retaining the best people is crucial to our success and will be a key focus area during 2022. We are working hard to reshape the composition of our workforce in line with the demands of the new labour reform. During 2021, our workforce comprised 7,359 unionised workers and employees and 12,757 contractors who provided services along our full value chain, supported by an experienced and purpose-led leadership team.

NATURAL RESOURCES
Our operations rely on a range of natural resources, including surface land, water, energy and fuel.
- 1.7 million hectares of surface land in mining concessions in Mexico.
- 1,955 megalitres of recycled water (efficiency of 79.0%).
- 49.7% of our electricity consumption comes from renewable sources.

RELATIONSHIPS WITH KEY STAKEHOLDERS
Our stakeholders include governments, communities, suppliers, customers, shareholders and our workforce. We are active members of several mining organisations and associations, where we use our influence to promote greater recognition of the advantages that mining brings to society. In December 2020, Peñoles announced an organisational change programme to implement a new shared services and innovation function named 'Baluarte Minero'. Certain services currently performed for the group by Peñoles have moved to the new function and there is potential for further synergies. In 2021 80 personnel from Fresnillo were transferred to the new shared services function. We worked closely with Peñoles to evaluate how the changes were implemented and to ensure that we continue to obtain appropriate and high quality services from Peñoles.

FINANCIAL STRENGTH
Our business is underpinned by a disciplined approach to capital allocation and strict cost controls. Today, our balance sheet is a key strength, providing a resilient platform to invest though the cycles to generate sustained returns to shareholders.
- Total equity of US$3,802.7 million.
- Net cash to EBITDA -0.06x[1].

PROPERTY AND EQUIPMENT
Our assets include properties, infrastructure, processing plants and mining equipment.
- Net book value of property, plant and equipment of US$2,799.1 million.

TECHNOLOGY
Digital transformation, in particular connectivity, is a leading driver of the modern economy. We are adopting smart technology to address productivity, growth and sustainability challenges through leveraging the knowledge of our partners, identifying and implementing innovative and effective solutions across our value chains.

HOW WE OPERATE – OUR COMPETITIVE ADVANTAGE

Fresnillo is a leading precious metals mining company with a world-class portfolio of mining operations and undeveloped resources.

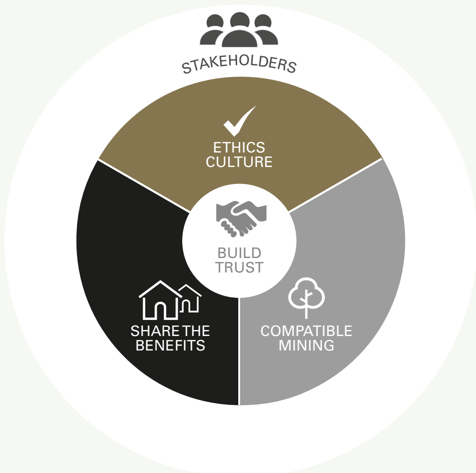
1 EXPLORE
With a sustained and realistic exploration strategy that invests across price cycles, we have a proven track record of discovering world class gold and silver mines through our respected team of 88 geologists in Mexico, Peru and Chile, supported by 72 specialists across claims management, land negotiation, community relations and environmental control. Our team, which also comprises 367 assistants drawn from local communities, has access to realistic budgets and is hugely respected across our industry.

For more information
See pages 35-38

2 DEVELOP
We assess each potential operation against a set of strict criteria including risk, potential returns, and the long-term sustainability and value to our stakeholders. We only approve projects with the potential to create value across precious metals price cycles. Approved projects have the ability to optimise long-term productivity at minimal risk, drawing synergistic benefits from our district consolidation strategy while also creating opportunities for costs to be shared through our association with the Peñoles Group and members' common requirements across a number of service areas.

For more information
See page 39

OUR APPROACH TO SUSTAINABLE MINING



RISK MANAGEMENT AND STRICT CORPORATE GOVERNANCE
Creating shareholder value is the reward for taking and accepting risk responsibly. Our risk management process aims to strike a balance between mitigating and monitoring our risks and maximising the potential reward. We have a structured internal risk management process in place to identify risks while simultaneously considering the views and interests of our stakeholders.

We generate revenue by selling the metals contained in the ore we extract and process while doing so in a way that generates not only sustainable returns for our shareholders, but also a real and lasting positive contribution to our local communities.

3 OPERATE

Through our commitment to sustainable business practices, we have built a portfolio of high quality assets and ample mineral resources, sustained through continued investment in infrastructure and technological improvements. At all times, we target safe, environmentally responsible working practices and a high-performing culture that delivers production at lower costs.

For more information
See pages 40-57

4 SUSTAIN

By embedding our ethical culture, meeting our own high standards and being aware of the needs and requirements of our local communities, we strive to reach the highest expectations of ethical behaviour, health and safety, environmental stewardship and governance. We have an extensive understanding of the economy, culture and communities in Mexico, and are proud of our reputation as a trusted corporate leader; one that follows responsible mining practices and shares the benefit of mining with wider society.

For more information
See pages 72-119

STAKEHOLDERS

Embedded in our culture, our values form the compass that guides how we engage with all our stakeholders – including local communities as well as employees, unions, contractors and suppliers – to foster prosperity and support wellbeing. We also engage with governments and regulators and ensure open communications with investors. The strong relationships we have built with stakeholders enable us to fulfil our Purpose.

ETHICS CULTURE

Our commitment to sustainability is founded on our well-established ethical culture, which we demonstrate through our actions and behaviours. Our values are the cornerstone of our Ethics and Culture programme.

BUILD TRUST

An organisational culture based on trust makes strategic relationships more resilient. We rely on strategic relationships with our key stakeholders in order to ensure social acceptance for our operations, to maintain our licence to operate and to create shared value. As a corporate leader, we build trust by engaging our workforce, communities, authorities and shareholders on the issues that matter to them, for example by maintaining a healthy and safe workplace for our people.

COMPATIBLE MINING

We believe mining can be compatible with high stakeholder expectations regarding social and environmental performance. We recognise that our social licence to operate is dependent upon meeting those expectations.

SHARING THE BENEFITS

Economic Value Distributed is considered to be a social performance measure.

WAGES AND BENEFITS TO WORKERS (US$)
127.5m

PAYMENTS TO SUPPLIERS (CONTRACTORS) (US$)
1,617.4m

PAYMENTS TO FEDERAL GOVERNMENT (US$)
370.4m

PAYMENTS TO LOCAL GOVERNMENTS (US$)
4.6m

TOTAL ECONOMIC IMPACT (US$)
2,120.0m

1 Net debt (Debt at 31 December 2021 – Cash and other liquid funds at 31 December 2021) divided by the EBITDA generated in the last 12 months. This ratio measures our ability to pay off our debt.

Effective risk management is an essential part of our culture and strategy. Accurate and timely identification, assessment and management of key risks give us a clear understanding of the actions required throughout the organisation in order to achieve our objectives.

Risk can manifest as opportunities or threats that can affect our business performance. Our risk management framework reflects the importance of risk awareness across the Company. The framework enables us to identify, assess, prioritise and manage risks in order to deliver the value creation objectives defined in our business model.

We ensure that our networks, systems and data are secure, in accordance with best practice, and also follow best practice in terms of corporate governance.

Review of our markets

PLAYING OUR PART IN THE WORLD'S MOVE TOWARDS A GREENER FUTURE

As the world's largest silver producer, we are well positioned to continue supplying a key element to global markets in the drive towards greater sustainability.

Almost two years since the WHO declared a pandemic in March 2020, the outbreak of Covid-19 has had and continues to have an impact on the global economy. With the development and increasing roll-out of vaccines across the world, in conjunction with substantial fiscal and monetary policy support, industrial activity in a number of segments has returned to pre-crisis levels. Increased market confidence is demonstrated by the US Federal Reserve's decision to begin tapering its monthly pace of asset purchases through to the first half of 2022. While asset purchases may slow, interest rates in the US (historically perceived to be negatively correlated with the price of gold and silver) have remained flat, with a first rate hike anticipated in March of 2022.

While positive signs of a sustained global recovery are evident, uncertainty persists. This is in part due to the emergence of new variants of Covid-19, alongside the global supply shocks seen during the second half of the year, driven by higher commodity prices, fewer workers, a shortage of parts, and sticky global distribution channels, combining to push inflation rates up to multi-decade highs towards the year end.

Market backdrop and precious metals prices performance

From 2014 to early in 2020, the price of silver was range bound, fluctuating between US$12 per ounce up to US$20 per ounce. Following the outbreak of Covid-19 in March 2020, the price of silver recorded impressive gains as the global macroeconomic and geopolitical backdrop turned increasingly supportive for precious metals investment, reaching multi-year highs of around US$30 per ounce in early July that same year – a level last seen in early 2013. In 2021, silver held some of these gains, averaging US$25.1 per ounce, 22.4% higher on average than 2020 and also ahead of 2019's average of US$16.1 per ounce.

Following an impressive price performance during 2020, when its price reached an all-time high of US$2,075 per ounce in August, gold has also managed to hold on to some of its recent gains, averaging US$1,800 per ounce, 1.7% higher on average than 2020 and also ahead of 2019's average of US$1,393 per ounce.

The gains in precious metals prices we saw during 2020, and continued to experience in 2021, were driven by the global macroeconomic and geopolitical backdrop, including uncertainty due to the persistence of Covid-19, exacerbated by the additional risk of higher inflation.

Looking ahead, the backdrop of negative real interest rates driven by rising inflation and the persistent uncertainty surrounding Covid-19 mean that the fundamentals around gold and silver remain strong. In the medium and long term, we could yet experience further demand upside to both precious metals driven by increased industrial demand from the ongoing revolution in green technologies, which we examine in more detail below, alongside the greater challenges of discovering new world-class deposits.

Our principal products

Our principal products are silver and gold. Supply and demand associated with each product is affected by a variety of factors. You can read more about how the sustainable mining of these products contributes to the wellbeing of people, and supports our Purpose.

See 'Our Purpose' section on pages 10-13

Please also see page 10 for more details about how silver in particular is helping in the world's fight against climate change.

See 'Climate Change' section on pages 88-100

Silver demand

Silver has significant appeal as an investment commodity (forecast to represent 26% of demand in 2021 according to the Silver Institute's Interim review[1]) because it is viewed as a safe haven and hedge against inflation during times of economic uncertainty.

Silver is also increasingly important in industrial applications, which accounted for 51% of demand in 2021. With the greatest electrical and thermal conductivity of all metals, silver is a key component in many products, and is essential to the rapid and sustained growth of technologies that enable connectivity and help combat climate change.

Driving connectivity

- The world is becoming more connected. According to the Pew Research Centre[2], many experts predict enormous potential for improved quality of life thanks to internet connectivity.
- Almost every electronic device depends on silver for its functionality.
- 5G networks and the 'internet of things' mean that billions of physical devices are now connected to the internet
- Industries including mining are also adopting smart technology at pace.

Combating climate change

- Silver is a key component for many green technologies including renewable power, off grid energy storage, and electric vehicle charging stations.
- The EV automotive industry demand for silver is forecast to rise from an estimated 51 moz (1,600t) last year to 88 moz (2,700t) in five years' time according to the Silver Institute Market trend report[3]. Deloitte[4] states that sales of EVs are set to grow at a compound annual rate of 29% over the next ten years.

- CRU (a business intelligence company) forecasts that electricity generated from renewable sources will more than double from 2,159 terawatt-hours (TWh) in 2019 to 4,243 TWh in 2025, accounting for 8.1% of total global generation in 2019 and 14.0% in 2025.
- The World Bank[5] forecasts that by 2050 consumption of silver in energy technologies could reach a level equivalent to more than 50% of current total silver demand; the largest proportion for any non-battery level. More than 95% of this increase is due to an expansion of solar PV power generation.

Silver supply
Global silver supply is predominantly from two sources: mine production; and recycled scrap. In 2021, mine production is forecast to contribute 81% of total silver supply, with scrap providing 19% and any balance made up by net official sector sales. 2021 saw an increase in silver mine production year-on-year, reversing the downward decline seen since 2015, up 6% against 2020 to 829 moz. This increase was driven by major silver mining producers being able to operate at full capacity and not being required to temporarily halt production, as was the case in 2020 driven by Covid-19 lockdowns.

Silver production from mines is primarily generated from by-product output which accounts for around 73% of total production, led by output from lead-zinc, copper, and gold mining activities. Primary silver mines such as the Fresnillo, Saucito and San Julián mines generated the balance.

For more detailed information on the current silver industry and market information, please visit the Silver Institute's website at **https://www.silverinstitute.org/.**

Gold demand
Regarded as a reliable safe haven asset and store of wealth, gold is primarily an investment commodity, held as a hedge against inflation. Gold is also fashioned into jewellery and works of art and has industrial applications, primarily in dentistry and high-end electronics.

Demand for gold is driven by four markets: jewellery fabrication; bar and coin investment; central banks; and technology. In 2021, these markets accounted for 55.2%, 25.0%, 11.5% and 8.2% of total global demand respectively, according to the World Gold Council[6]. Total gold demand increased to 4,021 tonnes, up 9.9% compared with 2020, propelled by the fourth quarter demand which jumped almost 50% to a 10-quarter high. Demand recouped much of the Covid-19-related losses sustained during 2020. The consumer-driven jewellery and technology sectors recovered throughout the year in line with economic growth and sentiment, while central bank buying also far outpaced that of 2020. Investment demand was mixed in an environment of opposing forces: high inflation competed with rising yields for investors' attention.

Looking ahead, short-term demand for gold is strongly impacted by the perception of risk in the global economy and with central banks beginning to raise interest rates or taper asset purchases, some headwinds are expected. On the other hand, continued uncertainties relating to new variants of Covid-19 alongside global supply shocks driven by higher commodity prices, fewer workers and shortage of parts are among the factors that are pushing inflation rates up to multi-decade highs, providing tailwinds to the price of gold. In the longer term, gold is supported by the growing social economic development in emerging markets and the continued perception of gold's role as a store of wealth.

Gold supply
Gold supply primarily originates from two sources: mine production; and recycled scrap. In 2021, mine production and recycled scrap accounted for 76.3% and 24.6% of total gold supply respectively, with net producer hedging accounting for the remainder.

Gold mine production increased to 3,561 tonnes in 2021, up 2% year-on-year though still lower than 2019 and 3% lower than 2018, which stands as the year during which most gold was mined[7]. For more detailed information on the current gold industry and market information, please visit the World Gold Council website at **https://www.gold.org/.**

Relative scarcity of gold and silver
Despite year-on-year increases in the total production of silver, the long documented downward trend in the number of major new gold, copper and zinc deposits (major sources of silver mine production) being discovered annually continues. It remains challenging for gold producers to discover and develop high-quality gold mines (high grade and low cost) in low-risk geographic regions. For example, according to S&P Capital IQ's[8] annual analysis of major gold discoveries, 329 deposits have been discovered over the 1990-2020 period, containing 2.58 billion ounces of gold in reserves, resources and past production. Only 29 of these deposits were discovered over the past decade and contain only 208 moz, or 8%, of all gold discovered since 1990.

There are various reasons for the lack of exploration success, not least because the easier, higher-return ore deposits have already been discovered. While advances in exploration techniques have improved over time, the undiscovered deposits that remain are often smaller, more remote, lower grade and ultimately higher risk to develop.

While our own exploration activities have been instrumental in the development of new mines such as Saucito and, most recently, Juanicipio, the higher exploration spending of many producers in recent years has so far failed to return significant numbers of major discoveries. This has led to a shift by many producers towards brownfield exploration, which aims to extend or expand production from existing operations, a relatively lower risk option. In 2020, this shift became clear as the brownfield share of global exploration budgets hit an all-time high of 41%, with those for greenfield exploration falling to an all-time low of 24%, again according to S&P Capital IQ.

As we explain in our Exploration section on pages 35-38, our focus has also moved towards brownfield opportunities, although not to the same extent as some of our peers. While following a brownfield exploration strategy at established mines is relatively low risk, these mines often become less productive over time as initial mining schedules frequently target the easiest to access ore promising the best returns. Over time, average grades decline, ore haulage distances increase, and mine preparation requirements take longer, impacting production and increasing mining costs. At Fresnillo, we are investing in infrastructure to help us maintain and where possible improve production.

See 'Operations' section
on pages 40-57

Furthermore, environmental standards are rising in most countries, with a particular focus on the safety of tailings storage facilities and a strong commitment to supporting the communities where mines operate, both crucial elements of sustainable mining. While absolutely necessary and fully supported by responsible Companies such as Fresnillo, they inevitably lead to longer environmental approval processes and increased costs.

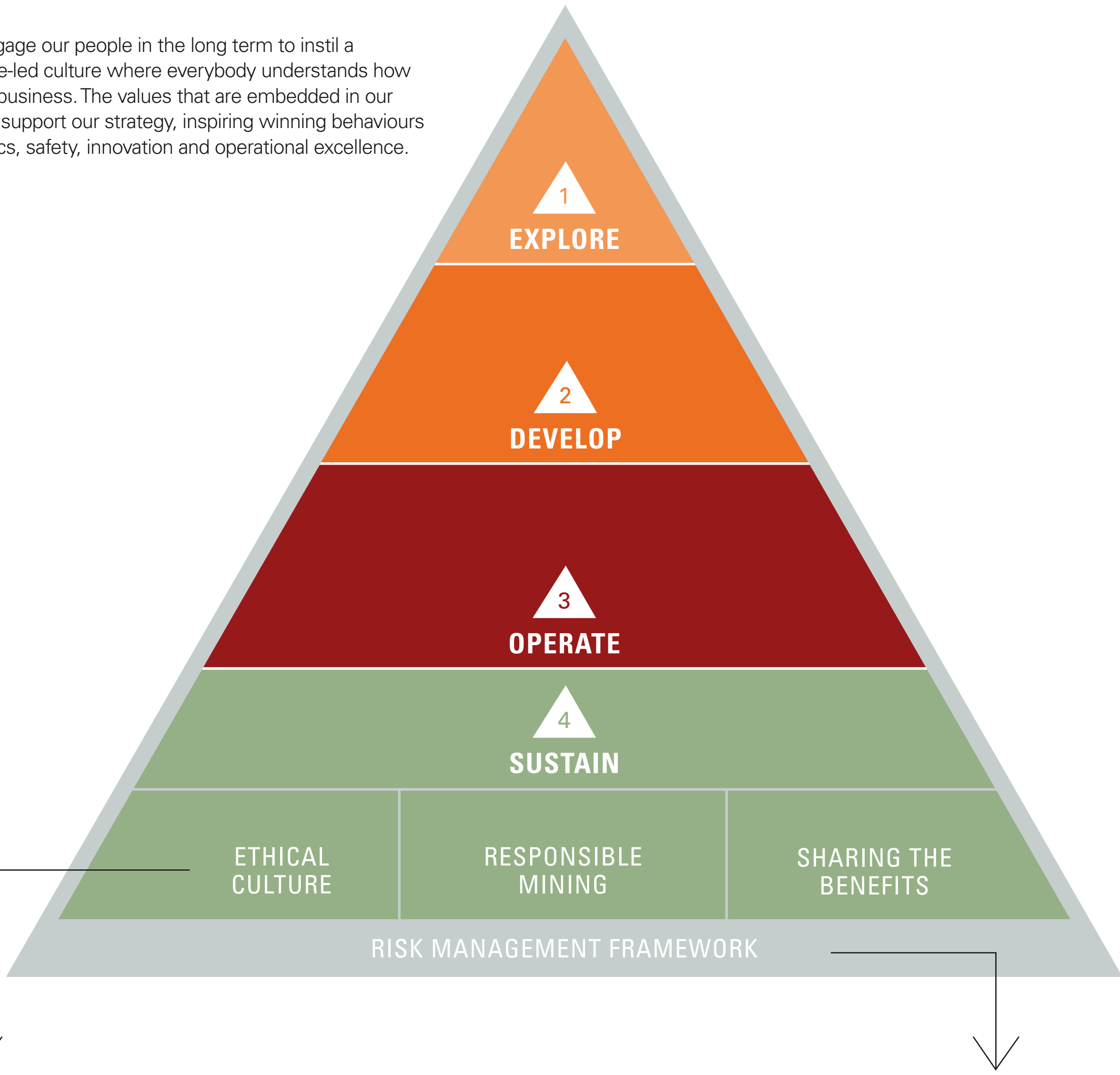
On average, it takes between ten to 20 years[9] for a mine to start producing. As a result of the capital-intensity of the process and the relative scarcity of silver and gold, supply is put under pressure and we expect this situation to become more challenging.

1 Refinitiv Interim Silver Market Review, 17 November 2021 – Online webinar.
2 Pew Research Centre, 28 October 2019, The internet will continue to make life better, Kathleen Stansberry et al.
3 Silver Institute, Market Trend Report: Silver and Global Connectivity, 2021.
4 Deloitte Insights, 28 July 2020, Electric Vehicles, Setting a course for 2030, Dr Bryn Walton et al.
5 World Bank, Minerals for Climate Change: The mineral intensity of the clean energy transition, 2020.
6 World Gold Council, Gold Demand Trends Full year 2021, 28 January 2022.
7 Using annual data back to 1970.
8 S&P Capital, Gold price increase drives surge of smaller discoveries, 8 July 2021.
9 According to the World Gold Council.

Our strategy

Our Purpose is to contribute to the wellbeing of people, through the sustainable mining of silver and gold.

We engage our people in the long term to instil a purpose-led culture where everybody understands how we do business. The values that are embedded in our culture support our strategy, inspiring winning behaviours on ethics, safety, innovation and operational excellence.



VALUES AND BEHAVIOURS

Trust, responsibility, integrity and loyalty demonstrate our ethical culture and are embedded in our behaviours:

- **Lead transformatively –** We expect our people to be role models, to be empathic, to stimulate creativity and to be an inspiration for their team.
- **Build trust –** We encourage people to create a culture of candour, to be accountable and to find solutions to their ethical dilemmas, and to have the courage to implement them.
- **Leverage diversity –** We encourage our people to embrace diversity, to learn how to deal with and minimise unconscious biases, and to challenge the existing organisational culture.
- **Act ethically –** Every employee should support others speaking up, raise ethical concerns and make correct decisions.

For more detail see Sustainability on pages 72-119

PRINCIPAL RISKS

- Potential actions by the Government.
- Security.
- Impact of metals prices and global macroeconomic developments.
- Access to land.
- Licence to operate (community relations).
- Human resources (attract and retain requisite skilled people).
- Projects (performance risk).
- Union relations (labour relations).
- Cybersecurity.
- Safety.
- Tailings and environmental incidents.
- Climate change.
- Exploration (new ore resources).

1 EXPLORE Extend and maintain a robust growth pipeline	2 DEVELOP Deliver profitable growth, optimise cash flow and returns	3 OPERATE Maximise the potential of our operations	4 SUSTAIN Advance and enhance the sustainability of our business
STRATEGIC PRIORITIES FOR 2022/2023			
• Continue to invest in our exploration pipeline, focused on brownfield exploration to maximise probability of returns. • Convert resources into reserves. • Convert reserves into the proven category at our underground operations. • Resume exploration at Rodeo, focusing on infill drilling to upgrade resources into the indicated category, while advancing and preparing metallurgical and engineering studies to pre-feasibility study level. • Conclude geotechnical model at Orisyvo, advance engineering studies and update the pre-feasibility study incorporating the updated resource model and metallurgical studies completed in 2021.	• Subject to permits being obtained, start the Juanicipio plant and ramp up commercial production to 85-90% of nameplate capacity by the end of 2022. • Subject to permits being obtained, start and ramp up the Pyrites plant at Fresnillo mid-2022. • Monitor infrastructure projects to make sure they are developed in accordance with the mine plans. • Advance the Rodeo project. • Advance the Orisyvo project.	• Regain workforce stability and secure mine equipment. • Once workforce stability is regained, increase development rates and ore throughput to full capacity, primarily in the Fresnillo District. • Finalise the pit slope optimisation study and implement its recommendations at Herradura. • Continue to improve the Company's geological models as well as the reserves and resources estimates. • Advance the Noche Buena mine closure plan. • Monitor maturing programmes to capture efficiencies and reduce costs. • Analyse and identify how the combination of the labour reform, the skills shortage in Mexico and the pandemic will impact future workforce availability, and evolve our initiatives to resolve the ongoing situation.	• Ensure safe management of Tailings Storage Facilities by maintaining focus on governance and engineering best practices. • Advance our 'I Care, We Care' safety strategy by maturing our High Potential Incidents and Critical Controls initiatives and ensuring accountability. • Foster collaboration, accountability and teamwork by continuing our Cultural Evolution initiatives. • Continue to implement our diversity and anti-harassment programmes. • Continue to assess climate change targets and decarbonisation pathways. • Develop our ability to identify appropriate climate change adaptation measures by collaborating with the research community on regional climate modelling.
LONG-TERM STRATEGIC PRIORITIES			
• Continue to invest in our exploration pipeline. • Increase the resource base to drive future growth. • Increase gold production to replace decreases at Noche Buena and Herradura. • Identify silver resources in the Fresnillo, San Julián and Guanajuato Districts.	• Progress the Orisyvo and Guanajuato projects. • Identify two further world-class assets with the potential to complement our portfolio. • Continue advancing projects in the exploration pipeline towards development.	• Operate our mines efficiently and profitably. • Maintain a competitive cost profile.	• Mature our safety culture and practices to reach our goal of zero harm. • Supply 75% of our electricity from renewable sources by 2030. • Increase the participation of women to 12% by 2025. • Enhance our decarbonisation strategy with the addition of robust energy efficiency and technological strategies. • Mature the water strategy to improve our performance and increase collaboration with our stakeholders. • Continue to engage our people in order to instil a purpose-led culture where everybody understands how we do business. • Attract and develop people committed to our Purpose of contributing to the wellbeing of people, through the sustainable mining of silver and gold.

Progress against our strategy

FINANCIAL

Earnings per share excluding post-tax Silverstream revaluation effects
Attributable profit available to equity shareholders, excluding the revaluation effects of the Silverstream contract divided by the weighted average number of shares in issue during the period. Monitors net profit levels generated for equity shareholders.

EBITDA, EBITDA margin and cash flow from operating activities before changes in working capital
EBITDA is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less revaluation effects of the Silverstream contract and other operating income plus other operating expenses and depreciation. EBITDA margin is EBITDA divided by total revenue.

Both EBITDA and cash flow from operating activities before changes in working capital measure the Group's ability to generate cash from its core business.

1 EXPLORE

2021 Goals

- Invest a further US$175-180 million during the year with approximately US$15 million being capitalised, maintaining a continued focus on our Fresnillo and San Julián operations, as well as on the Rodeo, Orisyvo and Guanajuato advanced projects.
- Convert resources into reserves at all our operating mines.
- Continue standardising and improving our reserves and resources estimation process.
- Improve mine plans and geotechnical and financial models to upgrade probable reserves to the proven category.
- Continue the exploration programme at Juanicipio to further confirm reserves and resources.
- Complete the metallurgical testing at Orisyvo and land access at Tajitos and Rodeo.
- Advance the drilling programmes at our projects in Chile and Peru.

2021 Progress

- US$140.1 million was invested in risk capital in exploration.
- Silver resources up 1.2% to 2,319.7 moz primarily due to successful exploration at Fresnillo and San Julián (Veins), partly offset by depletion and a higher cut-off grade at Saucito and San Julián (DOB); gold resources remained stable at 39.0 moz.
- Drilling at Juanicipio successfully confirmed reserves and resources and two additional potentially mineable structures are being evaluated in the vicinity of the main Valdecañas vein.
- A geotechnical drilling programme at Orisyvo is progressing well, with the aim of developing an updated geotechnical model for mine design.

2022 Targets

- Invest US$180 million with a continued focus on the San Julián and Fresnillo districts and advanced exploration projects.
- Further develop resource modelling and reserve engineering activities initiated in 2020, with the aim of reporting proven reserves for all operating assets.
- Convert resources into reserves at all our operating mines.
- Continue the exploration programme at Juanicipio to investigate the deeper areas of the Valdecañas vein.
- Reach land access agreements at the Rodeo Project, increase the total resources and produce metallurgical and geotechnical data to advance the project to pre-feasibility level.
- Continue engineering, social and environmental studies and advance land acquisition at Orisyvo; refine the mining and ore processing methods progressing towards a feasibility study.
- Advance drilling programmes at our Chilean projects; continue to strengthen our community relations programmes and resume drilling at our Peruvian projects.

2 DEVELOP

2021 Goals

- Integrate the new flotation cells into the beneficiation plant's circuit during the first months of 2021, minimising operational impact.
- Ramp up production from phase II of the Pyrites Plant to full capacity by the end of 2021.
- Continue development of the Juanicipio mine.
- Commission the Juanicipio beneficiation plant.
- Ramp up the Juanicipio mine to 40–50% of nameplate capacity by year end.

2021 Progress

- Completed connection of the new circuit to the Fresnillo flotation plant in 1H21.
- Advanced development of the Juanicipio mine by 45 km.
- Completed the Juanicipio beneficiation plant in 4Q21.
- As permits to connect both the Pyrites Plant and Juanicipio project to the power grid were not granted in 2021 as anticipated, the commissioning timeline was extended by approximately six months for both projects.

2022 Targets

- Subject to permits being obtained, start and ramp up the Pyrites Plant at Fresnillo mid-2022.
- Subject to permits being obtained, start and ramp up the Juanicipio plant's commercial production to 85-90% of nameplate capacity by the end of 2022.

EARNINGS PER SHARE EXCLUDING POST-TAX SILVERSTREAM REVALUATION EFFECTS

(US$/share)

0.572

2021	0.572
2020	0.440
2019	0.231
2018	0.461
2017	0.668

Higher profits divided across an unchanged weighted average number of shares in issue.

EBITDA AND EBITDA MARGIN

(US$ and %)

1,206.3m 44.6%

2021	1,206.3	44.6%
2020	1,169.1	48.1%
2019	674.6	31.8%
2018	915.1	43.5%
2017	1,060.1	50.6%

Increased vs. 2020 due to the higher gross profit partly offset by higher exploration and administrative expenses.

CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL

(US$)

1,208.3m

2021	1,208.3
2020	1,168.7
2019	685.5
2018	930.7
2017	1,073.9

Increased vs. 2020 due to the higher profits.

2021 Group KPIs/Performance

An indicator of the Group's growth potential and ability to discover and develop new ore bodies.

ATTRIBUTABLE SILVER RESOURCES[1]

(millions of ounces)

2,319.7

2021	2,319.7
2020	2,292.5
2019	2,256.7
2018	2,204.0
2017	2,320.5

Silver resources increased over 2020 primarily due to successful exploration at Fresnillo and San Julián (Veins), partly offset by depletion and a higher cut-off grade at Saucito and San Julián (DOB).

ATTRIBUTABLE GOLD RESOURCES[1]

(millions of ounces)

39.0

2021	39.0
2020	38.9
2019	39.0
2018	39.1
2017	38.5

Gold resources remained stable year-on-year.

1 2021 resources from the mines are presented as of 31 May 2021. Resources from the exploration projects are presented as of 31 December 2021.

2021 Group KPIs/Performance

JUANICIPIO

(US$)

440m

CAPEX BUDGET

369.3m

TOTAL CAPEX TO DATE

Progress against our strategy continued

3 OPERATE

2021 Goals	2021 Progress	2022 Targets
• Produce between 53.5-59.5 moz silver and 675-725 koz gold. • Prevent fatal or serious accidents. • Continue to monitor progress against our action plan in the Fresnillo District. • Monitor infrastructure projects to make sure they are developed in accordance with the mine plans. • Capture efficiencies and reduce costs. • Ramp up the tailings flotation plant at the Fresnillo mine, once it is commissioned. • Ramp up the Juanicipio plant once it has been commissioned.	• Produced 53.1 moz of silver (including Silverstream) marginally below guidance and 751.2 koz of gold, ahead of guidance. • One fatal accident at the Fresnillo mine during the year. • Operational challenges including infrastructure issues and a shortage of skilled personnel due to the labour reform limited progress against our targets and necessitated a change in priorities. • Cost per tonne increased at all mines due to cost inflation, the average revaluation of the Mexican peso/US dollar and mine-specific issues. (See pages 40-57) • Start up of both the tailings flotation plant at the Fresnillo mine and the Juanicipio project was postponed by approximately six months.	• Produce between 50.5-56.5 moz silver and 600-650 koz gold. • Prevent fatal or serious accidents. • Focus on regaining workforce stability and securing mine equipment. • Gradually increase development rates and ore throughput, primarily in the Fresnillo District. • Advance infrastructure projects.

4 SUSTAIN

2021 Goals	2021 Progress	2022 Targets
• Continue to roll out our 'Step-Up' Culture programme across the Group. • Continue raising awareness and building trust in the initiative to eradicate harassment. • Train non-unionised employees on diversity, equity and inclusion as well as adopt the 'Four for Women' framework for our Annual Report 2021. • Continue to evaluate the adoption of a science-based target. • Continue to maintain robust governance of tailings storage facilities (see pages 102-104).	• Expanded the 'Step-Up' Culture programme with the addition of the 'Culture Evolution' project to foster collaboration, accountability and teamwork. • Established Harassment Commissions in our operations with the appropriate protocols and capacity building; delivered awareness campaigns aimed at eradicating harassment across the Group, with 7,451 people trained during the year. • Carried out culture surveys of unionised and non-unionised employees to help refine our approach to culture evolution and diversity, equity and inclusion training. • Paused the analysis of our science-based targets due to the current policies of the Mexican government on renewable electricity. • Advanced our Tailings Management Programme, with our Independent Tailing Review Panel meeting every two months and conducting four virtual and two field visits each year.	• Advance climate change reporting by collaborating with the research community on regional climate modelling and identifying metrics to monitor climate change risks. • Continue maturing our climate change strategy by adding energy efficiency, based on renewable energy, to our current approach. • Advance our approach to water accounting and reporting. • Continue to strengthen harassment prevention by reinforcing, consolidating and evolving the programme, which has now been in operation for two years. • Open a new training centre with a focus on preparing, assessing and certifying our workforce and contractors at the Juanicipio mine in critical control management. • Publish our Tailings policy. • Further analyse 'Four for Women' and other reporting frameworks to improve how we report on our strategy to increase the participation of women and the positive impacts achieved to date.

2021 Group KPIs/Performance

Production: Monitors total production levels at our mines and contributions from advanced development projects.

ATTRIBUTABLE SILVER PRODUCTION
(millions of ounces)

53.1

2021	50.0	3.1	53.1
2020	50.3	2.8	53.1
2019	51.8	2.8	54.6
2018	58.1	3.7	61.8
2017	54.2	4.4	58.7

Attributable silver production of 53.1 moz (including Silverstream), unchanged vs. 2020 as the higher ore grade at San Julián Disseminated Ore Body (DOB) and the contribution of development ore from Juanicipio was offset by a lower ore grade and volume of ore processed at Saucito and Fresnillo.

ATTRIBUTABLE GOLD PRODUCTION
(thousands of ounces)

751.2

2021	751.2
2020	769.6
2019	875.9
2018	922.5
2017	911.1

Attributable gold production of 751.2 koz, down 2.4% vs. 2020 due to a lower ore grade at Ciénega, and a lower ore grade and volume of ore processed at San Julián Veins, partly mitigated by a higher volume of ore processed and ore grade at Noche Buena.

Proven and probable reserves:
A measure of the quality of the Group's operating assets and our ability to extend the life of operating mines at profitable levels.

ATTRIBUTABLE SILVER RESERVES[1]
(millions of ounces)

419.8

2021	419.8
2020	457.4
2019	484.1
2018	476.0
2017	501.7

Silver reserves decreased 8.2% to 419.8 moz mainly due to depletion and exploration results at Fresnillo, and depletion at Saucito and San Julián (DOB), partly mitigated by exploration at San Julián (Veins).

ATTRIBUTABLE GOLD RESERVES[1]
(millions of ounces)

7.8

2021	7.8
2020	8.4
2019	9.3
2018	11.0
2017	11.7

Gold reserves decreased 7.1% to 7.8 moz primarily due to depletion at Herradura and Noche Buena.

1 2021 reserves are presented as of 31 May 2021.

2021 Group KPIs/Performance

FATALITIES
(Number of fatal injuries to employees or contractors)

1

2021	1
2020	1
2019	2
2018	5
2017	1

GREENHOUSE GAS INTENSITY
(Tonnes of CO_2e per tonne of mineral processed)

0.0232

2021	0.0232
2020	0.0231
2019	0.0190
2018	0.0160
2017	0.0183

WATER INTENSITY
(m^3 per tonne of mineral processed)

0.43

2021	0.43
2020	0.37
2019	0.29
2018	0.26
2017	0.23

LOST TIME INJURY FREQUENCY RATE
(For every 1,000,000 hours worked)

5.76

2021	5.76
2020	6.18
2019	7.63
2018	8.64
2017	8.14

Review of operations

A STRONG GROWTH PIPELINE

Our pipeline of exploration projects is key to our ongoing strategy of organic growth. The diagram below shows our operations, projects and prospects across all stages.

1

Prospecting and Drill Target Generation (32)
Santo Domingo/Peru, Pencahue/Chile, Urite, Buenavista, Morita

Early Stage Drilling (18)
Mexico Nuevo, M.Cristo, Capricornio/Chile, Supaypacha/Peru

Advanced Exploration
Tajitos, Pilarica/Peru, San Juan, Candameña

PEA – Feasibility
Orisyvo, Rodeo, Guanajuato

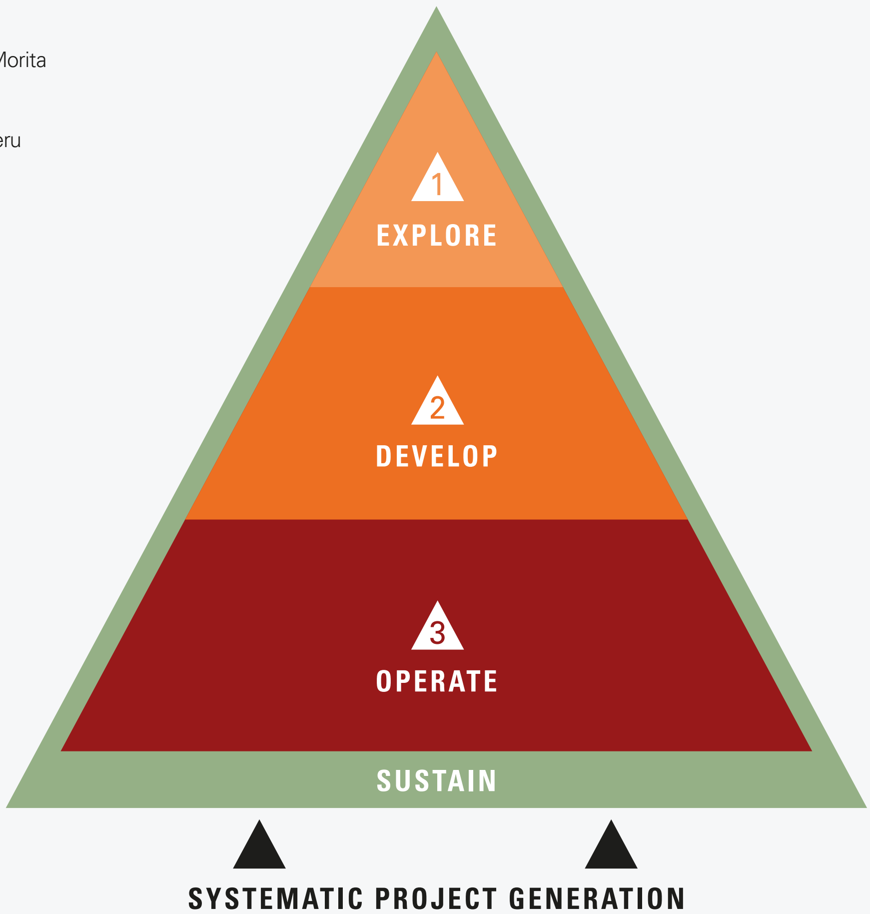
2

Development Projects
Juanicipio

3

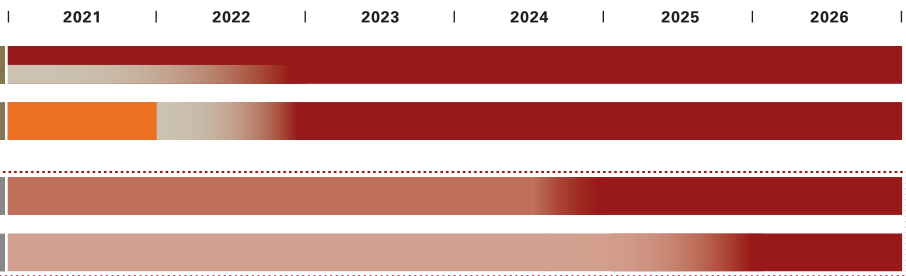
Mine Operations
Fresnillo, Saucito, Herradura, Noche Buena, Soledad-Dipolos*, San Julián, Ciénega

* Operations at Soledad-Dipolos are currently suspended.



EXPECTED DELIVERY OF GROWTH

Investment (US$ million)[1]	Expected avg. annual production[2]	PROJECT
155	3.5 moz Ag & 13 koz Au	PYRITES PLANT *(optimisation project)*
440[3]	11.7 moz Ag & 43 koz Au	JUANICIPIO
	130-150 koz Au	RODEO
	140-165 koz Au	ORISYVO



Energy supply | Production | Mine development and construction | Infill drilling exploration, feasibility, development and construction | Final metallurgical testing, feasibility, development and construction
Approved by the Board | Subject to ongoing internal review (subject to Board approval) | Subject to pre-feasibility and feasibility assessment

1. Estimated.
2. Total average annual production.
3. Total investment (of which 56% Fresnillo plc; 44% MAG Silver) as of 1st January 2018.

Review of Operations – exploration

Highlights of 2021

- Invested US$140.1 million in risk capital in exploration during the year.
- Silver resources up 1.2% to 2,319.7 moz primarily due to successful exploration at Fresnillo and San Julián (Veins), partly offset by depletion and a higher cut-off grade at Saucito and San Julián (DOB); gold resources remained stable at 39.0 moz.
- Silver reserves decreased 8.2% to 419.8 moz mainly due to depletion and exploration results below expectations at Fresnillo, and depletion at Saucito and San Julián (DOB), partly mitigated by exploration at San Julián (Veins).
- Gold reserves decreased 7.1% to 7,834 koz primarily due to depletion at Herradura and Noche Buena.
- Significant progress on developing our engineering capability to identify reserves at all sites, with proven reserves reported at open pit operations.
- New economic gold and silver bearing veins continue to be discovered at the Fresnillo, San Julián and Ciénega districts.
- Concluded detailed metallurgical investigations at Orisyvo, confirming good recoveries in the oxide zone and improving recovery rates in the sulphides.
- Refined the preliminary economic assessments at Guanajuato, Rodeo and Tajitos, all continuing to indicate positive results.
- Additional gold and silver-bearing veins discovered at Fresnillo, San Julián and Guanajuato Districts, while those discovered in previous years are advancing well into resource definition.
- Drilling continued in Chile with mixed and positive results at Condoriaco and Capricornio, respectively.
- Permission granted to resume drilling at Supaypacha and Pilarica in Peru in 1Q22, following successful engagement with local communities.

Priorities for 2022

- Invest a further US$180 million during the year, with a continued focus on our Fresnillo and San Julián operations, as well as on the Rodeo, Orisyvo and Guanajuato advanced projects.
- Continue our exploration and development activities to upgrade mineral resources into ore reserves at all our operating mines.
- Further develop and strengthen the mineral resource modelling and ore reserve engineering activities initiated in 2020, with the aim of reporting proven reserves for all operating assets.
- Continue the exploration programme at Juanicipio to investigate the deeper areas of the Valdecañas vein and evaluate veins discovered nearby.
- Complete geotechnical drilling at Orisyvo and update the feasibility study. Reach agreements with local communities at Rodeo and secure additional land access at Tajitos to evaluate untested targets that show gold anomalies.
- Increase the rate of drilling in the Guanajuato District, focusing on both high grade gold-silver veins and lower grade ores amenable to underground bulk mining in several zones of the district.
- Advance the drilling programmes in Condoriaco and Capricornio in Chile. In Peru, resume drilling at Supaypacha and Pilarica and start our first drill programme at Santo Domingo.
- In Mexico, resume drilling at the Candameña and San Juan advanced projects, and initiate drilling in several early stage projects.

Our firm and unchanging commitment to exploration sets us apart from many of our peers and provides a solid platform for our future success.

Where many major mining companies seek to grow through acquisition, we believe that the most effective and most sustainable route to growth is based on creating our own pipeline of reserves and resources – and that demands a long-term commitment to exploration. By continuing to invest in exploration across all precious metals price cycles and regardless of the peaks and troughs of economies, we aim to keep our pipeline well-stocked with a steady flow of opportunities and, specifically, to replace reserves mined each year.

During the current Covid-19 pandemic, our teams deployed in Mexico, Peru, and Chile adhered strictly to Fresnillo and government sanitary protocols in order to continue making progress in our exploration programmes without compromising the health of our personnel. Our compliance with Covid-19-related preventive measures will remain a top operational priority during 2022.

Our exploration teams have a proud and highly respected reputation in the Mexican mining industry. They have been responsible for our most significant breakthroughs, such as those at San Julián and Saucito, and are ideally qualified to identify and develop new opportunities. One of the most important roles of our teams is to engage with local communities and seek their participation at an early stage of a project. Not only does this help safeguard our licence to operate, it also gives us the opportunity to meet and consult with local people, thereby ensuring that we are able to tailor any subsequent community support programmes to meet their specific needs.

For more details on community engagement See pages 109-112

Review of operations – exploration continued

Our focus remains on Latin America, and in particular on maximising the geological potential in and around our current operations. At the same time, we are continuing to look to locate and consolidate new districts in Mexico, Chile and Peru where we have identified favourable gold-silver potential.

All our exploration projects are measured against a set of strict criteria to ensure they meet our operational and revenue objectives. For example, we will only proceed with a standalone project if it offers a minimum potential of 150 moz of silver or 2 moz of gold. We also consider a range of additional factors before commencing activities, such as ore grades, metallurgical recoveries, extraction costs, environmental impact, and sustainability and community investment, as well as the available infrastructure. Only those projects that score well against these requirements receive the green light.

Furthermore, and in line with our commitment to reduce our carbon footprint, we have started to include our most advanced exploration projects in our Energy Strategy. In 2020, we mapped and considered the potential environmental impact of the Rodeo, Orisyvo and Guanajuato projects, three of our more advanced exploration projects, however we need to continue to update their exploration programme before being able to evaluate their carbon pricing.

2021 performance

Mineral resources and ore reserves

Estimations of our mineral resources and ore reserves are developed by our corporate technical teams in line with industry standards, and audited every year by independent expert firms prior to public statement under the JORC Code reporting standards. 2021 mineral resources and ore reserve estimates were based on price assumptions of US$1,450/oz for gold and US$18.5/oz for silver, with open pit mineral resources estimated at US$1,600/oz for gold.

Silver resources increased by 1.2% to 2,319.7 moz primarily due to successful exploration at Fresnillo and San Julián veins, partly offset by depletion and higher cut-off grades at Saucito and San Julián (DOB); gold resources remained stable at 39.0 moz.

Silver reserves decreased 8.2% to 419.8 moz mainly due to depletion and exploration results at Fresnillo, and depletion at Saucito and San Julián (DOB), partly offset by exploration at San Julián veins. Gold reserves decreased 7.1% to 7,834 koz primarily due to depletion at Herradura and Noche Buena.

In 2020, we initiated a major technical development effort to upgrade our mineral resource modelling and improve the ore reserve engineering functions, both of which made important progress in 2021.

With a team of 24 dedicated specialists, geotechnical, structural, cost and ventilation modelling continued to progress in 2021, as did the open pit and underground ore reserve engineering processes. As a result, we were able to report proven reserves for the open pit operating mines.

The technical team will continue developing all disciplines in 2022, with special focus on the reconciliation of the geological, underground geotechnical and structural models, and further process upgrades.

In 2021, our drilling programmes increased by 22% with respect to 2020, with a total of 835,396 metres drilled. 91% of drilling activities were carried out at, or close to, our existing operations, in line with our continued focus on brownfield exploration which maximises the possibility of good returns. The following section provides details about our exploration pipeline, highlighting progress made in 2021 as well as outlining our plan for the year ahead. We drilled 72,623 metres in greenfield targets where we are consolidating districts.

Exploration at our existing mines

Excellent exploration potential exists around our operating mines, where numerous drill targets have been identified using geological, geochemical, geophysical and remote sensing data, which is analysed and interpreted by our expert team. Exploring these targets represents a good opportunity to add value to our current operations by increasing our resource and reserve base. In line with this approach, 91% of the 835,396 metres drilled in 2021 were devoted to brownfield targets, including 605,323 metres drilled by the mine operation teams, and 157,450 completed by the Exploration Division.

The objectives of the drilling campaigns at our mines are threefold: (i) replenish and augment our mineral reserves, converting inferred resources into the indicated category with infill drilling; (ii) increase the total and inferred resources by drilling at extensions of known mineralisation and also by testing new targets; and (iii) continue to ensure the quality of the reserves blocks scheduled to be mined in the short term, with selected additional drilling carried out wherever deemed necessary due to grade variations. We work hard to ensure the long-term sustainability of our business and to drive growth by replenishing depleted reserves and maintaining a robust growth pipeline.

Fresnillo district

While Fresnillo is one of the most important silver districts in the world, our exploration activities show that it remains under-explored. We are addressing this opportunity through an integrated approach based on detailed mapping, geophysics and geochemistry. We are following up three high-priority exploration targets located within the area of influence of the processing facilities, with positive results.

Across the district, the mines and exploration teams drilled 314,171 metres during the year. 38,952 metres were drilled in high priority targets within reach of the existing mineral processing facilities. Veins carrying economic silver-gold grades have been discovered, and drilling is progressing well towards defining additional resources in the district.

Herradura District

We drilled a total of 103,561 metres in the Herradura District in 2021, with activities focused within the final Centauro pit to identify additional mineralised sections and to better define reserve blocks, and to evaluate potentially mineable sectors of the Noche Buena mine open pits. Beyond the pit limits, drilling was intensified in the high-grade gold veins, where mineable thickness and good grade continuity was successfully confirmed.

Ciénega district

79,228 metres of core drilling were completed at Ciénega during 2021, with a continued focus on the new veins discovered in the north-eastern part of the District, including Santa Alicia, Rosario Transversal, AFT and the Jessica Transversal vein discovered in 2021. The latter is the host of a good grade, near-surface ore shoot extending at least 600 metre along strike. In addition, extensions of the most promising veins in the central and western sections of the mine are being drill tested along with targets in the Taspana satellite operation. A thorough review of the stratigraphy and mineralised areas around the main mineral zone at Ciénega revealed the new El Arco-Casas del Bajo target which will be drilled in 2022.

San Julián district

An intense drill programme amounting to 265,814 metres was implemented by the mine and district exploration teams. Results were positive both in finding extensions to the veins under exploitation and in delineating new good-grade veins easily accessible from the current mine development works. A significant amount of new and indicated resources were added to the near- and medium-term mine plans.

We also initiated a drill programme to test exploration targets for new disseminated deposits. Targets were identified by the integration of a robust geological, geochemical, and geophysical database accumulated in the previous years. Preliminary drilling over these targets has yielded significant drill intercepts carrying base metals and anomalous silver; additional targets on favourable lithological settings have been defined and will be drill-tested in the near future.

The continuous mapping and geochemical sampling programmes implemented in the district have produced several new exploration targets within trucking distance from the processing facilities. Additional work will be completed to advance those to the drill-ready stage.

Development projects, preliminary economic assessments and feasibility studies

Projects in this category have shown good potential for supporting our growth ambitions and have therefore been brought forward for further work. We carry out a wide range of exploration activities for these projects. For example, for projects in the relatively early stages we may conduct preliminary economic assessments (PEAs), which comprise an economic analysis of the potential viability of mineral resources. For more advanced projects such as Juanicipio, we undertake extensive de-risking activities to refine models, explore the extents of mineralisation and provide comprehensive support to a project as it moves into and through the development stage – a key moment in the journey towards becoming an operational mine.

Juanicipio – development project (56% Fresnillo plc, 44% MAG Silver)

46,777 metres of core drilling were completed during 2021 over the main NW-trending Valdecañas and subsidiary veins, carried out by both the Exploration Division and the project development teams. While the existing mineral inventory had only marginal changes, a good conversion rate from inferred to indicated category was attained, and the vein extensions at depth were confirmed, although at lower-than-average silver grades. Continuity of other veins, both parallel and oblique to the main Valdecañas trend, were proven, thus providing additional targets that warrant drilling. The NE-trending target located in the western part of the tenement was advanced to drill-ready status, after obtaining the required land access and environmental permits; drilling of this target is slated for 1Q 2022.

Advanced exploration projects

Orisyvo

Detailed engineering data accumulation advanced at Orisyvo during 2021. An updated metallurgical investigation conducted over both the oxide and sulphide ores of this world-class deposit delivered positive results with respect to gold recoveries and provided useful information for refining the design of a processing facility.

We designed a 6,080 metre drill programme focused on geotechnical evaluation of the main host rocks, and achieved 70% progress during the year. The resource estimation was updated to include additional geochemical and geologic elements for geometallurgical domaining, and detailed social and environmental studies started. An updated mining scenario is currently being evaluated, and the results will be summarised in a feasibility study scheduled to be completed in 2023.

Guanajuato

Guanajuato is a historic, world-class gold and silver mineral system, which displays numerous attractive exploration targets that have the potential to increase its already large precious-metals endowment. 49,047 metres of core drilling were completed in 2021 over priority vein zones, designed to increase both the total and the indicated resources, and to test at depth several pristine new veins discovered. Follow-up work on mineralogical anomalies determined using air-borne hyperspectral technology detected strong trace-element epithermal signatures, along with minor gold and silver showings. An upper level epithermal model was developed over the District and has proved to be exposed over the Guanajuato corridor at different erosion levels. Drilling below geochemical trace-element anomalies accompanied by the key mineralogical alteration signature defined has proved to carry precious metals at depth at several locations. As a result, the drilling rate was increased in 2021 and will continue over the coming years. In sectors where ore-grades are outcropping, additional ore bodies amenable to massive, low-cost, underground mining methods are being evaluated. Both the total and the indicated resources have increased and are approaching a critical mass which will be best evaluated in an updated PEA expected to be completed in 2023.

Rodeo

The Rodeo District contains a sizeable gold resource and a number of exploration targets in the neighbouring areas. The mineralised zone is amenable to open-pit mining and gold recovery using heap-leach technologies. We have strengthened a region-wide community relations programme and advanced negotiations with local landowners. Further exploration and development works have been delayed until an agreement is reached with the local Ejidos indigenous people.

Tajitos

Geological mapping and geochemical sampling completed in 2021 over Fresnillo land delivered additional exploration targets in the district. Government permits will be obtained to ensure a 1H 2022 start-up of drilling at these targets. Additional land access is currently being negotiated in areas close to the current resources and, once obtained, an application for environmental permits will be submitted and an infill and step-out drill programme implemented.

Prospects

Mexico

2021 was a difficult year for regional prospecting given the variable degree of travel restrictions related to the Covid-19 pandemic throughout the country. However, based upon the best sanitary practices available and following official regulations, we developed a strict health protocol that enabled our teams to carry out geological reconnaissance programmes and associated geochemical sampling. Regional exploration targets in Sonora, Sinaloa, Chihuahua, Durango, Zacatecas and Guanajuato states were evaluated in this way, producing a number of areas worthy of follow-up work to be executed during 2022 and 2023.

Assessment work required to maintain our mining claims in good standing was completed in several locations across Mexico. In addition, advanced projects such as Candameña and San Juan will see additional drilling in 2022; the first round of drilling will also be carried out in a number of early-stage projects in Sonora, Durango and Zacatecas.

Peru

No drilling was carried out in Peru in 2021. The Pilarica silver and the Supaypacha gold-copper projects remained in stand-by. However, our teams managed to strengthen our community relations programmes in all our projects to help solve the outstanding issues. Although the social and political scenario in Peru remains challenging, we are confident that we will be able to resume drilling at these locations in 2022. At Santo Domingo, all social and government permits for drilling were obtained and the required logistics are being carried out to support a 1Q start-up of our maiden drill programme at this high potential gold and silver project. In addition, several new prospective areas were staked throughout the country, with semi-detailed geological and geochemical work scheduled for 2022.

Chile

The Capricornio project, located in the Antofagasta region, displays a significant quartz vein system with interesting precious-metals values at the surface. In 2021, our core drilling amounted to 5,040 metres including the stepping out from previous intercepts and the testing of some new veins. These activities delivered interesting results which merit further exploration. An electromagnetic geophysical survey was conducted over most of the tenements in two stages. Having initially explored the outcropping veins system, we subsequently used the signatures obtained to interpret the geophysical responses found below the extensive caliche-covered valley in the northern part of the project along several survey lines. We have identified additional drill targets to be tested in 2022.

At the Condoriaco project near La Serena, in 2021 we drilled 9,606 metres to test four vein clusters occurring in the 5 x 8 kilometre vein field, obtaining mixed results. The 2022 programme will investigate extensions to near-surface shoots, evaluate the deeper portions of some of the veins, and test the most promising unexplored veins.

Early stage exploration

We routinely carry out activities at all six exploration offices to accumulate regional geological, geophysical, structural and geochemical data and analyse them in a GIS environment. Areas identified with good potential are followed-up by gathering remote sensing hydrothermal alteration data commissioned from international high quality service providers. The information gained is integrated into the database to refine our understanding of the targeted ore deposit systems. Furthermore, our regional prospecting teams in Mexico, Peru and Chile carry out the field work required to validate the exploration targets and eventually incorporate them into our prospect pipeline.

Review of operations – exploration continued

Project	Location	2021 Drilling (metres)	Mineral Resources (attributable)	Status
Guanajuato	Guanajuato	49,047	2021: **1,693 koz Au and 101 moz Ag** Change vs. 2020: ↑ **194 koz Au;** ↑ **5 moz Ag**	In drilling
San Julián Sur	Chihuahua/ Durango	89,077	2021: **372 koz Au and 46 moz Ag** Change vs. 2020: ↑ **1 koz Au;** ↑ **2 moz Ag**	In drilling
San Juan	Durango	1,364	2021: **575 koz Au and 53 moz Ag** Change vs. 2020: ↑ **5 koz Au;** ↑ **1 moz Ag**	In drilling
Candameña	Chihuahua	–	2021: **1,371 koz Au and 32 moz Ag** Change vs. 2020: ↑ **41 koz Au**	Standby[1]
Tajitos	Sonora	–	2021: **1,093 koz Au** Change vs. 2020: ↑ **551 koz Au**	Land acquisition[1]
Fresnillo District	Zacatecas	38,952	Mexico Nuevo, Plateros veins (Additional resources in drilling not estimated yet)	In drilling
Centauro Profundo	Sonora	46,627	2021: **3,137 koz Au** Change vs. 2020: ↑ **67 koz Au**	In drilling
Orisyvo	Chihuahua	4,272	2021: **9,575 koz Au and 13 moz Ag** Change vs. 2020: ↓ **34 koz Au**	Geotechnical drilling
Lucerito	Durango	–	2021: **2,863 koz Au and 207 moz Ag** Change vs. 2020: ↑ **73 koz Au;** ↑ **8 moz Ag**	Standby[1, 2]
Rodeo	Durango	–	2021: **1,331 koz Au and 14 moz Ag** Change vs. 2020: ↑ **31 koz Au**	Land acquisition[1]
Juanicipio	Zacatecas	29,421	2021: **836 koz Au and 158 moz Ag** Change vs. 2020: ↑ **19 koz Au;** ↓ **2 moz Ag**	In drilling[3]
Pilarica	Peru	–	2021: **110 koz Au and 56 moz Ag** Change vs. 2020: **nil**	Standby[1]
Others	Mexico, Peru and Chile	17,940	–	–

1 No new resources model; updated metal prices only.
2 Not currently a major priority.
3 Mineral resources quoted reflect Fresnillo plc's attributable 56% ownership.

Review of Operations – Development Projects

JUANICIPIO

Ownership: **56% Fresnillo plc, 44% MAG Silver**

Location: **Zacatecas, Fresnillo District**

Facilities: **Underground mine and flotation plant**

Commercial production: **Development ore processed from mid-2020, flotation plant expected to begin commercial operations from mid-2022**

Anticipated production: **Annual average of 11.7 moz silver and 43.5 koz gold[1]**

Total budgeted capex: **US$440 million[2] (Fresnillo: US$246.4 million)**

BUDGETED CAPEX (US$)

440m

TOTAL CAPEX TO DATE (US$)

369.3m

About the project

Juanicipio is a jointly owned project, with Fresnillo owning 56% and MAG Silver Corp owning the remaining 44%. This is a standalone project, located 14 kilometres from the Fresnillo mine, which is being constructed, developed and operated by Fresnillo plc.

The Juanicipio deposit consists of two main vein systems, the Valdecañas vein system and the Juanicipio vein, which are significant silver-gold epithermal structures. The Valdecañas vein system displays the vertical grade transition typical of the principal veins in the Fresnillo district, observed as a change from silver- and gold-rich zones at the top to increased lead and zinc in the deeper reaches.

Key developments in the year

Development of the mine continued to advance, reaching 45 km by the end of the year. One of the two ventilation shafts for the mine began operations during the year.

As planned, development ore continued to be processed at the Fresnillo beneficiation plant through the year, with 251,906 tonnes processed. Attributable production was 1.8 moz of silver, 3.7 koz of gold, 671.3 tonnes of lead and 1,035.8 tonnes of zinc (on a 100% basis: 3.2 moz silver, 6.6 koz of gold, 1,198.8 tonnes of lead and 1,849.7 tonnes of zinc).

The construction of the Juanicipio plant was completed in 4Q 2021 despite the continued disruption caused by Covid-19. However, permits to connect to the power grid were not granted in 4Q 2021 as anticipated, due to Covid-19 related delays and new requirements from the state owned electric company and the energy regulator. As a result, the mill commissioning timeline was extended by approximately six months.

To minimise any potential adverse effect from this delay, unused plant capacity at both the Fresnillo and Saucito beneficiation plants will be made available in order to process mineralised material produced at Juanicipio.

Silver resources[3] at Juanicipio remained largely unchanged at 158 moz (161 moz in 2020), while gold resources increased by 2.3% to 836 koz. Silver reserves at the project decreased 2.3% to 86 moz while gold reserves increased by 6.7% to 447 koz.

2022 Priorities:

- Subject to permits being obtained, start-up of flotation plant and ramp-up of commercial production to 85-90% of nameplate capacity by the end of 2022.

1 Feasibility study 2018.
2 Represents 100% of investment (56% Fresnillo plc, 44% Mag Silver).
3 Mineral resources quoted reflect Fresnillo plc's attributable 56% ownership.

Review of operations – **Tomás Iturriaga, Chief Operating Officer**

A CREDITABLE PERFORMANCE IN CHALLENGING CIRCUMSTANCES

While we have made progress in some areas of our operations, the year saw a number of challenges, in particular the continued impact of the pandemic and the more recent Government labour reform. Added to these issues, we experienced setbacks which affected production, including seismic activity and flooding, as well as unforeseen delays in the commissioning of both our major development projects. The pandemic, labour reform and operational issues are separate but inextricably linked challenges. During 2021, we faced a rapidly evolving and dynamic situation where these different issues came together to present a set of significant difficulties for our business.

Our priorities for the future are clear: in the short term, to navigate and manage the unpredictable challenges of the pandemic, to continue adapting our business to the new environment created by the labour reform, and to improve our operational performance; in the long term, we must build on the progress we expect to see in 2022 to become a more resilient business.

Pandemic

What happened in 2021

During most of 2021, the world saw a welcome downward trend in cases of Covid-19 as vaccines began to have the desired impact. We worked with local, regional and national authorities to support a comprehensive vaccination programme for our people and local communities. Vaccine uptake at our facilities was excellent, reaching approximately 78% of our people across mining units, while our support also enabled local communities – many of them in remote areas – to stay safe. The high vaccination rate helped to minimise disruption to our operations for most of the year. However, in the first weeks of December Mexico experienced a sharp increase in cases following the arrival of the more contagious Omicron variant. This led to a rapid rise in absenteeism which added to the workforce shortages caused by the labour reform discussed below and disrupted our operations, development work and planning.

Where we are now

While we are relieved that Omicron presents a lesser health risk than previous variants, we are nonetheless seeing high levels of absenteeism which is leading to a reduced workforce and an inevitable impact on our business. Although the evolution of Covid-19 and its impact on economies remains uncertain, we have continued to experience a negative impact on our operations during the first quarter of 2022. Strict protocols and preventive measures remain in place across our operations, including vaccinations and extensive testing and tracing of the workforce through both PCR and antigen tests. To further mitigate the disruption caused by higher absenteeism, we have reduced the required isolation period, in line with the World Health Organization's guidelines: initially from 14 to ten days and most recently to seven days. However, in the interests of public health, any worker having close contact with an infected person is also required to isolate for seven days and this has had a further knock-on effect on workforce numbers.

How we are building up our future resilience

Vaccination is recognised as the only feasible route for the world to return to business as usual. Committed to playing our part on behalf of our stakeholders, we will continue to support the vaccination efforts of the Mexican authorities. In particular we will provide medical facilities and equipment, including booster doses of the vaccine, promote testing, donate protective equipment to local communities and initiate and fund campaigns to raise awareness of how to prevent infection.

Labour reform

What happened in 2021

We have traditionally relied on contractors to carry out several activities at our mines, with the number of contractor personnel increasing in recent years as they became a key foundation for our growth. The new labour reform in Mexico, which restricted the ability to subcontract labour, therefore affected us more than many of our peers operating in Mexico. Although the use of contractors is still allowed for 'specialised services' the reform meant that we had to internalise the contractors who we had previously relied on to carry out activities categorised as our 'core business'. In line with our conservative approach to business, we included almost all development and haulage work under the 'core business' heading and subsequently launched a programme to bring the relevant contractors into our business as unionised employees.

Unfortunately, a large number of contractors chose to focus on the short-term financial advantages of contracting rather than the long term benefits of employment. This led to a serious shortage of trained and experienced personnel – and because we historically relied on contractors' equipment as well as their labour, it also led to a lack of equipment. The situation was further exacerbated by absenteeism caused by the pandemic and the existing skills shortage in Mexico's mining sector.

Where we are now

We are continuing to work hard to manage the fallout from the reform by addressing labour shortages, for example by implementing intensive recruitment campaigns, increasing our focus on training, and launching initiatives to improve retention. At the same time, we are continuing to rent equipment from contractors in order to maintain production until the orders we have placed for new equipment can be fulfilled by manufacturers. While we have made some progress in recent months, we expect disruption to continue during 2022. We estimate that our open pit mines should be fully staffed during the first quarter while the staffing process in the Fresnillo District and Ciénega, which have been affected to a greater extent, will be complete in the third quarter. We are therefore planning for three quarters of disruption before recovery. The workforce at Saucito is currently down by around 25%, while the workforce at Fresnillo is running at 7% below optimum.

How we are building up our future resilience

By continuing and where appropriate reinforcing the activities already underway – notably the drives to internalise our contractor workforce, ramp up our recruitment and maintain strict pandemic controls – we expect to have regained workforce stability by 4Q 2022. In the meantime, we will continue to analyse and identify how the combination of the labour reform, the skills shortage in Mexico and the pandemic will impact workforce availability, and evolve our future initiatives accordingly.

> "FOLLOWING A PLEASING FIRST HALF OF THE YEAR WHICH SAW A RECOVERY IN PRODUCTION LEVELS AT THE FRESNILLO MINE, THE SECOND HALF WAS DISAPPOINTING."

Review of operations continued

Operational challenges

What happened in 2021

Following a pleasing first half of the year which saw a recovery in production levels at the Fresnillo mine, the second half was disappointing. While much of the difficulties we experienced across the business can be laid at the door of labour shortages caused by the pandemic and labour reform, events at Saucito and Fresnillo also contributed to the lower production, despite a positive performance at San Julián. At Saucito, increased seismic activity within the Jarillas veins that represents 28% of the mine's total volumes led to instability. With the safety of our people always the first priority in our decision-making, we slowed mining activities and established a new mining sequence. To mitigate the impact and recapture operational flexibility, we targeted the development of new areas of the mine but this was not fully possible due to shortages of labour and equipment. At Fresnillo, unexpected work on the electricity infrastructure necessitated a reduction in pumping capacity and led to flooding which, together with a temporary ventilation system failure, severely curtailed our development activities and restricted access to certain production and haulage areas of the mine.

Where we are now

As stated above, we are continuing to address the workforce shortages caused by Covid-19 and the labour reform, together with equipment shortages, and therefore expect to see production increase steadily through 2022.

At Saucito, we are in the process of hiring a specialised third party to analyse seismicity and work with our teams to identify a safe and realistic pathway to the full restoration of development activities within the Jarillas veins. At Fresnillo, we are commissioning a new pumping station, with no further impact from flooding expected beyond the second quarter, which will enable us to regain full access to ramps and stopes. Attributable silver production for 2022 is expected to be in line with 2021, driven by the challenges at Saucito and lower than forecast contributions from Juanicipio and the Pyrites Plant at Fresnillo, due to the delays explained below.

How we are building up our future resilience

Our increased focus on recruiting, training and retaining our people will underpin our evolution towards more resilient development and production. At the same time, we will ensure that availability of equipment is smoother as we actively collaborate with manufacturers and suppliers to improve delivery times and reliability.

Projects

What happened in 2021

Although construction of the Juanicipio plant and the Pyrites Plant at Fresnillo were both delivered on schedule, the permits to connect these development projects to the power grid were not granted in 4Q 2021 as anticipated. This was due to Covid-19 related delays and new requirements from the state-owned electricity company and the energy regulator. As a result, the timelines for the tie-in to the national grid at both Juanicipio and the Pyrites Plant were extended by approximately six months.

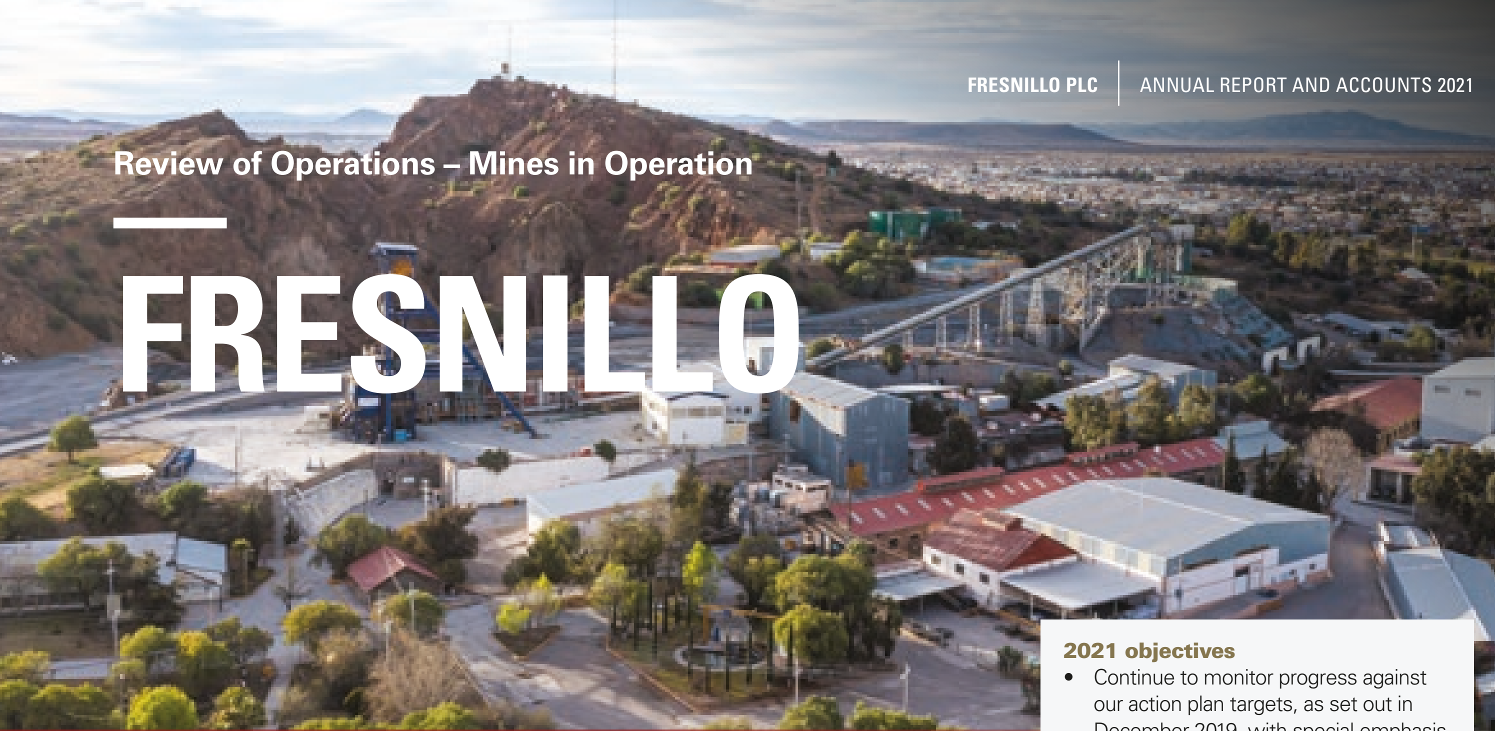
Where we are now

We are focusing on complying with the new requirements from the electricity company and the energy regulator to complete the tie-in to the national power grid. Following the delay to our timeline, we expect commissioning at both Juanicipio and the Pyrites Plant to take place in mid-2022. To mitigate potential adverse effects caused by the delay at Juanicipio, we are making available any unused plant capacity at our Fresnillo and Saucito operations to process material produced at Juanicipio. Once the required permits have been granted, we will continue with the pre-commissioning testing and will look to ramp up operations to 85%-90% capacity by the end of the year.

How we are building up our future resilience

We are working hard to establish closer relationships with the electricity company and regulator. Our aim is to fully understand their requirements and identify how we can best collaborate to ensure that future develop projects are able to proceed quickly and efficiently in order to deliver benefits to our business, local communities and, through tax revenue, the Government.

Tomás Iturriaga
Chief Operating Officer



Review of Operations – Mines in Operation

FRESNILLO

One of the world's oldest continuously operated mines, Fresnillo produced 22.6% of the Group's total silver in 2021 and generated 16.1% of total adjusted revenue.

Ownership: **100% Fresnillo plc**	
In operation since: **1554**	
Mine life (years): **6.0 at 6,616 tpd** (2020: 6.6), **(2,216k tpy)**	
Facilities: **Underground mine and flotation plant**	
Workforce: **1,453 employees, 2,310 contractors**	
Location: **Zacatecas**	
Milling capacity (2021): **8,000 tpd/2,640,000 tpy**	

	2021	2020	% change
MINE PRODUCTION[1]			
Ore milled (kt)	**2,216**	2,337	(5.2)
Silver (koz)	**11,986**	13,055	(8.2)
Gold (oz)	**33,743**	38,388	(12.1)
Lead (t)	**18,796**	21,319	(11.8)
Zinc (t)	**34,530**	34,116	(1.2)
Silver ore grade (g/t)	**186**	194	(4.0)
TOTAL RESERVES[2]			
Silver (moz)	**99.5**	131.0	(24.0)
Gold (koz)	**305**	378	(19.3)
AVG ORE GRADE IN RESERVES			
Silver (g/t)	**234**	265	(11.7)
Gold (g/t)	**0.72**	0.76	(5.3)
Cut-off grade (g/t AgEq)	**235**	239	(1.7)
TOTAL RESOURCES[3]			
Silver (moz)	**796.7**	717.0	11.1
Gold (moz)	**1.75**	1.66	5.4
AVG ORE GRADE IN RESOURCES			
Silver (g/t)	**373**	332	12.3
Gold (g/t)	**0.82**	0.77	6.5
Cut-off grade (g/t AgEq)	**174**	147	18.4

1 Fresnillo mine production excludes ore processed and production from the Juanicipio development project.
2 2021 reserves as of 31 May 2021.
3 2021 resources as of 31 May 2021.

2021 objectives

- Continue to monitor progress against our action plan targets, as set out in December 2019, with special emphasis on dilution control.
- Increase the development rate to an average of between 3,300–3,500 metres per month for the year.
- Increase equipment availability.
- Receive electrical permit approval and ramp up the tailings flotation plant.
- Improve the use of automatic drilling technology.

2021 performance

- Performance improved in 1H21, although operational challenges including infrastructure issues and a shortage of skilled personnel due to the labour reform limited progress against our targets and necessitated a change in priorities.
- Development rates and equipment availability were both impacted by the labour reform in 2H 2021, leading to a higher number of staff vacancies and workforce rotation.
- As the year progressed, our primary focus shifted to ensuring we had access to the right numbers of skilled personnel in order to increase development, prepare stopes and maintain equipment.
- The start-up of the Pyrites Plant was pushed back to mid-2022 due to the pandemic and new requirements for the completion of the tie-in to the national power grid.
- Automated drilling accounted for an average of 215 drillholes per month compared to 98 drillholes per month in 2020.

2022 objectives

- Mitigate the impact of the labour reform through recruitment campaigns, training and investment in new equipment.
- Conclude the deepening of the San Carlos shaft project.
- Subject to permits being obtained, start up the Pyrites Plant at Fresnillo and ramp up to nameplate capacity.
- Return our development performance to required levels.

Review of operations – mines in operation continued

Key developments in the year

Silver production decreased by 8.2% versus 2020, driven by the labour reform in Mexico which resulted in staff vacancies and a higher workforce rotation. In turn, this affected equipment availability and utilisation rates due to the reduced availability of specialised mechanics and trained machine operators. This restricted operational flexibility and prevented access to higher ore grade areas of the mine. In addition, a number of other factors affected operations during the year, including a power cut, which in turn reduced pumping capacity and led to flooding, together with a temporary ventilation system failure. Combined, these factors adversely impacted the average ore throughput at the mine leading to a 5.2% drop year-on-year to 6,616 tpd in 2021 (2020: 6,976 tpd).

The average development rate in the year decreased by 2.6% to 3,050 metres per month (2020: 3,130 metres per month). During the first half of the year, development rates averaged 3,285 metres per month. However, following the labour reform, rates dropped to an average of 2,815 metres per month, driven by the uncertainty which negatively impacted contractor performances, together with the flooding of certain areas which limited the extraction of waste material through the ramps.

Furthermore, the contribution of the tunnel boring machine (TBM) was less than expected, as we were trialling it in a production area that featured less advantageous geomechanical characteristics than those found in development areas. As a result, the TBM advanced at a slower pace. We now plan to relocate it to a development area, and therefore anticipate that performance will return to previous levels.

We expect to regain a rate of 2,900 to 3,100 metres per month on average during 1H22 and gradually increase it to the required levels in the following months.

Productivity, calculated as tonnes of ore milled per person, decreased compared to 2020 as the labour reform, and other factors mentioned above, impacted our ability to process higher volumes of ore. Although we successfully internalised a number of contractors in response to the labour reform, thereby increasing the number of unionised personnel, we nevertheless required additional contractors to work on specialised services during the year. This had the effect of maintaining our contractor base for 2021 at similar levels to that for 2020, thus increasing the total headcount at the mine and impacting the productivity metric.

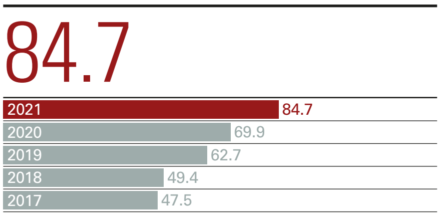
While our improvement initiatives made progress, further work is required to help control dilution, particularly on the narrower veins. During the year, we redefined a number of key processes and variables around dilution control and implemented new technology to more accurately measure dilution. We take confidence that these measures will provide a sound basis for dilution control going forward as part of our day-to-day operations management. Our drilling programme, focused on increasing resources and improving the certainty of the geological model, met its objectives for the year and this will continue into 2022 and beyond, continuously improving our knowledge and understanding of the vein system and thereby the certainty of our mine planning.

During the year, as part of the optimisation of the beneficiation plant, the connection of the new circuit to the Fresnillo flotation plant was completed, increasing the plant's capacity to process ore with higher lead and zinc grades, without impacting recovery rates.

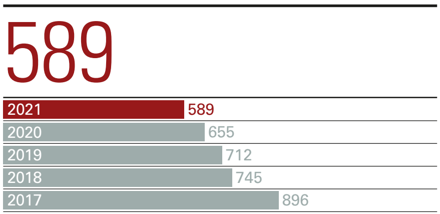
Financial performance[4]

Financial highlights	2021	2020	% change
Adjusted revenue (US$m)	**459.5**	407.2	12.8
Adjusted production costs (US$m)	**187.7**	162.0	15.9
Segment profit (US$m)	**224.6**	191.0	17.6
Capital expenditure (US$m)	**108.3**	92.6	17.0
Exploration (US$m)	**9.3**	9.2	1.1
Cost per tonne (US$)	**84.7**	69.9	21.2
Cash cost (US$/oz silver)	**5.4**	5.9	(8.3)
Margin (US$/oz)[5]	**19.4**	15.4	26.0
Margin (expressed as % of silver price)	**78.1**	72.3	
All-in sustaining cost (US$)	**16.3**	12.9	26.5

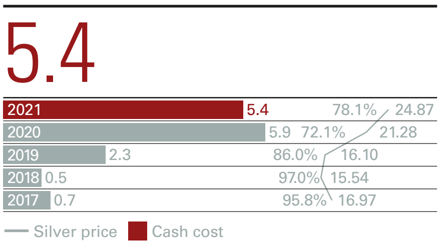
FRESNILLO
(US$/tonne milled)



FRESNILLO ORE MILLED PER PERSON
(Tonnes)



FRESNILLO CASH COST
(Silver US$/ounce)



% figures represent margin between cash cost and silver price.

Adjusted revenue, excluding inter-segment sales, increased by 12.8% to US$459.5 million, principally due to the 16.9% increase in the silver price.

Cost per tonne increased 21.2% to US$84.7 in 2021, with the adverse effect of the revaluation of the Mexican peso vs. the US dollar together with cost inflation of 9.83% at this mine accounting for approximately half of the increase. The remaining increase was primarily driven by: i) additional costs associated with maintenance to the vertical conveyor; ii) increased use of explosives, due to the use of electronic initiators to improve the precision and safety of explosive charges; iii) increase in the consumption of reagents due to smaller particles of zinc contained in the mineral; and iv) increase in personnel costs in preparation for the start of operations at the Pyrites Plant and the new labour reform. Additionally, the lower volume of ore fed to the mills (-5.2%) also had a negative effect.

Cash cost per silver ounce decreased to US$5.4 (2020: US$5.9) principally due to higher by-product credits and lower treatment and refining charges, partly offset by a higher cost per tonne. Margin per ounce increased 26.0% to US$19.4. Expressed as a percentage of the silver price, it increased to 78.1% (2020: 72.3%).

All-in sustaining cost increased 26.5% over 2020 to US$16.3, explained by a higher sustaining capex in absolute terms and per ounce (-5.0% silver ounces sold).

4 Financial figures for Fresnillo exclude ore sales from Juanicipio.
5 Margin defined as average realised price less cash cost per ounce.

A new pumping station was constructed during the year and commissioned at the beginning of 2022 to further increase water pumping capacity, helping our teams to regain access to some mining and haulage areas that were affected during 2021.

The deepening of the San Carlos shaft continued to progress with commissioning expected in the second half of 2022. This project is expected to support a reduction in haulage costs.

Pyrites Plant at Fresnillo

Construction of the flotation plant at the Fresnillo mine (phase II) to improve overall recoveries of gold and silver was concluded on time in 4Q 2020. Due to a combination of Covid-19 related delays and new requirements from the state-owned electrical company and the energy regulator, the plant start-up was pushed back and we now expect to complete the tie-in to the national power grid by mid-2022.

This US$155.0 facility, together with Saucito's pyrites plant (phase I), are expected to produce an average of 3.5 moz silver and 13 koz gold per year once both are operating at full capacity.

Reserves and resources

Silver reserves decreased 24.0% due to depletion and exploration results, while silver resources increased 11.1% as a result of the exploration programme, which added several structures.

Capital expenditures

Total capex spend in 2021 was US$91.8 million, which included sustaining capex, mine development, the deepening of the San Carlos shaft, construction of a new pumping station, and the tailings management programme (see pages 102-104). We continued to invest in our IT projects, including wireless telecommunication systems in new production areas, remote controlled drilling equipment, Track Plus, Ventilation Plus, MineOps Optimiser and training required for the stochastic modelling of the mine resources.

2022 outlook

For 2022, the silver ore grade is expected to be in the range of 190-200 g/t, with the gold ore grade around 0.50-0.70 g/t.

The majority of our investment in the year ahead will focus on mine development and sustaining capex, including the conclusion of the deepening of the San Carlos shaft and the acquisition of additional mine equipment required for operation by personnel recently internalised following the labour reform. Furthermore, in 2022 we will continue implementing tracking for personnel and mining equipment and will pilot a technology to minimise dilution on the long-drill stopes.

"CONSTRUCTION OF THE FLOTATION PLANT AT THE FRESNILLO MINE (PHASE II) TO IMPROVE OVERALL RECOVERIES OF GOLD AND SILVER WAS CONCLUDED ON TIME."

Review of operations – mines in operation continued

SAUCITO

Saucito contributed 23.4% to total silver production in 2021 and generated 21.0% of total adjusted revenue.

Ownership: **100% Fresnillo plc**	
In operation since: **2011**	
Mine life (years): **7.3** (2020: 5.2)	
Facilities: **Underground mine and flotation plant**	
Workforce: **1,015 employees, 2,363 contractors**	
Location: **Zacatecas**	
Milling capacity (2021): **7,800 tpd/2,600,000 tpy**	

	2021	2020	% change
MINE PRODUCTION[1]			
Ore milled (kt)	**2,434**	2,767	(12.0)
Silver (koz)	**12,439**	15,532	(19.9)
Gold (oz)	**88,440**	84,878	4.2
Lead (t)	**24,615**	28,592	(13.9)
Zinc (t)	**37,469**	42,774	(12.4)
Silver ore grade (g/t)	**183**	206	(11.1)
Gold ore grade (g/t)	**1.46**	1.24	17.8
TOTAL RESERVES[2]			
Silver (moz)	**124.9**	139.6	(10.5)
Gold (koz)	**586**	611	(4.1)
AVG ORE GRADE IN RESERVES			
Silver (g/t)	**219**	303	(27.7)
Gold (g/t)	**1.0**	1.3	(23.1)
Cut-off grade (g/t AgEq)	**223**	243	(8.2)
TOTAL RESOURCES[3]			
Silver (moz)	**505.3**	565.4	(10.6)
Gold (moz)	**2.2**	2.3	(4.3)
AVG ORE GRADE IN RESOURCES			
Silver (g/t)	**269**	280	(3.9)
Gold (g/t)	**1.17**	1.13	(3.5)
Cut-off grade (g/t AgEq)	**175**	162	8.0
PYRITES PLANT PRODUCTION			
Ore processed (t)	**159,635**	172,233	(7.3)
Silver (koz)	**567**	920	(38.4)
Gold (oz)	**2,294**	3,452	(33.5)
Silver ore grade (g/t)	**151**	220	(31.6)
Gold ore grade (g/t)	**1.50**	1.92	(21.8)

1 Saucito mine production excludes ore processed and production from the Juanicipio development project.
2 2021 reserves as of 31 May 2021.
3 2021 resources as of 31 May 2021.

2021 objectives

- Increase the development rate to 3,200–3,500 metres per month by the end of 2021.
- Continue to monitor progress against the action plan, including dilution control, sample variability and equipment availability.
- Implement a strategy to reduce personnel turnover.
- Continue to deepen the Jarillas shaft to 987 metres.

2021 performance

- Development rates and equipment availability were both impacted by the labour reform in 2H 2021, leading to a higher number of staff vacancies and workforce rotation, impacting the progress achieved in the first half of the year.
- Increased seismicity in the Jarillas vein limited access to higher ore grade areas, thereby requiring additional development to recapture operational flexibility and impacting annual production.
- As the year progressed, our primary focus shifted to ensuring we had access to the right numbers of skilled personnel in order to increase development, prepare stopes and maintain equipment.
- The deepening of the shaft advanced although minor delays led to the achievement of only 57% progress compared to the 62% planned.

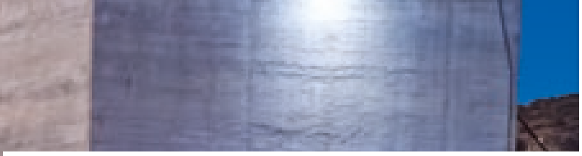
2022 objectives

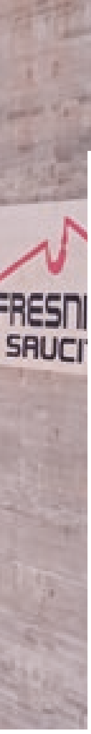
- Mitigate the impact of the labour reform through our recruitment campaigns, training and investment in new equipment.
- Target a return to an average development rate of more than 3,000 metres a month.
- Continue the implementation of projects to improve infrastructure including the deepening of the Jarillas shaft, ventilation and pumping infrastructure.
- Increase volumes of ore processed to nameplate capacity.
- Complete a third-party review of full planning cycle (short, mid and long term).

Key developments in the year

Silver production was 19.9% lower versus 2020 driven by increased seismicity in the Jarillas vein which limited access to higher ore grade areas. Geomechanical monitoring equipment is being installed in these areas to enable an efficient and optimal mining sequence, while prioritising the safety of our teams. Furthermore, additional contractors were hired to prepare new stopes.

Production was also impacted by the implementation of the labour reform which had a particular effect at Saucito due to a larger and less predictable contractor base compared to our other operations. This affected equipment





availability and utilisation rates, and had the knock-on effect of lowering the volumes of ore hauled and decreasing development rates. To address this challenge, we have initiated recruitment campaigns, increased training and invested in new equipment.

As part of our day-to-day operation management, we continue to review our processes and invest in technology to more accurately measure and control dilution.

Annual gold production increased 4.2% driven by higher ore grades, partially offset by lower volumes of ore processed.

Productivity decreased compared to 2020 reflecting the adverse impact of the seismicity and workforce shortages on volumes of ore processed, as described above. Although we successfully internalised a number of contractors in response to the labour reform, thereby increasing the number of unionised personnel, we nevertheless required additional contractors to work on specialised services during the year. This had the effect of maintaining our contractor base for 2021 at similar levels to that for 2020, thus increasing the total headcount at the mine and impacting the productivity metric.

The Pyrites Plant at Saucito produced 567 koz of silver and 2.3 koz of gold during the year, lower year-on-year due to a decrease in volumes processed at Saucito and the lower tailings processed at the Pyrites Plant. In 2022, we expect production from this plant, excluding the expected production from the Fresnillo Pyrites Plant, to marginally increase to within the range of 700 to 750 koz of silver and between 1.5 to 2.5 koz of gold.

The project to deepen the Jarillas shaft from 630 metres to 1,000 metres advanced, with good progress made in horizontal development required to install shaft infrastructure. However, given the shortage of personnel, Covid-19 protocols and operational challenges, we anticipate a delay to the timeline of this project, now expected to be completed by 2025.

Reserves and resources

Silver reserves decreased 10.5% due to depletion. Similarly, silver resources decreased by 10.6% as a result of depletion and a higher cut-off grade.

Capital expenditures

Capital expenditures in 2021 totalled US$101.4 million, mainly allocated to in-mine development, sustaining capex, including additional mining equipment to maintain operations following internalisation of certain contractors, engineering for the tailings dam, safety and environment and the project to deepen the Jarillas shaft. Furthermore, we continued making minor investments in technology to consolidate Track plus following the mine's growth, real time tracking of equipment for production and maintenance purposes, big data analysis (SmartOps) to focus on productivity initiatives and predictive maintenance as well as software required for the stochastic modelling of the mine's resources.

2022 outlook

Driven by a shortage of personnel following the labour reform, in conjunction with absenteeism due to Covid-19, and additional development to recapture operational flexibility, we expect volumes of ore processed to decrease.

We are targeting a return to an average development rate of more than 3,000 metres a month during 2022, as our actions to address labour shortage issues take effect during the first three quarters of the year.

The decline in the ore grade seen over the past few years is expected to continue going into 2022, with higher ore grade areas in the Jarillas vein affected by increased seismicity and therefore requiring additional development to recapture operational flexibility. As a result, the silver ore grade is expected to average between 175-195 g/t while the gold ore grade is expected to average between 1.1-1.2 g/t.

A detailed third-party review of the full mine planning cycle will be undertaken early in 2022 to identify any other subjacent factor impacting grades mined compared to long term reserve estimated grades.

Capex will primarily be allocated to increasing development rates, sustaining capex, safety and environment and the deepening of the Jarillas shaft. In 2022, we will focus on Mine Optimiser, a system that monitors and optimises tasks carried out in our mines, and enables us to make accurate decisions in real time from a control room, in order to achieve our goal of completing the short-term mine plan.

Financial performance

Financial highlights	2021	2020	% change
Adjusted revenue (US$m)	**594.5**	593.6	0.2
Adjusted production costs (US$m)	**218.6**	199.2	9.7
Segment profit (US$m)	**321.3**	325.1	(1.2)
Capital expenditure (US$m)	**101.2**	73.4	37.9
Exploration (US$m)	**18.7**	13.9	34.5
Cost per tonne (US$)	**89.8**	72.0	24.7
Cash cost ($/oz silver)	**(0.8)**	0.8	N/A
Margin ($/oz)	**25.7**	20.5	25.4
Margin (expressed as % of silver price)	**103.2**	96.2	
All in sustaining cost (US$)	**9.5**	6.9	37.7

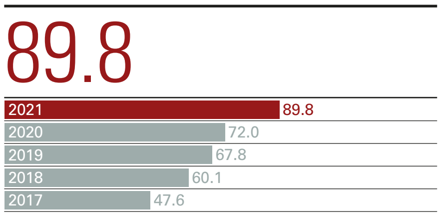
Adjusted revenue at Saucito remained flat year-on-year, mainly as a result of higher silver, lead and zinc prices, offset by the lower volumes of silver sold.

Cost per tonne increased 24.7% to US$89.8, with the adverse effect of the revaluation of the Mexican peso vs. the US dollar and cost inflation of 9.85% at this mine accounting for approximately half of the increase. The remaining increase was primarily driven by: i) electrical maintenance and repairs to rectify damage to the pumping equipment caused by two floods during the year, and mechanical corrective maintenance to the flotation plant; ii) increase in personnel in preparation for the labour reform; iii) increase in contractors due to higher volume of waste hauled and supportive works such as anchoring and shotcreting to mitigate risks caused by increased seismicity in operating areas, and increased development. Additionally the lower volume of ore fed to the mill (-12.0%) had a negative effect.

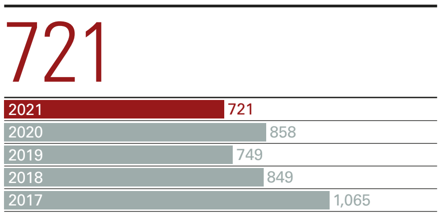
Cash cost per silver ounce decreased to -US$0.9 per ounce (2020: US$0.8 per silver ounce) mainly as a result of higher gold, lead and zinc by-product credits per silver ounce. This was partially offset by an increase in cost per tonne and a lower silver ore grade. Margin per ounce increased to US$25.8 in 2021 (2020: US$20.5). Expressed as a percentage of the silver price, it increased from 96.2% to 103.6%.

All-in sustaining cost increased to US$9.5 per ounce due to higher sustaining capex related to higher sustaining capex in absolute terms and per ounce (-20.1% silver ounces sold), mitigated by lower cash cost.

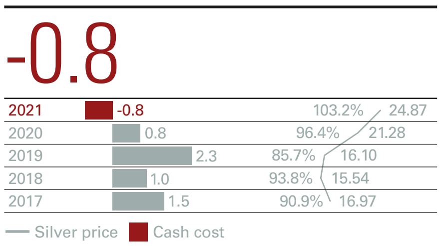
SAUCITO
(US$/tonne milled)



SAUCITO ORE MILLED PER PERSON
(tonnes)

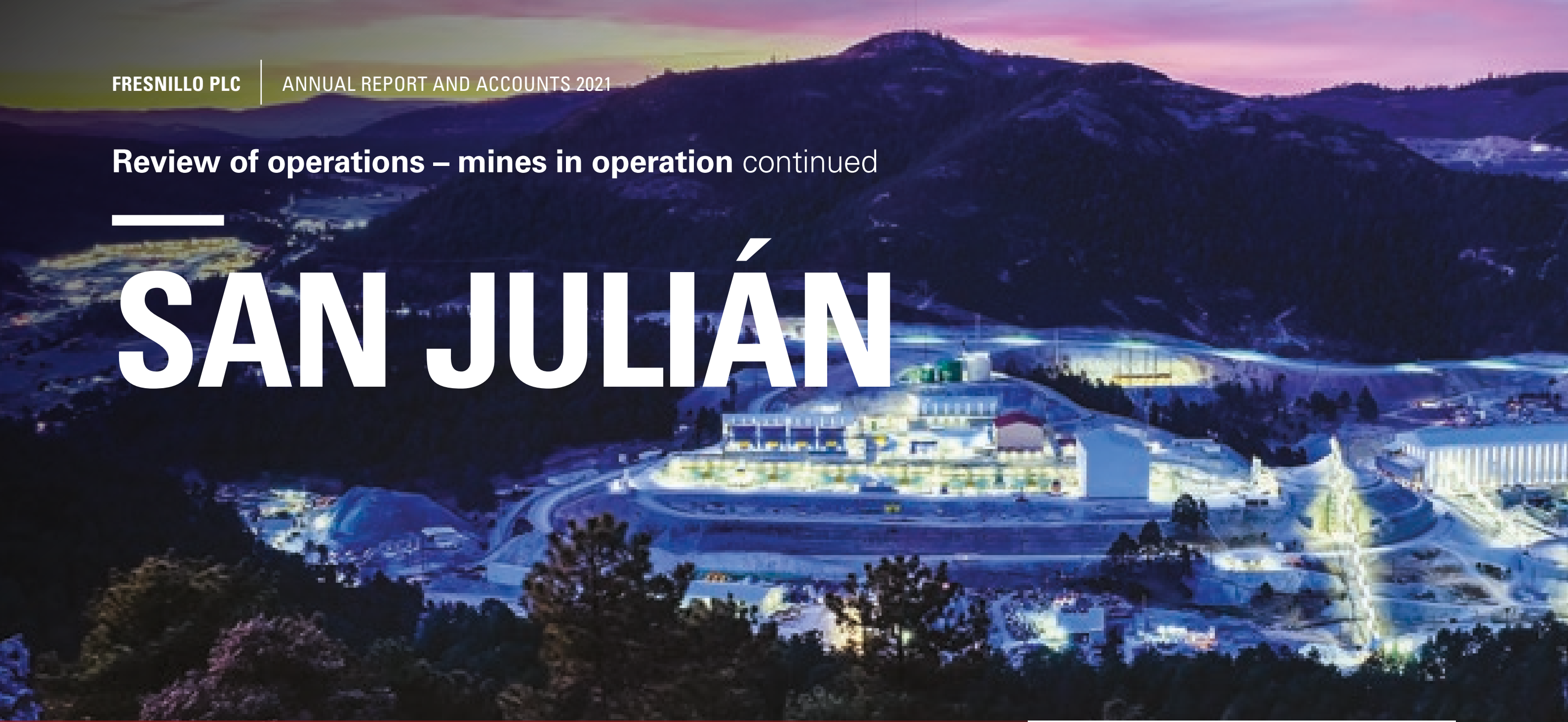


SAUCITO CASH COST
(Silver US$/ounce)



% figures represent margin between cash cost and silver price.

SAN JULIÁN



The San Julián silver-gold mine started operations in 2016. In 2021, it contributed 31.6% to total silver production and generated 18.9% of total adjusted revenue.

Ownership: **100% Fresnillo plc**

In operation since: **2016 (Veins)/ 2017 (Disseminated Ore Body)**

Facilities: **Underground mine, flotation plant and a dynamic leaching plant**

Workforce: **465 employees, 1,577 contractors**

Location: **Chihuahua/Durango border**

Mine life (years): **4.4 Veins** (2020: 2.8), **3.1 Disseminated Ore Body** (2020: 3.6)

Key developments in the year

Silver production at San Julián veins increased 4.8% year-on-year driven by a higher ore grade, while gold production decreased by 16.1% due to a lower ore grade. This was due to the depletion of higher ore grade areas and, to a lesser extent, lower volume of ore processed driven by two electricity outages by the state-owned utility Comisión Federal de Electricidad (CFE).

Silver production increased 35.3% at San Julián Disseminated Ore Body versus 2020, driven by two primary factors: firstly the positive variation with the geological model in the central area of the ore body; and secondly, the regaining of access to higher ore grade areas following the mine resequencing in 2019. These factors compensated for the lower volume of ore processed, which was driven by the temporary impact at the beginning of the year of the minor structural damage to the lead circuit housing at the end of 2020, and by the two electricity outages, as mentioned above.

As a result of the higher than expected ore grades found in the core of the ore body, we reviewed the reconciliation of the actual silver grade with the geological model. This review increased the confidence of the geological model, in particular within the higher grade core of the ore body.

Productivity increased due to the decrease in contractors, which more than offset the adverse impact of the lower volumes processed at San Julián (Veins) and San Julián (DOB).

Construction of the third phase of the tailings dam will commence in mid-2022 following a comprehensive review of design and construction methodology. Construction of phase four will follow immediately after the conclusion of phase three.

Reserves and resources

Silver and gold reserves at San Julián veins increased 82.5% and 47.2% respectively year-on-year mainly as a result of the exploration programme in the southern areas of the district. Similarly, silver and gold resources increased year-on-year despite a 10.2% increase in the cut-off grade.

Silver and gold reserves and resources at San Julián Disseminated Ore Body decreased due to depletion of the ore body.

Capital expenditures

Capex spend in 2021 was US$51.3 million, mainly allocated to mining works, sustaining capex and the implementation of IT initiatives to improve the mine's operational performance through investment in remote controlled drilling equipment and big data analysis (SmartOps). However, training required for the stochastic modelling of the mine's resources was not possible due to the high rotation of personnel. Training will take place once workforce and rotation has been stabilised.

2021 objectives

- Convert probable reserves into the proven category.
- Ramp up the use of semi-autonomous drilling machines.
- Advance the construction of the third phase of the tailings dam, due to be completed in 2022.
- Advance the process to achieve the International Cyanide Management Code Certification.
- Continue to maintain operational continuity without geotechnical issues.
- Continue to implement cost control initiatives, targeting a 5% improvement year-on-year.

2021 performance

- Reserves at San Julián (Veins) increased due to the conversion of resources into reserves, although reserves in the proven category were not achieved.
- Semi-autonomous drilling represented 63% of the total metres drilled during the year, versus 41% in 2020.
- Further analysis to obtain the Cyanide Management Code Certification was conducted. However, this highlighted the need for additional modifications at the flotation plant, and means that we will re-evaluate the economics of going ahead with this certification.
- Operational continuity of the mine was maintained, with no geotechnical issues detected.
- Cost initiatives resulted in cost savings, although these were more than offset by 7.68% inflation.

2022 objectives

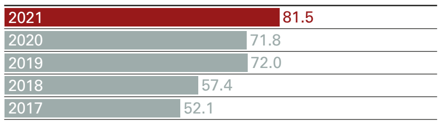
- Mitigate the impact of the labour reform through our recruitment campaigns, training and investment in new equipment.
- Continue exploration in the region, targeting a similar disseminated ore body.
- Conclude a pilot project to confirm the feasibility for the extraction of ore panels under paste fill.

	2021	2020	% change
MINE PRODUCTION			
Total production			
Gold (oz)	**55,847**	64,925	(14.0)
Silver (koz)	**16,772**	13,306	26.0
PRODUCTION SAN JULIÁN VEINS			
Ore milled (kt)	**1,203**	1,255	(4.2)
Silver (koz)	**4,224**	4,030	4.8
Gold (oz)	**51,840**	61,790	(16.1)
Silver ore grade (g/t)	**119**	109	9.8
Gold ore grade (g/t)	**1.4**	1.6	(12.1)
PRODUCTION SAN JULIÁN DISSEMINATED ORE BODY			
Ore milled (kt)	**2,071**	2,230	(7.1)
Silver (koz)	**12,548**	9,276	35.3
Gold (oz)	**4,006**	3,134	27.8
Lead (t)	**8,543**	7,112	20.1
Zinc (t)	**19,991**	20,492	(2.4)
Silver ore grade (g/t)	**221**	150	46.8
Gold ore grade (g/t)	**0.10**	0.09	11.1
Lead ore grade (%)	**0.51**	0.41	24.5
Zinc ore grade (%)	**1.27**	1.19	6.6
RESERVES SAN JULIÁN VEINS[1]			
Silver (moz)	**41.6**	22.8	82.5
Gold (koz)	**293**	199	47.2
AVG ORE GRADE IN RESERVES SAN JULIÁN VEINS			
Silver (g/t)	**244**	204	19.6
Gold (g/t)	**1.72**	1.77	(2.8)
Cut-off grade (g/t AgEq)	**196**	196	0.0
RESERVES SAN JULIÁN DISSEMINATED ORE BODY[1]			
Silver (moz)	**33.0**	42.8	(22.9)
Gold (koz)	**18**	23	(21.7)
AVG ORE GRADE IN RESERVES SAN JULIÁN DISSEMINATED ORE BODY			
Silver (g/t)	**162**	167	(3.0)
Gold (g/t)	**0.1**	0.1	0.0
Cut-off grade (g/t AgEq)	**119**	133	(10.5)
RESOURCES SAN JULIÁN VEINS[2]			
Silver (moz)	**122.9**	110.2	11.5
Gold (koz)	**1,040**	1,016	2.4
AVG ORE GRADE IN RESOURCES SAN JULIÁN VEINS			
Silver (g/t)	**194**	154	26.0
Gold (g/t)	**1.64**	1.42	15.5
Cut-off grade (g/t AgEq)	**151**	137	10.2
RESOURCES SAN JULIÁN DISSEMINATED ORE BODY[2]			
Silver (moz)	**64.2**	76.3	(15.9)
Gold (koz)	**38.2**	44.4	(14.0)
AVG ORE GRADE IN RESOURCES SAN JULIÁN DISSEMINATED ORE BODY			
Silver (g/t)	**152**	158	(3.8)
Gold (g/t)	**0.1**	0.1	0.0
Cut-off grade (g/t AgEq)	**109**	104	4.8

1 2021 reserves as of 31 May 2021.
2 2021 resources as of 31 May 2021.

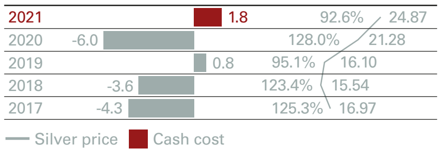
SAN JULIÁN (VEINS)
(US$/tonne milled)

81.5



SAN JULIÁN (VEINS) CASH COST
(Silver US$/ounce)

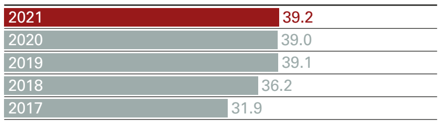
1.8



% figures represent margin between cash cost and silver price.

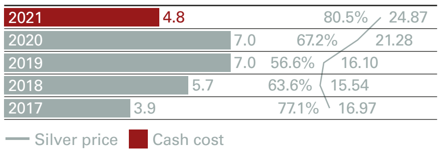
SAN JULIÁN (DOB)
(US$/tonne milled)

39.2



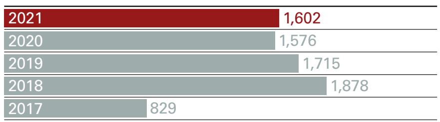
SAN JULIÁN (DOB) CASH COST
(Silver US$/ounce)

4.8



SAN JULIÁN (VEINS AND DOB) ORE MILLED PER PERSON
(tonnes)

1,602



SAN JULIÁN CONTINUED

2022 outlook

For the year ahead, the silver ore grade at the San Julián Veins is expected to be in the range of 120-130 g/t, with the gold ore grade expected to average 1.35-1.55 g/t.

For the San Julián Disseminated Ore Body, silver ore grade for 2022 is forecast to be in the range of 150-170 g/t, with the gold ore grade averaging around 0.08 g/t.

Budgeted capex for 2022 will be allocated to mining works, sustaining capex, safety and environment and the beginning of construction for the fourth phase of the tailings dam.

Financial performance

Adjusted revenue increased primarily as a result of the higher silver, lead and zinc prices and increased volumes of silver sold.

San Julián Veins

Cost per tonne increased 13.5% to US$81.5, with the adverse effect of the revaluation of the Mexican peso vs. the US dollar and cost inflation of 7.68% at this mine accounting for almost two-thirds of the increase. The remaining increase was driven by higher contractor costs.

Cash cost per ounce of silver increased mainly due to lower gold by-product credits and higher cost per tonne; mitigated by a higher silver ore grade. Margin per ounce decreased to US$23.0 (2020: US$27.3), while margin expressed as a percentage of the silver price decreased from 128.2% in 2020 to 92.6% in 2021.

All in sustaining cost increased to US$14.0 per ounce due to higher sustaining capex and capitalised mine development.

Financial performance

Financial highlights	2021	2020	% change
Adjusted revenue (US$m)	**537.0**	409.3	31.2
Adjusted production costs (US$m)	**179.1**	177.1	1.1
Segment profit (US$m)	**322.7**	211.7	52.4
Capital expenditure (US$m)	**40.9**	36.3	12.7
Exploration (US$m)	**23.9**	20.6	16.0
Cost per tonne (US$) (Veins)	**81.5**	71.8	13.5
Cash cost (US$/oz silver) (Veins)	**1.8**	(6.0)	N/A
Margin (US$/oz) (Veins)	**23.0**	27.3	(15.8)
Margin (expressed as % of silver price) (Veins)	**92.6**	128.2	
All in sustaining cost (Veins) (US$)	**14.0**	5.04	177.8
Cost per tonne (US$) (Disseminated Ore Body)	**39.2**	39.0	0.5
Cash cost (US$/oz silver) (Disseminated Ore Body)	**4.8**	7.0	(31.4)
Margin (US$/oz) (Disseminated Ore Body)	**20.0**	14.3	39.9
Margin (expressed as % of silver price) (Disseminated Ore Body)	**80.5**	67.1	20.0
All in sustaining cost (Disseminated Ore Body) (US$)	**6.3**	8.9	(29.2)

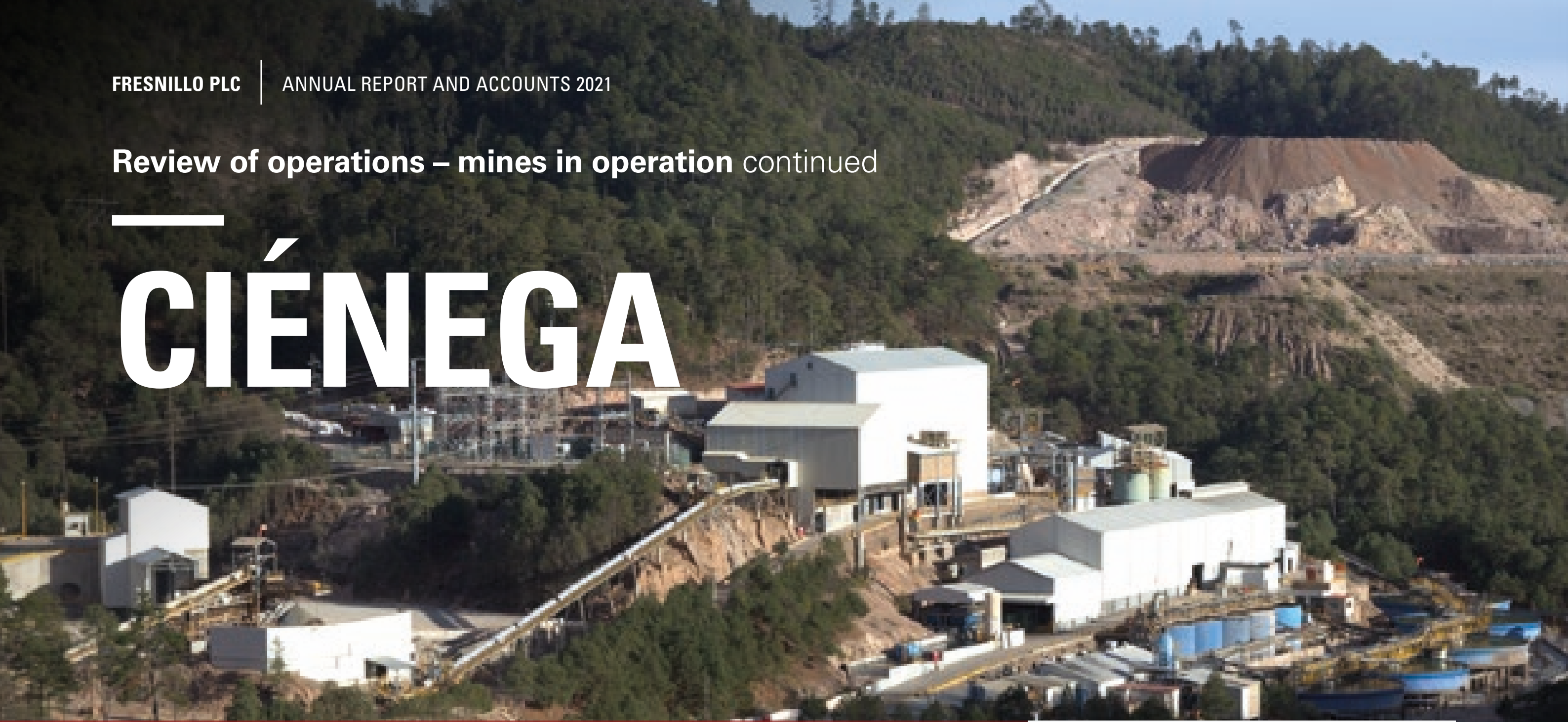
San Julián (DOB)

Cost per tonne remained stable at US$39.2 per tonne, mainly due to the adverse effect of the revaluation of the Mexican peso vs. the US dollar, and cost inflation of 7.68% at this mine, which together represented approximately 85% of the total adverse effect. Additionally, the 7.1% decrease in volumes of ore processed further impacted cost per tonne. These adverse effects were practically offset by the decrease in the use of contractors for supporting works.

Cash cost decreased 31.4% to US$4.8 per ounce of silver driven by a higher silver ore grade and lower treatment and refining charges, partially offset by the higher cost per tonne and increased special mining rights.

The 29.2% decrease in all in sustaining cost was mainly driven by the lower cash cost.

“CONSTRUCTION OF THE THIRD PHASE OF THE TAILINGS DAM WILL COMMENCE IN MID-2022 FOLLOWING A COMPREHENSIVE REVIEW OF DESIGN AND CONSTRUCTION METHODOLOGY.”



Review of operations – mines in operation continued

CIÉNEGA

Ciénega is our most polymetallic mine, contributing 6.5% to total gold production and 10.3% to total silver production. The mine generated 8.0% of total adjusted revenue during 2021.

Ownership: **100% Fresnillo plc**

In operation since: **1992**

Mine life (years): **4.2** (2020 3.4)

Facilities: **Underground mine, flotation and leaching plant**

Workforce: **561 employees, 961 contractors**

Location: **Durango**

Milling capacity (2021): **4,000 tpd/1,340,000 tpy**

	2021	2020	% change
MINE PRODUCTION			
Ore milled (kt)	**1,282**	1,318	(2.7)
Silver (koz)	**5,447**	5,762	(5.5)
Gold (oz)	**48,819**	64,101	(23.8)
Lead (t)	**3,947**	6,112	(35.4)
Zinc (t)	**6,373**	9,263	(31.2)
Silver ore grade (g/t)	**153**	159	(3.2)
Gold ore grade (g/t)	**1.27**	1.63	(21.7)
TOTAL RESERVES[1]			
Silver (moz)	**34.6**	33.7	2.7
Gold (koz)	**331**	343	(3.4)
AVG ORE GRADE IN RESERVES			
Silver (g/t)	**199**	232	(14.2)
Gold (g/t)	**1.90**	2.36	(19.5)
Cut-off grade (g/t AgEq)	**Multiple**	Multiple	
TOTAL RESOURCES[2]			
Silver (koz)	**142,094**	151,633	(6.3)
Gold (koz)	**1,646.9**	1,766.0	(6.7)
AVG ORE GRADE IN RESOURCES			
Silver (g/t)	**227**	211	7.6
Gold (g/t)	**2.55**	2.45	4.1
Cut-off grade (g/t AgEq)	**Multiple**	Multiple	

1 2021 reserves as of 31 May 2021.
2 2021 resources as of 31 May 2021.

2021 objectives

- Continue strict cost control.
- Continue the exploration programme in the district, increasing resources and reserves.
- Begin construction of the fourth tailings dam.

2021 performance

- Adverse effect of the revaluation of the Mexican peso vs. the US dollar and cost inflation represented two-thirds of the increase in cost per tonne.
- 79,228 metres of core drilling were completed at Ciénega with gold reserves and resources decreasing year-on-year due to depletion of some veins at the mine while silver reserves increased slightly.
- Construction of the second stage of the third tailings dam commenced.

2022 objectives

- Mitigate the impact of the labour reform through our recruitment campaigns, training and investment in new equipment.
- Advance exploration programmes to generate resources.

Key developments in the year
In line with expectations, gold and silver production decreased year-on-year, reflecting the natural depletion of the high ore grade areas. Furthermore, the implementation of the labour reforms adversely impacted the volume of ore processed, driven by increased workforce rotation and lower utilisation rates of equipment, together with an electricity outage by the state-owned utility Comisión Federal de Electricidad (CFE) in December.

Productivity decreased as the labour reform affected contractor productivity in the second half of the year, impacting volumes processed.

Construction of the second stage of the third tailings dam commenced and progressed as planned. In addition, the high-tension electrical cable to the district's satellite operations was completed during 2021, helping to lower our future energy costs as our reliance on diesel generators will be reduced.

Our exploration programme continued throughout 2021. While mineralised volumes identified in the satellite zones can be processed utilising the current capacity of the beneficiation plant at Ciénega, we will evaluate the possible expansion of the plant if additional mineralisation is discovered in the future.

Reserves and resources
Silver reserves increased 2.7% year-on-year, while gold reserves decreased 3.4% as a result of depletion. Silver and gold resources both decreased, down 6.3% and 6.7% respectively due to depletion and a higher cut-off grade.

Capital expenditures
Capex in 2021 totalled US$41.8 million and was allocated primarily to mine development, sustaining capex and safety and environment, including the construction of the tailings dam. In addition, minor investments in IT included the implementation of MineOps Optimiser, which commenced in 4Q 2021 and will continue into 2022, and the personnel training required for the stochastic modelling of the mine's resources, which was not possible due to high workforce rotation in the year. We will resume the focus on training in 2022.

2022 outlook
In 2022, the average gold ore grade is expected to be between 1.20-1.40 g/t, with the silver ore grade expected to average 145-155 g/t.

Budgeted capex for 2022 will continue to be primarily focused on safety and environment, mining works and sustaining capex. In terms of IT, we will continue with the implementation of MineOps Optimiser and will commence the training required for the stochastic modelling of the mine's resources.

Financial performance

Financial highlights	2021	2020	% change
Adjusted revenue (US$m)	**227.8**	248.3	(8.3)
Adjusted production costs (US$m)	**110.4**	101.2	9.1
Segment profit (US$m)	**106.5**	129.5	(17.8)
Capital expenditure (US$m)	**45.4**	35.1	29.3
Exploration (US$m)	**8.2**	6.5	26.2
Cost per tonne (US$)	**86.1**	76.7	12.3
Cash cost ($/oz gold)	**(523.1)**	(276.2)	(89.4)
Margin ($/oz)	**2,318.1**	2,068.6	12.1
Margin (expressed as % of gold price)	**129.1**	115.4	
All in sustaining cost (US$)	**656.1**	618.3	6.1

Adjusted revenue decreased 8.3% over 2020, mainly due to lower volumes of gold, silver, lead and zinc sold, mitigated by higher silver, lead and zinc prices. Ciénega is the Group's most polymetallic mine, a fact demonstrated by the 64.4% contribution from silver, lead and zinc in 2021 (2020: 56.3%).

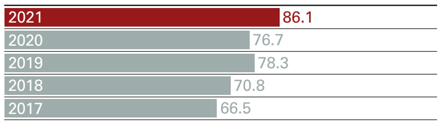
Cost per tonne increased 12.3% to US$86.1, driven by the adverse effect of the revaluation of the Mexican peso vs. the US dollar and cost inflation of 7.84% at this mine, which together represented approximately 80% of the increase. The remaining 20% was primarily the result of higher contractor costs due to an increase in mine development. Additionally, the 2.7% decrease in volume of ore processed further impacted cost per tonne.

The decrease in cash cost per gold ounce from -US$276.2 per ounce in 2020 to -US$523.1 per ounce in 2021 was primarily due to an increase in silver by-product credits. This was partly offset by a lower gold ore grade and higher cost per tonne. Margin per ounce increased to US$2,318.1 in 2021 (2020: US$2,068.6). Expressed as a percentage of the gold price, the margin increased to 129.1% (2020: 115.4%).

The US$37.8 per ounce increase in all in sustaining cost was primarily driven by the higher sustaining capex, mitigated by the lower cash cost.

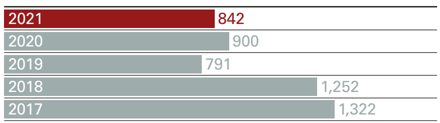
CIÉNEGA
(US$/tonne milled)

86.1



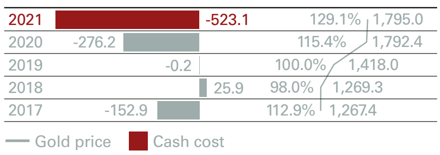
CIÉNEGA ORE MILLED PER PERSON
(tonnes)

842



CIÉNEGA CASH COST
(Gold US$/ounce)

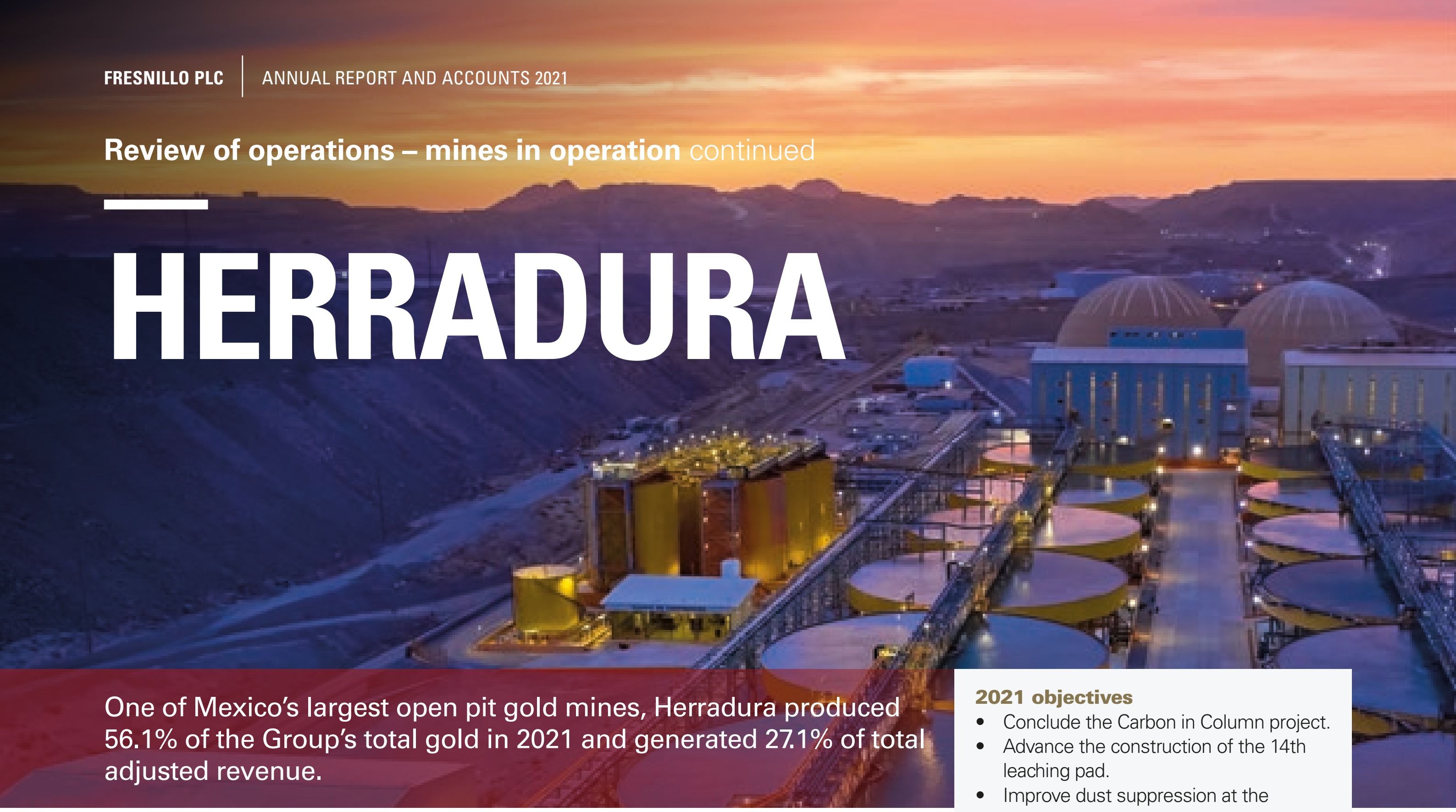
-523.1



% figures represent margin between cash cost and gold price.

Review of operations – mines in operation continued

HERRADURA



One of Mexico's largest open pit gold mines, Herradura produced 56.1% of the Group's total gold in 2021 and generated 27.1% of total adjusted revenue.

Ownership: **Minera Penmont (100% Fresnillo plc)**

In operation since: **1997**

Mine life (years): **11.8** (2020: 12.6)

Facilities: **Open pit mine, heap leach and Merrill Crowe plants; two dynamic leaching plants (DLP)**

Workforce: **1,936 employees, 1,149 contractors**

Location: **Sonora**

	2021	2020	% change
MINE PRODUCTION			
Ore deposited (kt)	**20,312**	19,797	2.6
Total volume hauled (kt)	**132,839**	109,014	21.0
Gold (oz)	**421,535**	425,288	(0.9)
Silver (koz)	**926**	1,306	(29.1)
Gold ore grade (g/t)	**0.76**	0.77	(1.5)
TOTAL RESERVES[1]			
Gold (moz)	**5.6**	6.1	(8.2)
AVG ORE GRADE IN RESERVES			
Gold (g/t)	**0.73**	0.76	(3.9)
Cut-off grade (g/t Au)	**Multiple**	Multiple	
TOTAL RESOURCES[2]			
Gold (moz)	**7.6**	8.2	(7.3)
AVG ORE GRADE IN RESOURCES			
Gold (g/t)	**0.72**	0.78	(7.7)
Cut-off grade (g/t Au)	**Multiple**	Multiple	

1 2021 reserves as of 31 May 2021.
2 2021 resources as of 31 May 2021.

2021 objectives
- Conclude the Carbon in Column project.
- Advance the construction of the 14th leaching pad.
- Improve dust suppression at the loading areas.
- Hire additional personnel to increase utilisation rates of our haulage fleet.
- Maintain comparative costs.
- Reduce maintenance times.

2021 performance
- As the scope of the Carbon in Column project increased, construction will be finished in mid-2022.
- Construction of the 14th leaching pad was concluded.
- Several initiatives to reduce dust at loading fronts were implemented.
- Costs per tonne increased 18.6% mainly due to cost inflation, the revaluation of the MXP/USD average exchange rate and a higher stripping ratio.

2022 objectives
- Commission and ramp up the Carbon in Column project.
- Finalise the pit slope optimisation study and implement recommendations.
- Advance the construction of the 15th leaching pad.

Key developments in the year
Annual gold production remained largely unchanged versus 2020 as a result of a slower speed of recovery at the leaching pads and slightly lower ore grade, offset by a higher volume of ore processed following the lifting of some Covid-19 operational restrictions.

Productivity increased compared to 2020 as a result of the increased volumes hauled following the lifting of some strict Covid-19 safety protocols which had been implemented in 2020 and limited the number of personnel on site at any one time. Furthermore, the internalisation of contractors at this mine, in response to the labour reform, was more efficient than at some of our underground mines, and this limited the impact on contractors' productivity.

During the year, we increased the scope of the Carbon in Column project to provide a larger capacity, and this required additional engineering and work during the year. We expect to commission the project and ramp up the plant in mid-2022, increasing gold recovery from the old leaching pads.

In 2019, we began rolling out dual fuel systems into our haulage fleet. This programme involved the installation of engines which are able to automatically switch between powering the trucks by diesel and by Liquefied Natural Gas (LNG), depending on the terrain. By the end of 2021, the entire 785 and 793 haulage fleet had been converted.

Reserves and resources
Gold reserves and resources decreased mostly due to depletion, with exploration results and cut-off updates balancing stricter geotechnical and cost assumptions.

Capital expenditures
Capital expenditures in 2021 totalled US$105.7 million, which was focused on sustaining capex, mining works, safety and environment, the construction of the 14th leaching pad and construction of the activated carbon project. Other investments included big data analysis (SmartOps) to focus on productivity initiatives and predictive maintenance, autonomous equipment, slope monitoring equipment for pit walls and the tailings dam.

2022 outlook
Gold ore grades in 2022 are expected to be in the range of 0.65–0.75 g/t.

Capex for 2022 will continue to focus primarily on sustaining capex, mining works, construction of the 15th leaching pad and the implementation of the activated carbon process to increase gold recovery. Minor investments scheduled for 2022 also include a technical evaluation of automatic haulage equipment.

Financial performance

Financial highlights	2021	2020	% change
Adjusted revenue (US$m)	**770.8**	778.9	(1.0)
Adjusted production costs (US$m)	**440.8**	361.4	22.0
Segment profit (US$m)	**285.3**	400.5	(28.8)
Capital expenditure (US$m)	**54.4**	30.2	80.1
Exploration (US$m)	**19.0**	17.6	8.0
Cost per tonne (US$)	**21.7**	18.3	18.6
Cost per tonne hauled (US$)	**3.5**	3.3	6.1
Cash cost ($/oz gold)	**900.4**	727.9	23.7
Margin ($/oz)	**894.6**	1,064.5	(16.0)
Margin (expressed as % of gold price)	**49.8**	59.4	
All in sustaining cost (US$)	**1,100.2**	881.9	24.8

Adjusted revenue remained flat year-on-year due to a similar gold price and volume of gold sold.

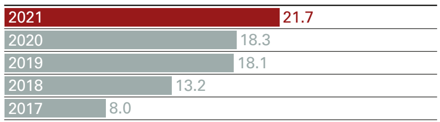
Cost per tonne of ore deposited increased 18.6%, with the adverse effect of the revaluation of the Mexican peso vs. the US dollar and cost inflation of 10.17% at this mine accounting for approximately half of the increase. The remaining increase was primarily driven by: i) the increase of the stripping ratio from 4.5:1 in 2020 to 5.1:1 in 2021; and ii) the adverse effect of recognising unproductive costs within cost of sales but excluded from adjusted production costs during the temporary suspension of mining activities at the beginning of the Covid-19 pandemic in 1H20. This was mitigated by efficiencies gained through lower consumption of diesel, explosives and reagents per tonne processed and the 2.6% increase in the volume of ore processed.

Cash cost per gold ounce increased to US$900.4 per ounce of gold mainly as a result of: i) a lower ore grade; ii) higher cost per tonne. These adverse effects were mitigated by the favourable effect of the variation of change in inventories and the lower mining rights. Margin per ounce and margin expressed as a percentage of the gold price decreased to US$894.6 and 49.8%, respectively.

All-in sustaining cost increased to US$1,100.2 per ounce mainly due to the higher cash cost and increased capitalised stripping.

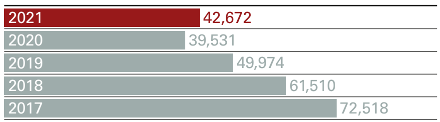
HERRADURA
(US$/tonne deposited)

21.7



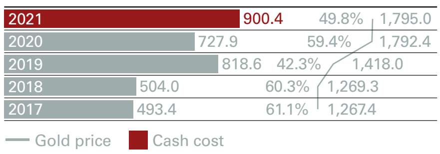
HERRADURA ORE/WASTE MOVED PER PERSON
(tonnes)

42,672



HERRADURA CASH COST
(Gold US$/ounce)

900.4



% figures represent margin between cash cost and gold price.

Review of operations – mines in operation continued

NOCHE BUENA

Noche Buena is located in the Herradura district, 23 kilometres from the Herradura mine. Noche Buena produced 12.9% of the Group's total gold in 2021 and generated 6.0% of total adjusted revenue.

Ownership: **Minera Penmont (100% Fresnillo plc)**

In operation since: **2012**

Mine life (years): **1.5** (2020: 3.1)

Facilities: **Open pit mine, heap leach, Merrill Crowe plant and Carbon in Column process**

Workforce: **447 employees, 251 contractors**

Location: **Sonora**

	2021	2020	% change
MINE PRODUCTION			
Ore deposited (kt)	**8,997**	6,683	34.6
Total volume hauled (kt)	**25,954**	34,914	(25.7)
Gold (oz)	**96,835**	87,998	10.0
Silver (koz)	**32**	39	(17.9)
Gold ore grade (g/t)	**0.59**	0.52	13.5
TOTAL RESERVES[1]			
Gold (koz)	**216**	326	(33.7)
AVG ORE GRADE IN RESERVES			
Gold (g/t)	**0.49**	0.51	(3.9)
Cut-off grade (g/t Au)	**0.20**	0.25	(20.0)
TOTAL RESOURCES[2]			
Gold (koz)	**371**	571	(35.0)
AVG ORE GRADE IN RESOURCES			
Gold (g/t)	**0.52**	0.50	4.0
Cut-off grade (g/t Au)	**0.20**	0.25	(20.0)

1 2021 reserves as of 31 May 2021.
2 2021 resources as of 31 May 2021.

2021 objectives

- Maintain comparative cash cost profile.
- Adjust fixed costs to reflect smaller operations as the mine nears closure.
- Commence implementation of the mine closure plan, while continuing to operate the Carbon in Column plant.

2021 performance

- Cash cost per gold ounce decreased by 12.3%.
- The mine closure plan commenced, with ore extraction from the pit expected to end mid-2022. The Carbon in Column plant continued to operate as expected.

2022 objectives

- Close the open pit operation once reserves have been fully depleted.
- Continue to extract ore from the leaching pads.
- Conclude condemnation drilling to establish the absence of any further economical mineralisation.

Key developments in the year
Annual gold production increased 10.0% versus 2020, driven by a higher volume of ore processed following the lifting of Covid-19 operational restrictions and a higher average ore grade, particularly in the last quarter of 2021. This was partly offset by a lower recovery rate due to shorter irrigation cycles as a result of the ore being deposited in smaller areas as we approach the end of mine life, in addition to increased sulphide content in the ore.

The focus remained on improving gold recovery and reducing costs by processing ore through the Carbon in Column (CiC) process, which started operations at the beginning of 2020. As we approach the end of mine life, we are beginning to implement our mine closure plan.

Productivity decreased compared to 2020 due to the reduction in volumes hauled as the mine approaches the end of its life.

Reserves and resources
Gold reserves and resources decreased as a result of the depletion of the ore body.

Capital expenditures
Capital expenditures in 2021 totalled US$2.0 million, focused on sustaining capex.

2022 outlook
In 2022, the average ore grade is expected to be in the range of 0.40 to 0.50 g/t.

Expenditure in 2022 will again primarily be for sustaining capex.

Financial performance

Financial highlights	2021	2020	% change
Adjusted revenue (US$m)	**169.9**	152.6	11.3
Adjusted production costs (US$m)	**98.7**	72.0	37.1
Segment profit (US$m)	**77.2**	53.7	43.8
Capital expenditure (US$m)	**0.4**	19.7	(98.0)
Exploration (US$m)	**1.1**	1.6	(31.3)
Cost per tonne (US$)	**11.0**	10.8	1.9
Cost per tonne hauled (US$)	**3.8**	3.3	15.2
Cash cost ($/oz gold)	**1,029.5**	1,158.5	(11.1)
Margin ($/oz)	**765.4**	633.9	20.7
Margin (expressed as % of gold price)	**42.6**	35.4	
All in sustaining cost (US$)	**1,122.2**	1,502.9	(25.3)

Adjusted revenue at Noche Buena increased 11.3% to US$169.9 million as a result of the higher volumes of gold sold.

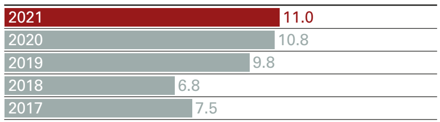
Cost per tonne increased marginally to US$11.0 in 2021, due to: i) the adverse effect of the revaluation of the Mexican peso vs. the US dollar, and cost inflation of 9.87% at this mine; ii) increase in the use of contractors; and iii) the adverse effect of recognising unproductive costs from the suspension of mining activities at the beginning of the Covid-19 pandemic within cost of sales but excluded from adjusted production costs in 2020. Most of this increase was offset by a lower stripping ratio and increased volumes of ore processed.

Cash cost per gold ounce decreased by 11.1% to US$1,029.5, mainly due to a higher gold ore grade and reduced mining rights. Margin per ounce increased to US$765.4 in 2021 (2020: US$633.9). Expressed as a percentage of the gold price, it increased from 35.4% to 42.6% in 2021.

The US$380.7 per ounce decrease to US$1,122.2 per ounce in all-in sustaining cost was the result of lower capitalised stripping and sustaining capex.

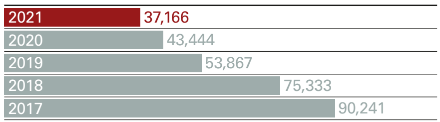
NOCHE BUENA
(US$/tonne deposited)

11.0



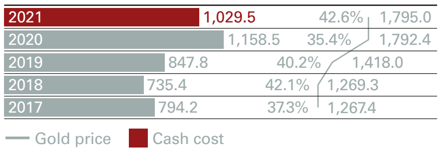
NOCHE BUENA ORE/WASTE MOVED PER PERSON
(tonnes)

37,166



NOCHE BUENA CASH COST
(Gold US$/ounce)

1,029.5



% Figures represent margin between cash cost and gold price.

Financial review

The consolidated Financial Statements of Fresnillo plc are prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. This Financial Review is intended to convey the main factors affecting performance and to provide a detailed analysis of the financial results in order to enhance understanding of the Group's Financial Statements. All comparisons refer to 2021 figures compared to 2020, unless otherwise noted. The financial information and year-on-year variations are presented in US dollars, except where indicated. The full financial statements and their accompanying notes can be found on pages 220-265.

The following report presents how we have managed our financial resources.

Commentary on financial performance

In 2021, the Group achieved a satisfactory financial performance which was supported by higher metals prices, and partly offset by cost inflation, the adverse effect of the revaluation of the Mexican peso vs. the US dollar and Company-specific challenges. In particular, Adjusted revenue increased 9.2% over 2020 primarily due to a higher silver price, while revenue increased 11.2% year-on-year to US$2,703.1 million due to the higher adjusted revenue combined with lower treatment and refining charges. Adjusted production costs[1] increased mainly as a result of 9.6% cost inflation combined with the 5.6% average revaluation of the Mexican peso vs. US dollar. These increases were amplified by the higher volumes of ore processed at Herradura and Noche Buena and the increase in waste material moved at Herradura following the lifting of Covid-19 operational restrictions in 1H20, and by increased consumption of operating materials, higher maintenance costs and additional personnel required to comply with the labour reform. Additionally, costs from processing development ore at Juanicipio further increased adjusted production costs. As a result, gross profit and EBITDA increased to US$936.9 million and US$1,206.3 million, a 6.5% and 3.2% increase over 2020 respectively.

We maintained our strong financial position, with US$1,235.3 million in cash and other liquid funds1 as of 31 December 2021 notwithstanding paying dividends of US$245.6 million in accordance with our policy, investing US$592.1 million in capex and spending US$130.3 million on exploration expenses to underpin our future growth.

Income Statement

	2021 US$ million	2020 US$ million	Amount Change US$ million	Change %
Adjusted revenue[2]	**2,847.9**	2,608.1	239.8	9.2
Total revenue	**2,703.1**	2,430.1	273.0	11.2
Cost of sales	**(1,766.2)**	(1,550.7)	(215.5)	13.9
Gross profit	**936.9**	879.4	57.5	6.5
Exploration expenses	**130.3**	107.3	23.0	21.4
Operating profit	**666.7**	649.7	17.0	2.6
EBITDA[3]	**1,206.3**	1,169.1	37.2	3.2
Income tax expense including special mining rights	**173.1**	175.6	(2.5)	(1.4)
Profit for the period	**438.5**	375.6	62.9	16.7
Profit for the period, excluding post-tax Silverstream effects	**438.8**	325.9	112.9	34.6
Basic and diluted earnings per share (US$/share)[4]	**0.572**	0.508	0.064	12.6
Basic and diluted earnings per share, excluding post-tax Silverstream effects (US$/share)	**0.572**	0.440	0.132	30.0

The Group's financial results are largely determined by the performance of our operations. However, other factors, such as a number of macroeconomic variables, lie beyond our control and affect financial results. These include:

Metals prices

The average realised silver price increased 16.9% from US$21.3 per ounce in 2020 to US$24.9 per ounce in 2021, while the average realised gold price remained flat year-on-year at US$1,795.0 per ounce in 2021 (up 0.1%). Furthermore, the average realised lead and zinc by-product prices increased 21.6% and 31.7% over the previous year, to US$1.00 and US$1.39 per pound, respectively.

1 Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.
2 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.
3 Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less revaluation effects of the Silverstream contract and other operating income plus other operating expenses and depreciation.
4 The weighted average number of Ordinary Shares was 736,893,589 for 2021 and 2020. See Note 17 to the consolidated financial statements.

MX$/US$ exchange rate

The Mexican peso/US dollar spot exchange rate at 31 December 2021 was $20.58 per US dollar, compared to the exchange rate at 31 December 2020 of $19.95 per US dollar. The 3.2% spot devaluation had an adverse effect on taxes and mining rights as it resulted in an increase in related deferred tax liabilities. It also affected the net monetary peso asset position, which contributed to the US$1.9 million foreign exchange loss recognised in the income statement.

The average spot Mexican peso/US dollar exchange rate appreciated by 5.6% from $21.49 per US dollar in 2020 to $20.28 per US dollar in 2021. As a result, there was an adverse effect of US$36.0 million on the Group's costs denominated in Mexican pesos (approximately 45% of total costs) when converted to US dollars.

Cost inflation

In 2021, cost inflation was 9.6%. The main components of our cost inflation basket are listed below:

Labour

Unionised employees received on average a 6.5% increase in wages in Mexican pesos, while non-unionised employees received on average a 4.0% increase in wages in Mexican pesos; when converted to US dollars, this resulted in a weighted average labour inflation of 12.0%.

Energy

Electricity

The weighted average cost of electricity in US dollars increased 12.6% from US$7.77 cents per kW in 2020 to US$8.74 cents per kW in 2021, due to the higher average generating cost of the Comisión Federal de Electricidad (CFE), the national utility.

Diesel

The weighted average cost of diesel in US dollars increased 21.8% to 87.9 US cents per litre in 2021, compared to 72.2 US cents per litre in 2020. This was primarily due to the global economic recovery following the sharp slowdown in trade in 1H20 due to the Covid-19 pandemic.

Operating materials

	Year over year change in unit price %
Steel balls for milling	11.9
Sodium cyanide	9.8
Other reagents	8.0
Lubricants	5.7
Steel for drilling	5.2
Explosives	2.8
Tyres	0.8
Weighted average of all operating materials	**6.2**

Unit prices of the majority of our key operating materials increased in US dollar terms. This was primarily driven by higher demand for some of these products as global mining activity recovered following the adverse impact of Covid-19, while several mines and projects worldwide also continued to ramp up production. As a result, the weighted average unit prices of all operating materials increased year-on-year by 6.2%.

Contractors

Agreements are signed individually with each contractor company and include specific terms and conditions that cover not only labour, but also operating materials, equipment and maintenance, amongst others. Contractor costs are mainly denominated in Mexican pesos and are an important component of our total production costs. In 2021, increases per unit (i.e. per metre developed/per tonne hauled) granted to contractors whose agreements were due for review during the period, resulted in a weighted average increase of approximately 9.5% in US dollars, after considering the revaluation of the Mexican peso vs. US dollar.

Maintenance

Unit prices of spare parts for maintenance increased by 4.5% on average in US dollar terms.

Other costs

Other cost components include freight which increased by an estimated 7.0% in US dollars, while insurance costs increased by 15.3% in US dollars mainly due to higher market premiums as a result of Covid-19 claims. The remaining cost inflation components experienced average deflation of 0.3% in US dollars over 2020.

The effects of the above external factors, combined with the Group's internal variables, are further described below through the main line items of the income statement.

Financial review continued

Revenue

Consolidated revenue

	2021 US$ million	2020 US$ million	Amount US$ million	Change %
Adjusted revenue[1]	**2,847.9**	2,608.1	239.8	9.2
Metals prices hedging	**(1.4)**	2.4	(3.7)	N/A
Treatment and refining charges	**(143.5)**	(180.4)	36.9	(20.5)
Total revenue	**2,703.1**	2,430.1	273.0	11.2

Adjusted revenue increased by US$239.8 million mainly as a result of the higher silver, lead and zinc prices and increased volumes of silver sold. Treatment and refining charges decreased 20.5% as explained below. As a result, total revenue rose to US$2,703.1 million, an 11.2% increase against 2020.

Adjusted revenue[1] by metal

	2021		2020					
	US$ million	%	US$ million	%	Volume Variance US$ million	Price Variance US$ million	Total net change US$ million	%
Gold	**1,305.2**	**45.8**	1,327.9	50.9	(24.6)	1.9	(22.7)	(1.7)
Silver	**1,163.9**	**40.9**	970.5	37.2	27.7	165.8	193.4	19.9
Lead	**117.4**	**4.1**	104.9	4.0	(9.3)	21.8	12.5	11.9
Zinc	**261.3**	**9.2**	204.7	7.9	(7.3)	63.9	56.6	27.7
Total adjusted revenue	**2,847.9**	**100.0**	**2,608.1**	**100.0**	**(13.6)**	**253.4**	**239.8**	**9.2**

The higher silver, zinc and lead prices resulted in a positive effect on Adjusted revenue of US$253.4 million. This was partially offset by the US$13.6 million adverse effect of the lower volumes of gold, lead and zinc sold, mitigated by higher silver sales volumes. The lower gold volumes sold were primarily due to a lower ore grade at Ciénega and Herradura, and a lower ore grade and volume of ore processed at San Julián Veins, while the higher silver volumes resulted from the higher ore grade at San Julián DOB and the contribution of development ore from Juanicipio (for further details, see 2021 Operational Review).

Changes in the contribution by metal were the result of the relative changes in metals prices and volumes produced. The contribution of gold to total adjusted revenues decreased from 50.9% in 2020 to 45.8% in 2021, while that for silver increased from 37.2% in 2020 to 40.9% in 2021.

Adjusted revenue by mine

Herradura continued to be the greatest contributor to Adjusted revenue, representing 27.1% (2020: 30.0%). Saucito's contribution reduced to 21.0% in 2021 (2020: 22.8%) driven by the lower volumes of silver sold, mitigated by the higher silver price and increased volumes of gold sold. Fresnillo remained the third most important contributor to Adjusted revenue, with its share increasing to 16.1% (2020: 15.6%). San Julián's contribution to the Group's Adjusted revenue increased to 18.8% in 2021 (2020: 15.6%) primarily due to the increase in volumes of silver sold as a result of the higher silver ore grade at the DOB. Ciénega's contribution to the Group's Adjusted revenue decreased to 8.0% (2020: 9.6%) as a result of the lower gold and silver volumes sold, mitigated by the higher silver price. Noche Buena's contribution to Adjusted revenue remained stable at 6.0% in 2021 (5.8% in 2020).

The contribution by metal and by mine to Adjusted revenues is expected to change further in the future, as new projects are incorporated into the Group's operations and as precious metals prices fluctuate.

	2021		2020	
	(US$ million)	%	(US$ million)	%
Herradura	**770.8**	**27.1**	778.9	29.9
Saucito	**597.7**	**21.0**	593.6	22.8
Fresnillo	**459.5**	**16.1**	407.2	15.6
San Julián (DOB)	**344.5**	**12.1**	218.0	8.3
Ciénega	**227.8**	**8.0**	248.3	9.6
San Julián (Veins)	**192.5**	**6.7**	191.2	7.3
Noche Buena	**169.9**	**6.0**	152.6	5.8
Juanicipio	**85.2**	**3.0**	18.3	0.7
Total	**2,847.9**	**100**	**2,608.1**	**100**

1 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and metals prices hedging.

Volumes of metal sold

	2021	% contribution of each mine	2020	% contribution of each mine	% change
Silver (koz)					
Saucito	**11,446**	**24.4**	14,133	31.0	(19.0)
Fresnillo	**11,082**	**23.7**	11,664	25.6	(5.0)
San Julián (DOB)	**10,813**	**23.1**	7,594	16.7	42.4
Ciénega	**4,907**	**10.5**	5,246	11.5	(6.5)
San Julián (Veins)	**4,077**	**8.7**	3,907	8.6	4.4
Juanicipio	**2,932**	**6.3**	794	1.7	269.3
Herradura	**932**	**2.0**	1,300	2.9	(28.3)
Pyrites Plant at Saucito	**601**	**1.3**	944	2.1	(36.3)
Noche Buena	**14**	**0.0**	25	0.1	(44.0)
Pyrites Plant at Fresnillo	**3**	**0.0**	0	0.0	N/A
Total silver (koz)	**46,807**		**45,607**		**2.6**
Gold (oz)					
Herradura	**416,310**	**57.2**	429,093	57.9	(3.0)
Saucito	**81,304**	**11.2**	75,096	10.1	8.3
Noche Buena	**94,237**	**13.0**	77,494	10.5	21.6
San Julián (Veins)	**50,794**	**7.0**	60,672	8.2	(16.3)
Ciénega	**45,352**	**6.2**	60,077	8.1	(24.5)
Fresnillo	**28,834**	**4.0**	32,637	4.4	(11.7)
Juanicipio	**5,908**	**0.8**	0.0	0.0	N/A
Pyrites Plant at Saucito	**2,260**	**0.3**	3,396	0.5	(33.5)
San Julián (DOB)	**2,130**	**0.3**	1,397	0.2	52.5
Pyrites Plant at Fresnillo	**8**	**0.0**	0	0.0	N/A
Total gold (oz)	**727,137**		**740,891**		**(1.9)**
Lead (t)					
Saucito	**22,878**	**43.0**	26,093	45.1	(12.3)
Fresnillo	**17,353**	**32.6**	19,446	33.6	(10.8)
San Julián (DOB)	**8,270**	**15.5**	6,464	11.2	27.9
Ciénega	**3,626**	**6.8**	5,634	9.7	(38.9)
Juanicipio	**1,067**	**2.0**	0.0	0.0	N/A
Total lead (t)	**53,194**		**57,801**		**(8.0)**
Zinc (t)					
Saucito	**31,911**	**37.4%**	34,654	39.4	(7.9)
Fresnillo	**29,532**	**34.6%**	28,256	32.1	4.5
San Julián (DOB)	**16,928**	**19.9%**	17,028	19.4	(0.6)
Ciénega	**5,393**	**6.3%**	7,832	8.9	(31.1)
Juanicipio	**1,511**	**1.8%**	0.0	0.0	N/A
Total zinc (t)	**85,275**		**87,996**		**(3.1)**

Financial review continued

Hedging

In 2021 we entered into a hedging programme executed for a total volume of 1,800,000 ounces of silver with monthly settlements throughout 2021 until February 2022. Similar to last year's transaction, this was structured as a collar with an average floor price of US$22 per ounce, and an average price ceiling of US$50.33 per ounce.

Additionally, a portion of our by-product zinc production during 2021 and the first quarter of 2022 was hedged using a similar financial structure to that of silver.

The table below illustrates the expired structures, their results and the outstanding volume as of 31 December 2021.

Concept	As of 31 December 2021 Silver[1]	As of 31 December 2021 Zinc[2]
Weighted floor	20.60 US$/oz	2,491 US$/tonne
Weighted cap	49.79 US$/oz	3,130 US$/tonne
Expired volume	5,748,000 oz	16,960 tonnes
Profit/Loss (US$ dollars)	0	(1,351,186)
Total outstanding volume	**300,000 oz**	**5,960 tonnes**

1 Monthly settlements until February 2022.
2 Monthly settlements until April 2022.

Treatment and refining charges

Treatment and refining charges[3] are reviewed annually using international benchmarks. Treatment charges per tonne of lead and zinc concentrate decreased in dollar terms by 14.6% and 39.6% respectively. Furthermore, silver refining charges remained flat over the year. The decrease in treatment charges per tonne of lead and zinc, combined with the lower volumes of lead and zinc concentrates shipped from our mines to Met-Mex, resulted in a 20.5% decrease in treatment and refining charges set out in the income statement in absolute terms when compared to 2020.

Cost of sales

Concept	2021 US$ million	2020 US$ million	Amount US$ million	Change %
Adjusted production costs[4]	**1,255.1**	1,079.1	176.0	16.3
Depreciation	**528.2**	505.4	22.8	4.5
Profit sharing	**15.6**	18.7	(3.1)	16.6
Hedging	**(3.8)**	(4.1)	0.3	(7.7)
Change in work in progress	**(29.6)**	(66.4)	36.8	(55.4)
Unproductive costs including inventory reversal and unabsorbed production costs[5]	**0.8**	18.0	(17.2)	(95.6)
Cost of sales	**1,766.2**	**1,550.7**	**215.5**	**13.9**

Cost of sales increased 13.9% to US$1,766.2 million in 2021. The US$215.5 million increase is due to a combination of the following factors:

- An increase in Adjusted production costs (+US$176.0 million). This was primarily due to: i) cost inflation, excluding the Mexican peso vs. US dollar revaluation effect (US$66.2 million); ii) the adverse effect of the 5.6% revaluation of the Mexican peso vs. US dollar average exchange rate (US$36.0 million)[6]; iii) a higher volume of material moved at Herradura and Noche Buena following the lifting of Covid-19 operational restrictions in 1H20 (US$51.8 million); iv) increased development and infrastructure works at our underground mines, maintenance, personnel, consumption of operating materials (US$41.2 million); v) costs from the start-up of operations at Juanicipio (US$14.0 million); and vi) higher stripping ratio at Herradura (US$12.1 million). These adverse effects were mitigated by a decreased volume of ore processed at our underground mines (-US$43.5 million) and others (-US$1.8 million).
- The variation in the change in work in progress had a negative effect of US$36.8 million versus 2020. This resulted mainly from the recognition of a smaller favourable effect from the reassessment of recoverable gold inventories at the leaching pads in 2021 compared to that recognised in 2020, together with the increase in the cost per ounce in the last quarter of the year at Herradura: US$29.6 million in 2021 vs. US$66.4 million in 2020.
- Depreciation (+US$22.8 million). This is mainly due to higher depreciation at Noche Buena as it approaches the end of its mine life and increased amortisation of capitalised mining works and increased depletion factors at Fresnillo and San Julián.
- Profit sharing (-US$3.1 million).
- Mexican peso/US dollar hedging (+US$0.3 million). As part of our programme to manage our exposure to foreign exchange risk associated with costs incurred in Mexican pesos, we entered into a combination of put and call options structured at zero cost (collars) in 2021. These derivatives finally expired in March 2021 and they generated a positive result of US$3.8 million during the first quarter of 2021. As of 31 December 2021, there was no further outstanding position.

These negative effects were mitigated by:

- The variation in unproductive costs, which had a favourable effect of US$17.2 million. In 2021, US$0.8 million was registered as unproductive costs related to fixed production cost (labour cost and depreciation) incurred in Minera San Julián due to a shortfall in electricity; in 2020 US$18.0 million was registered in relation to costs incurred during the partial stoppages at Herradura and Noche Buena as a result of the Covid-19 measures imposed by the state government.

3 Treatment and refining charges include the cost of treatment and refining as well as the margin charged by the refiner.
4 Adjusted production costs are calculated as cost of sales less depreciation, profit sharing, hedging, change in inventories and unproductive costs. The Company considers this a useful additional measure to help understand underlying factors driving production costs in terms of the different stages involved in the mining and plant processes, including efficiencies and inefficiencies as the case may be and other factors outside the Company's control such as cost inflation or changes in accounting criteria.
5 Unproductive costs primarily include unabsorbed production costs such as fixed production cost (labour cost and depreciation) incurred in Minera San Julián due to a shortfall in electricity and fixed costs incurred in Minera Penmont during the temporary suspension of mining activities at the beginning of the Covid-19 pandemic, and other costs related to the subsequent ramp-up of operations and the underutilisation of production capacity once mining activity was resumed. Unproductive costs are recognised within cost of sales but excluded from adjusted production costs.
6 Cost inflation of 9.55% (including the effect of the Mexican peso revaluation) had an adverse effect of US$102.2 million (the sum of i and ii).

Cost per tonne, cash cost per ounce and all-in sustaining cost (AISC)

Cost per tonne is a key indicator to measure the effects of changes in production costs and cost control performance at each mine. This indicator is calculated as total production costs, plus ordinary mining rights, less depreciation, profit sharing and exchange rate hedging effects, divided by total tonnage processed. We have included cost per tonne hauled/moved as we believe it is a useful indicator to thoroughly analyse cost performance for the open pit mines.

Cost per tonne		2021	2020	% change
Fresnillo	US$/tonne milled	**84.7**	69.9	21.2
Saucito	US$/tonne milled	**89.8**	72.0	24.7
San Julián (Veins)	US$/tonne milled	**81.5**	71.8	13.4
San Julián (DOB)	US$/tonne milled	**39.2**	39.0	0.5
Ciénega	US$/tonne milled	**86.1**	76.7	12.2
Herradura	US$/tonne deposited	**21.7**	18.3	18.6
Herradura	US$/tonne hauled	**3.5**	3.3	6.1
Noche Buena	US$/tonne deposited	**11.0**	10.8	1.9
Noche Buena	US$/tonne hauled	**3.8**	3.3	13.2

Explanations regarding changes in cost per tonne by mine are covered in the Review of Operations section, on pages 40-57.

Cash cost per ounce, calculated as total cash cost (cost of sales plus treatment and refining charges, less depreciation) less revenue from by-products divided by the silver or gold ounces sold, when compared to the corresponding metal price, is an indicator of the ability of the mine to generate competitive profit margins.

Cash cost per ounce		2021	2020	% change
Fresnillo	US$ per silver ounce	**5.4**	5.9	(8.3)
Saucito	US$ per silver ounce	**(0.8)**	0.8	N/A
San Julián (Veins)	US$ per silver ounce	**1.8**	(6.0)	N/A
San Julián (DOB)	US$ per silver ounce	**4.8**	7.0	(31.4)
Ciénega	US$ per gold ounce	**(523.1)**	(276.2)	(89.4)
Herradura	US$ per gold ounce	**900.4**	727.9	23.7
Noche Buena	US$ per gold ounce	**1,029.5**	1,158.5	(11.1)

Explanations regarding changes in cash cost per ounce by mine are covered in the Review of Operations section, on pages 40-57.

In addition to the traditional cash cost, the Group is reporting All-In Sustaining Cost (AISC) in accordance with the guidelines issued by the World Gold Council.

This cost metric is calculated as traditional cash cost plus on-site general, corporate and administrative costs, community costs related to current operations, capitalised stripping and underground mine development, sustaining capital expenditures and remediation expenses.

We consider AISC to be a reasonable indicator of a mine's ability to generate free cash flow when compared with the corresponding metal price. We also believe it is a means to monitor not only current production costs, but also sustaining costs as it includes mine development costs incurred to prepare the mine for future production, as well as sustaining capex.

All-in sustaining cost (AISC)

AISC		2021	2020	% change
Fresnillo	US$ per silver ounce	**16.34**	12.92	26.5
Saucito	US$ per silver ounce	**9.53**	6.94	37.3
San Julián (Veins)	US$ per silver ounce	**14.04**	5.04	178.4
San Julián (DOB)	US$ per silver ounce	**6.34**	8.85	(28.3)
Ciénega	US$ per gold ounce	**656.11**	618.32	6.1
Herradura	US$ per gold ounce	**1,100.20**	881.92	24.8
Noche Buena	US$ per gold ounce	**1,122.21**	1,502.92	(25.3)

Explanations regarding changes in AISC by mine are covered in the Review of Operations section, on pages 40-57.

Financial review continued

Gross profit

Gross profit, excluding hedging gains and losses, is a key financial indicator of profitability at each business unit and the Fresnillo Group as a whole.

Total gross profit, including hedging gains and losses, increased by 6.5% from US$879.4 million in 2020 to US$936.9 million in 2021.

The US$57.5 million increase in gross profit was mainly due to: i) the favourable effect of higher average realised silver, lead and zinc prices (US$253.4 million); ii) the positive effect from processing development ore from Juanicipio (US$53.5 million); and iii) lower treatment and refining charges (US$36.9 million); and iv) others (US$23.0 million). These positive effects were partially offset by: i) cost inflation, including the effect of the revaluation of the Mexican peso (-US$102.2 million); ii) the smaller favourable effect from the reassessment of recoverable gold inventories at the leaching pads in 2021 compared to the one recorded in 2020 (-US$58.0 million); iii) an increase in cost related to development, infrastructure, maintenance and increased workforce, mainly at Saucito, and Fresnillo (-US$41.2 million); iv) the adverse effect of lower volumes processed at the underground mines, net of the positive impact from the higher volume of ore processed at the open pit mines (-US$40.9 million); v) higher volume moved at Herradura due to continuous operations in 2021 vs. the disruption in 2020 due to the Covid-19 pandemic (-US$32.1 million); vi) higher depreciation (-US$22.8 million); and vii) higher stripping at Herradura (-US$12.1 million).

Herradura remained the largest contributor to the Group's consolidated gross profit despite recording a decrease in its percentage share from 43.4% in 2020 to 30.7% in 2021. Saucito remained the second largest contributor to consolidated gross profit, albeit decreasing its participation to 22.7% in 2021 as a result of its relative weighting. The higher silver grade at San Julián (DOB), together with the higher silver, lead and zinc prices, resulted in a US$171.5 million gross profit in 2021, increasing its contribution from 8.4% in 2020 to 18.7% in 2021. San Julián replaced Fresnillo as the third largest contributor to consolidated gross profit despite an increase in Fresnillo's percentage share from 12.7% in 2020 to 14.7% in 2021. Ciénega's share of the Group's total gross profit decreased to 4.6% in 2021, while Noche Buena's contribution continued to decrease as it approaches the end of its mine life. Notwithstanding, Noche Buena generated an EBITDA and cash flow from operating activities of US$66.6 million and US$75.2 million, respectively, recording a US$24.7 million gross profit.

Contribution by mine to consolidated gross profit, excluding hedging gains and losses

	2021		2020		Change	
	US$ million	%	US$ million	%	US$ million	%
Herradura	**281.1**	**30.6**	372.3	43.4	(91.2)	(24.5)
Saucito	**208.7**	**22.7**	200.2	23.4	8.5	4.2
San Julián	**173.1**	**18.8**	71.9	8.4	101.2	140.8
Fresnillo	**136.7**	**14.9**	109.1	12.7	27.6	25.3
Juanicipio	**53.5**	**5.8**	0.0	0.0	53.5	N/A
Ciénega	**42.5**	**4.6**	64.4	7.5	(21.9)	(34.0)
Noche Buena	**23.5**	**2.6**	39.0	4.6	(15.5)	(39.7)
Total for operating mines	**919.1**	**100**	**856.9**	**100**	**62.2**	**7.3**
Metal hedging and other subsidiaries	**17.8**		22.5		(4.7)	(20.9)
Total Fresnillo plc	**936.9**		**879.4**		**57.5**	**6.5**

Administrative and corporate expenses

Administrative and corporate expenses increased 10.8% from US$93.4 million in 2020 to US$103.5 million in 2021, due to an increase in fees paid to advisers (legal, labour, tax and technical), the increase in non-recurring corporate services provided by Servicios Industriales Peñoles S.A.B. de C.V. and the adverse effect of the revaluation of the Mexican peso vs. the US dollar.

Exploration expenses

Business unit/project (US$ million)	**Exploration expenses 2021**	Exploration expenses 2020	**Capitalised expenses 2021**	Capitalised expenses 2020
Ciénega	**6.4**	5.6	**–**	–
Fresnillo	**6.1**	6.4	**–**	–
Herradura	**6.1**	11.5	**–**	–
Saucito	**15.0**	11.0	**–**	–
Noche Buena	**1.0**	0.9	**–**	–
San Julián	**22.6**	16.5	**–**	–
Orisyvo	**5.2**	3.6	**0.1**	–
Centauro Deep	**0.2**	0.1	**–**	3.3
Guanajuato	**8.1**	4.3	**1.0**	–
Juanicipio	**0.0**	–	**8.1**	4.8
Valles (Herradura)	**5.1**	0.0	**–**	–
Others	**54.5**	47.4	**0.6**	0.4
Total	**130.3**	**107.3**	**9.8**	**8.5**

As expected, exploration expenses increased by 21.4% from US$107.3 million in 2020 to US$130.3 million in 2021, in line with our strategy to focus exploration on specific targets, mainly at the Fresnillo and San Julián districts. The year-on-year increase of US$23.0 million was due to our intensified exploration activities aimed at increasing the resource base, converting resources into reserves and improving the confidence of the grade distribution in reserves. An additional US$9.8 million was capitalised, mainly relating to exploration expenses at the Juanicipio project. As a result, risk capital invested in exploration totalled US$140.1 million in 2021, compared to US$115.8 million in 2020(of which US$8.5 million was capitalised) This represents a year-on-year increase of 21.0%.

EBITDA

	2021 US$ million	2020 US$ million	Amount US$ million	Change %
Profit from continuing operations before income tax	**611.5**	551.3	60.2	10.9
– Finance income	**(8.9)**	(12.2)	3.3	(27.0)
+ Finance costs	**61.8**	141.3	(79.5)	(56.3)
– Revaluation effects of Silverstream contract	**0.4**	(71.0)	71.4	N/A
– Foreign exchange loss, net	**1.9**	40.3	(38.4)	(95.3)
– Other operating income	**(11.9)**	(10.0)	(1.9)	19.0
+ Other operating expense	**23.3**	14.8	8.5	57.4
+ Depreciation	**528.2**	505.4	22.8	4.5
+ Depreciation included in unproductive costs	**–**	9.2	(9.2)	(100.0)
EBITDA	**1,206.3**	1,169.1	37.2	3.2
EBITDA margin	**44.6**	48.1	–	–

EBITDA is a gauge of the Group's financial performance and a key indicator to measure debt capacity. It is calculated as profit for the year from continuing operations before income tax, less finance income, plus finance costs, less foreign exchange gain/(loss), less the net Silverstream effects and other operating income plus other operating expenses and depreciation. In 2021, EBITDA increased 3.2% to US$1,206.3 million primarily driven by the higher gross profit, partly offset by higher exploration and administrative expenses. As a result, EBITDA margin expressed as a percentage of revenue decreased, from 48.1% in 2020 to 44.6% in 2021.

Other operating income and expense

In 2021, a net loss of US$11.3 million was recognised in the income statement mainly as a result of maintenance costs of closed mines and remediation works at both a tailings facility at Fresnillo and at Saucito, following the presence of high temperature water in an underground production area.

Financial review continued

Silverstream effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The net Silverstream effect recorded in the 2021 income statement was a small loss of US$0.4 million (US$43.0 million amortisation profit and US$43.4 million revaluation loss), which compared negatively to the net gain of US$71.0 million registered in 2020. The negative revaluation was mainly driven by the decrease in the forward silver price curve, increase in the LIBOR reference rate; and a decrease in the production plan following an update to the Sabinas silver resource; partially mitigated by higher inflation expectations and amortisation effects.

Since the IPO, cumulative cash received has been US$736.3 million vs. US$350 million initially paid in 2007. The Group expects that further unrealised gains or losses related to the valuation of the Silverstream will be taken to the income statement in accordance with silver price cyclicality or changes in the variables considered in valuing this contract. Further information related to the Silverstream contract is provided in the balance sheet section in notes 13 and 29 to the consolidated financial statements.

Net finance costs

Net finance costs of US$52.9 million compared favourably to the US$129.1 million recorded in 2020. The US$76.2 million decrease was primarily due to payments made in 2020, which did not apply in 2021, in relation to: i) the US$60.8 million premium paid on early redemption of 60.2% of the existing US$800 million principal senior notes due 2023; and ii) US$24.9 million in interest and surcharges, which resulted from the 2020 tax amendment agreed with the Mexican Tax Administration Service.

The 2021 net finance costs mainly reflected: i) interest paid on the outstanding US$317.9 million from the US$800 million of 5.500% Senior Notes due 2023, and ii) interest paid on the US$850 million principal amount of 4.250% Senior Notes due 2050. Detailed information is provided in note 9 to the consolidated financial statements. A portion of the interest from the Senior Notes is capitalised, hence not included in finance costs. During the year ended 31 December 2021, the Group capitalised US$8.4 million of borrowing costs (2020: US$8.8 million).

Foreign exchange

A foreign exchange loss of US$1.9 million was recorded as a result of the 3.2% devaluation of the Mexican peso against the US dollar over the period. This compared favourably to the US$40.3 million loss in 2020.

The Group also enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in euro (EUR) and Swedish krona (SEK). As of 31 December 2021, the total EUR and SEK outstanding net forward position was EUR 25.7 million and SEK 5.1 million with maturity dates through September 2022. Volumes that expired during 2021 were EUR 16.3 million with a weighted average strike of 1.2012 USD/EUR and SEK 25.36 million with a weighted average strike of 8.5703 SEK/USD, which have generated a marginal loss in the period of -US$0.7 million.

Taxation

Income tax expense for the period was US$156.5 million, which was similar to that of US$140.6 million in 2020. The effective tax rate, excluding the special mining rights, was 25.6%, which was below the 30% statutory tax rate. The reason for the lower effective tax rate was the significant permanent differences between the tax and the accounting treatment related mainly to: i) the inflation rate which impacted the inflationary uplift of the tax base for assets and liabilities (-US$49.4 million); ii) the border zone tax benefit which benefited the Herradura and Noche Buena operations (-US$10.1 million); and iii) special mining right taxable for corporate income tax (-US$5.0 million). These factors were partially offset by: i) the devaluation of the Mexican peso which had an important impact on the tax value of assets and liabilities (US$32.1 million); and ii) deferred tax assets not recognised (US$6.5 million).

The effective tax rate in 2020 was 25.5% mainly due to: i) the border zone tax benefit which benefited the Herradura and Noche Buena operations (-US$35.8 million); ii) the inflation rate which impacted the inflationary uplift of the tax base for assets and liabilities (-US$23.0 million); iii) taxable/deductible foreign exchange effects for Mexican tax purposes (-US$16.9 million); and iv) special mining right taxable for corporate income tax (-US$10.5 million). These factors were partially offset by: i) the devaluation of the Mexican peso which had an important impact on the tax value of assets and liabilities (US$55.1 million); and ii) deferred tax assets not recognised (US$4.9 million).

Mining rights in 2021 were US$16.6 million compared to US$35.0 million charged in 2020.

Profit for the period

Profit for the period increased from US$375.6 million in 2020 to US$438.5 million in 2021, a 16.8% increase year-on-year as a result of the factors described above.

Excluding the effects of the Silverstream contract, profit for the year increased from US$325.9 million to US$438.8 million, a 34.6% increase.

Cash flow

A summary of the key items from the cash flow statement is set out below:

	2021 US$ million	2020 US$ million	Amount US$ million	Change %
Cash generated by operations before changes in working capital	**1,208.3**	1,168.7	39.5	3.4
Decrease/(increase) in working capital	**58.0**	(129.8)	187.8	N/A
Taxes and employee profit sharing paid	**(371.1)**	(121.3)	(249.9)	206.0
Net cash from operating activities	**895.1**	917.7	(22.5)	(2.5)
Proceeds from the layback agreement	**25.0**	0.0	25.0	100.0
Silverstream contract	**49.0**	33.7	15.3	45.3
Debt Restructuring	**0.0**	350.0	(350.0)	N/A
Purchase of property, plant and equipment	**(592.1)**	(412.3)	(179.7)	43.6
Dividends paid to shareholders of the Company	**(245.6)**	(104.7)	(140.9)	134.6
Transaction costs senior notes	**0.0**	(64.7)	64.7	N/A
Financial expenses and foreign exchange effects	**(39.9)**	(44.1)	4.3	(9.7)
Net increase in cash during the period after foreign exchange differences	**164.9**	733.8	(569.0)	(77.5)
Cash and other liquid funds at 31 December[1]	**1,235.3**	1,070.4	164.9	15.4

1 Cash and other liquid funds are disclosed in note 30(c) to the consolidated financial statements.

Cash generated by operations before changes in working capital increased by 3.4% to US$1,208.3 million, mainly as a result of the higher profits generated in the year. Working capital decreased US$58.0 million, mainly due to: i) a US$85.6 million decrease in accounts receivable due to: a) decrease in trade receivables from related parties (US$61.8 million); b) VAT recovered (US$30.0 million); c) MXP/USD exchange rate effect (-US$7.9 million); and others d) US$1.7 million); and ii) a US$19.2 million increase in accounts payable. This was partly offset by: i) an increase in ore inventories of US$44.6 million; and ii) a US$2.2 million increase in prepayments.

Taxes and employee profit sharing paid increased 206.0% over 2020 to US$371.1 million mainly due to: i) an increase in provisional tax payments resulting from the higher profit factor determined to calculate the estimated taxable income; ii) higher final income tax paid in March 2021, net of provisional taxes paid (corresponding to the 2020 tax fiscal year); iii) an increase in mining rights; and iv) higher profit sharing paid.

As a result of the above factors, net cash from operating activities decreased 2.5% from US$917.7 million in 2020 to US$895.1 million in 2021.

The Group received other sources of cash, including: i) capital contribution and note payable by minority shareholders in subsidiaries of US$73.6 million; and ii) the proceeds of the Silverstream contract of US$49.0 million.

Furthermore, in December 2020, the Group entered into multiple contracts with Orla Mining Ltd., granting Orla the right to expand the Camino Rojo oxide pit onto Fresnillo's mineral concession. The effectiveness of the agreement was subject to the approval of the Mexican Federal Competition Commission (COFECE), which was granted in February 2021, at which time, a payment of US$25.0 million was made to Fresnillo plc (See note 2 to the consolidated financial statements).

Financial review continued

Main uses of funds were:

i) the purchase of property, plant and equipment for a total of US$592.1 million, a 43.6% increase over 2020. Capital expenditures for 2021 are described below:

Purchase of property, plant and equipment

	2021 US$ million	
Fresnillo mine	**108.3**	Mine development and mining works, purchase of in-mine equipment, deepening of the San Carlos shaft and tailings dam.
Saucito mine	**101.2**	Mine development, purchase of in-mine equipment, deepening of the Jarillas shaft and tailings dam.
Herradura mine	**54.4**	Stripping, construction of leaching pad, sustaining capex and purchase of equipment for dynamic leaching plants.
Ciénega mine	**45.4**	Mining works, purchase of in-mine equipment and construction of tailings dam.
San Julián Veins and DOB	**40.9**	Mining works and purchase of in-mine equipment.
Noche Buena mine	**0.4**	Sustaining capex.
Juanicipio project	**214.3**	Mine development and construction of beneficiation plant.
Other	**27.2**	Minera Bermejal.
Total purchase of property, plant and equipment	**592.1**	

ii) Dividends paid to shareholders of the Group in 2021 totalled US$245.6 million, a 134.6% increase over 2020, in line with our dividend policy which includes a consideration of profits generated in the year. The 2021 payment included the 2020 final dividend of 23.5 cents per share paid in June 2021, totalling US$172.6 million, and the 2021 interim dividend paid in September of US$73.0 million.

iii) Financial expenses and foreign exchange effects of US$39.9 million decreased US$4.3 million vs. 2020. Financial expenses in 2021 included: i) interest paid on the outstanding US$317.9 million from the US$800 million 5.500% Senior Notes due 2023, and ii) interest paid on the 4.250% Senior Notes due 2050. In 2020, financial expenses reflected the interest paid in relation to the US$800 million Senior Notes due 2023 before the tender offer in October 2020, ii) the interest paid on the remaining US$317.9 million of outstanding debt following the tender offer.

The sources and uses of funds described above resulted in an increase in net cash of US$164.9 million (net increase in cash and other liquid assets), which combined with the US$1,070.4 million balance at the beginning of the year resulted in cash and other liquid assets of US$1,235.3 million at the end of December 2021.

Balance sheet

Fresnillo plc continued to maintain a solid financial position during the period with cash and other liquid funds[1] of US$1,235.3 million as of 31 December 2021, increasing 15.4% versus 31 December 2020. Taking into account the cash and other liquid funds of US$1,235.3 million and the US$1,167.8 million outstanding Senior Notes, Fresnillo plc's net cash was US$67.5 million as of 31 December 2021. This compares to the net debt position of US$97.4 million as of 31 December 2020. Considering these variations, the balance sheet at 31 December 2021 remains strong, with a net debt/EBITDA ratio of -0.06x[2].

Inventories increased 10.1% to US$487.8 million mainly due to the increase of the inventories of gold content in ore on leaching pads valued at cost.

Trade and other receivables decreased 15.0% to US$436.1 million as a result of reduced receivables to Met-Mex and a decrease in value added tax receivables.

The change in the value of the Silverstream derivative from US$576.1 million at the end of 2020 to US$529.5 million as of 31 December 2021 reflects proceeds of US$46.2 million corresponding to 2021 (US$49.0 million in cash and -US$2.8 million in accounts receivables) and the Silverstream effect in the income statement of -US$0.4 million.

The net book value of property, plant and equipment was US$2,799.1 million at 31 December 2021, representing a 3.4% increase over 31 December 2020. The US$90.9 million increase was mainly due to construction of leaching pads, capitalised development works and the purchase of in-mine equipment.

The Group's total equity was US$3,802.7 million as of 31 December 2021, a 5.2% increase over 31 December 2020. This was mainly explained by the increase in retained earnings, reflecting the 2021 profit.

1 Cash and other liquid funds are disclosed in note 30(c) to the consolidated financial statements.
2 Net debt is calculated as debt at 31 December 2021 less Cash and other liquid funds at 31 December 2021 divided by the EBITDA generated in the last 12 months.

Dividends

Based on the Group's 2021 performance, the Directors have recommended a final dividend of 24.0 US cents per Ordinary Share, which will be paid on 27 May 2022 to shareholders on the register on 29 April 2022. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This is in addition to the interim dividend of 9.90 US cents per share amounting to US$73.0 million. This final dividend is higher than the previous year due to the higher profit in 2021, and remains in line with the Group's dividend policy (see page 7).

As previously disclosed, the corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% relating to the payment of dividends, including to foreign nationals.

Historically the Company has been making dividend payments out of retained earnings generated before the tax reform came into force and no withholding tax has therefore been applied. Dividend payments relating to 2021 and future years will attract the withholding obligation. However, foreign shareholders may be able to recover such tax depending on their tax residence and the existence of double taxation agreements.

Letter from the Chairman of the Health, Safety, Environment & Community Relations (HSECR) Committee

Dear Shareholder,

We are committed to our Purpose: *"Contribute to the wellbeing of people through the sustainable mining of silver and gold".* This means delivering a strong business performance while earning the trust of our people, communities, governments and society at large. On behalf of the Board, the HSECR Committee reviews the effectiveness of the Company's strategies to manage matters concerned with Health, Safety, Environment & Community Relations (HSECR).

At the time of writing this letter, Covid-19 remains an unparalleled challenge. We have ensured that our workforce and neighbouring communities remain our number one priority in response to Covid-19. During the year, the Committee monitored the effectiveness of the Company's preventive measures and the strategy to engage with our workforce including our unionised and non-unionised employees and contractors. Preventive measures include: vaccination, mandatory use of masks, control of entry points, social distancing, hygiene and disinfection measures, testing, contact tracing, self-quarantine and monitoring of suspected and confirmed cases. We have made significant progress in the vaccination of our workforce by collaborating with public health authorities, supporting the logistics of vaccination centres and engaging our workforce on the benefits of vaccination. We recognise that the variants of concern bring additional uncertainty regarding transmission, the severity of disease and the effectiveness of vaccines. Therefore, the Committee will continue to closely monitor the approach and effectiveness of the measures to minimise the impacts of Covid-19 on our workforce and the communities where we operate.

While we recognise the importance of Covid-19 and have prioritised our response, we have also ensured that the Company made solid progress on Safety, tailing storage facilities (TSF) management, Community Relations and climate change disclosures within the Framework of the Task Force on Climate-related Financial Disclosures (TCFD). As Chairman of the HSECR Committee, I am pleased to present the activities that the HSECR Committee undertook during the year.

Safety remains a top priority for the Committee. Despite the sustained improvement in total and lost time injury frequency rates, I deeply regret to report that one fatal accident occurred in 2021 and another in early 2022. The regrettable loss of our colleagues is unacceptable and our most sincere condolences go out to their families. We are firmly committed to eliminating fatal injuries. To this end, the Committee has reviewed the progress of the High Potential Incident and Critical Risk Control programmes. The Company is sharing the lessons learnt following every accident or high potential incident with our employees and contractors across all our operations. Management and the workforce are collaborating to identify, design, implement and verify on-site the critical controls to prevent fatal and serious injuries. The Committee reviewed the approach and effectiveness of the 'I Care, We Care' programme in fostering leadership, accountability, safety culture, risk-based management and engineering systems, and lessons learnt. These are among the positive steps we have taken towards the Company's goal of zero-fatalities.

The Committee also reviewed progress in the Company's approach to the safe management of tailing storage facilities (TSFs). Engineering and Governance Structures are in place to ensure that the Company's stewardship of TSFs meets internationally recognised best practices. The Company recruited internationally-renowned experts to operate an Independent Tailings Review Panel (ITRP) that advises on the design, construction, operation and closure of TSFs. Long term agreements have been signed with several internationally-recognised engineering consultancies to lead Dam Safety Reviews (DSRs) and Dam Safety Inspections (DSIs), to recommend required improvement actions and then provide qualified Engineers of Record (EoRs) for the Company's TSFs. The Company's Tailings Management and Stewardship Team comprises qualified professionals fully dedicated to implementing governance controls and engineering best practices. In 2021, the Company invested US$70 million, including to improve our monitoring through sensors and technology, carry out remedial reinforcing of some of our TSFs and benefit from highly trained and responsible executives fully dedicated to TSF management, as well as to hire top consultants. The Company CAPEX in 2022 will amount to US$60 million. In recognition of the importance of TSF management, this strategic topic was part of all our HSECR meetings in 2021.

Water is a valuable resource. We closely monitor the Company's performance and the expectations of our stakeholders regarding water stewardship. New technologies in mineral processing play a key role in making tailings safer and reducing our water and carbon footprints. We have reviewed the approach followed by the Company to evaluate and adopt new technologies based on: i) safety improvements; ii) impacts on the efficiency of our operations; and iii) a reduction in environmental footprint and risks. The Company actively explores strategic opportunities to develop and research new technologies in tailings and water management.

The Company has collaborated remarkably closely with public health authorities in Mexico to support vaccination in the regions where we operate. The Company also helps to provide transport for communities, accommodation for health authorities, and facilities and volunteers for vaccination campaigns. This effort has significantly increased the vaccination coverage of our workforce and neighbouring communities. Additionally, the Company supported the safe return to school in the regions where we operate, sharing preventive measures and donating masks and sanitising products. In partnership with Larousse Foundation, we donated books to our communities and produced Covid-19 preventive videos for children, with the support of INNOVEC. The Company also pursued its capacity building programmes with the appropriate Covid-19 preventive measures. In addition, I am pleased to announce the reinstatement of our Health Week in Penmont with the support of the National Autonomous University of Mexico (UNAM) Foundation, local health authorities and the Sonora Centre of the Teleton Foundation.

Climate change is one of the biggest challenges of our time. The Company is following a structured approach to maturing its understanding of the physical and transition impacts of climate change, as well as aligning reporting to the principles of the Task Force on Climate-related Financial Disclosures (TCFD). Additionally, the Company joined the Mexican TCFD Consortium to promote and share best practices. Wherever feasible, renewable sources of electricity are used by our operating subsidiaries, with the aim of increasing the role of renewables in our overall energy portfolio. However, the Mexican Government's current energy policies present challenges to the development of clean energies. An energy reform was submitted to Congress to increase government control of the energy sector. This reform, in its current form, would allocate over half of the wholesale electricity market to the state-owned power utility CFE, cancel the self-supply mechanism used by private companies and eliminate requirements for Clean Energy Certificates, which is the most important decarbonisation policy instrument of the Mexican Power Sector. The Committee will follow any energy policy developments in Mexico with great interest.

The Committee has closely monitored the development of the Company's strategy to increase the participation of women. The Company has conducted surveys and focus groups to gain a deeper understanding of the expectations and concerns of the workforce on Diversity, equity and inclusion (DEI). This evaluation identified positive signs regarding the level of awareness of DEI and provided valuable feedback to the Board in order to strengthen the Company's DEI programmes. In 2021, we also evaluated progress of Fresnillo's Ethics Culture and reviewed the Modern slavery report.

Role of the Committee

The role and duties of the HSECR Committee are set out in its terms of reference, a copy of which can be found on the Company's website at www.fresnilloplc.com

HSECR Committee Membership

- Mr. Arturo Fernández (Chairman), Dame Judith Macgregor, Mr. Fernando Ruiz and Mrs. Georgina Kessel.
- Key contributors: Chief Executive Officer, Chief Operations Officer, CEO Engineering Services (Peñoles Baluarte), Safety Assistant VP, Head of Legal, Compliance Officer, Sustainability and Community Relations Assistant VP and Human Resources Assistant VP.

HSECR Committee Activity

During the year, the Committee met in accordance with its terms of reference.

I am very pleased to report that during 2021 Fresnillo was recognised as one of the World's Most Ethical Companies by Ethisphere and remained a constituent of the FTSE4Good Index. Creating a sustainable business is a continuous journey, and we continue to be fully committed to making further improvements on ESG issues that are significant to the Company and its stakeholders.

We remain dedicated to promoting a long-term focus and to rigorous analysis of the Company's HSECR strategy and performance.

Yours faithfully,

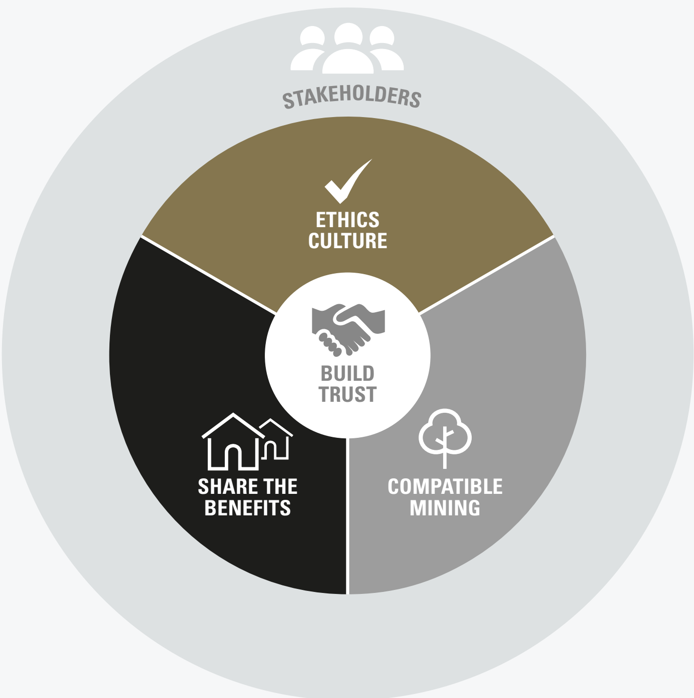
Arturo Fernández
Chairman, Health, Safety, Environment and Community Relations Committee

Sustainability at the core of our Purpose

SUSTAINABILITY AT THE CORE OF OUR PURPOSE

We believe that mining must be compatible with high stakeholder expectations in terms of ethical, social and environmental performance. This belief underlines the importance of integrating responsible business practices deeply into our business model and considering factors that affect stakeholders at every critical decision-making level.

OUR APPROACH TO SUSTAINABLE MINING



The year saw many examples of our commitment to contribute to 'the wellbeing of people, through the sustainable mining of silver and gold'. For example, throughout our response to Covid-19 we made sure that our people and communities were always our number one priority. In addition, our initiative to achieve excellence in the safety and governance of our tailings storage facilities (TSFs) is enhancing our resilience and maintaining the trust of our stakeholders.

Our initiatives regarding renewable energy, intelligent mine ventilation and innovative dual fuel trucks also give us the flexibility to transition to a low-carbon economy, while reducing operating costs. Furthermore, our closed-circuit processes, reuse of municipal wastewater, and collaboration with authorities and communities strengthen our water stewardship strategy to ensure water access for our operations and social acceptability. We have also adapted our community engagement and social investment portfolio to support our communities during the Covid-19 emergency.

Our priorities
We engage our stakeholders in order to better understand the issues that matter to them and are material to our business.

This process, known as materiality assessment, helps us focus our sustainability strategy and reporting. Because society and our industry are dynamic, and expectations shift over time, we conduct in-depth materiality assessments every few years. Covid-19 brought unprecedented challenges and became the most relevant issue with implications for our main stakeholders. In this Annual Report, we focus on the issues that are currently or expected to be significantly relevant. We have grouped these issues into four categories – Our People, Ethics and Integrity, Communities and Environmental Stewardship.

The graphic below shows how we assess the materiality of non-financial issues:

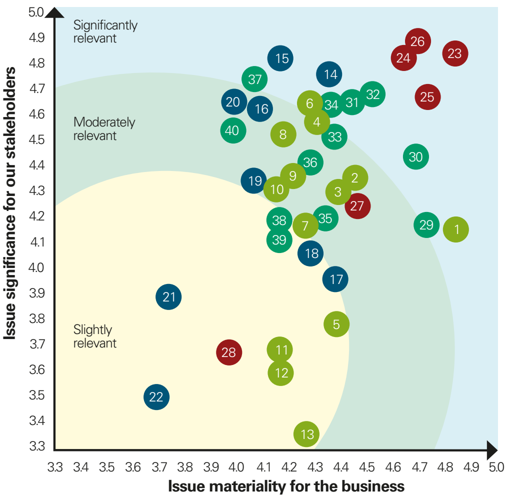
STAKEHOLDER IDENTIFICATION →
Our relevant stakeholders are identified by a multi-disciplinary team.

ISSUE IDENTIFICATION →
We identify issues relevant to our industry by monitoring and evaluating international trends, regulations and ESG questionnaires.

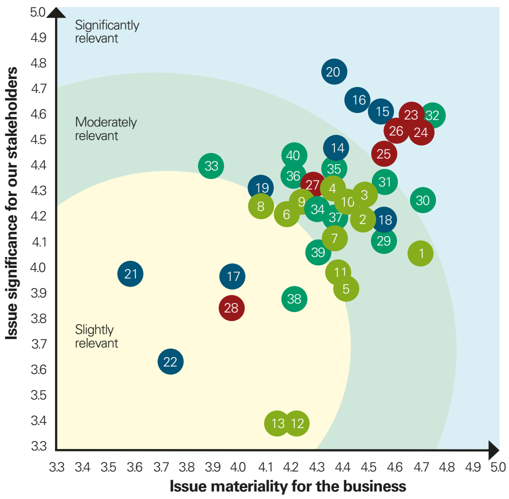
STAKEHOLDER ENGAGEMENT →
We engage our internal and external stakeholders to assess the current relevance of issues and the expected relevance in ten years.

REVIEW
The outcomes of the materiality assessment influence our sustainability strategy and reporting.

MATERIALITY 2020



MATERIALITY 2030



OUR PEOPLE	
1	Safety
2	Health
3	Workforce wellbeing
4	Human rights in the workplace
5	Work-life balance
6	Gender pay gap
7	Fair remuneration
8	Forced labour
9	Diversity, equity and inclusion
10	Compliance with international labour standards
11	Recruitment, development and retention of talent
12	Daily working hours
13	Union relations
COMMUNITIES	
14	Respect the culture and traditions of communities
15	Human rights of communities
16	Human rights of indigenous peoples
17	Local employment
18	Land acquisition and resettlement
19	Community health
20	Engage and inform communities about new projects
21	Local suppliers
22	Effectiveness of the mining fund
ETHICS AND INTEGRITY	
23	Ethics and integrity
24	Community relations
25	Transparency and accountability
26	Bribery and corruption
27	Transparency of government payments
28	Government relations and lobbying
ENVIRONMENTAL STEWARDSHIP	
29	Safe cyanide management
30	Responsible mineral waste management
31	Soil pollution
32	Water stewardship
33	Conservation of natural resources
34	Acid mine drainage
35	Non-mineral waste management
36	Biodiversity
37	Mine closure
38	Air emissions
39	Energy
40	Climate change

Material issues in grey

The UN Sustainable Development Goals (SDG)

We are committed to supporting the SDGs and map the linkages between them and our business model. Following an extensive internal mapping exercise, we have defined our contribution as described below:

Key contribution of silver and gold to the UN SDGs

Make water safer

Used in technologies to generate clean energy

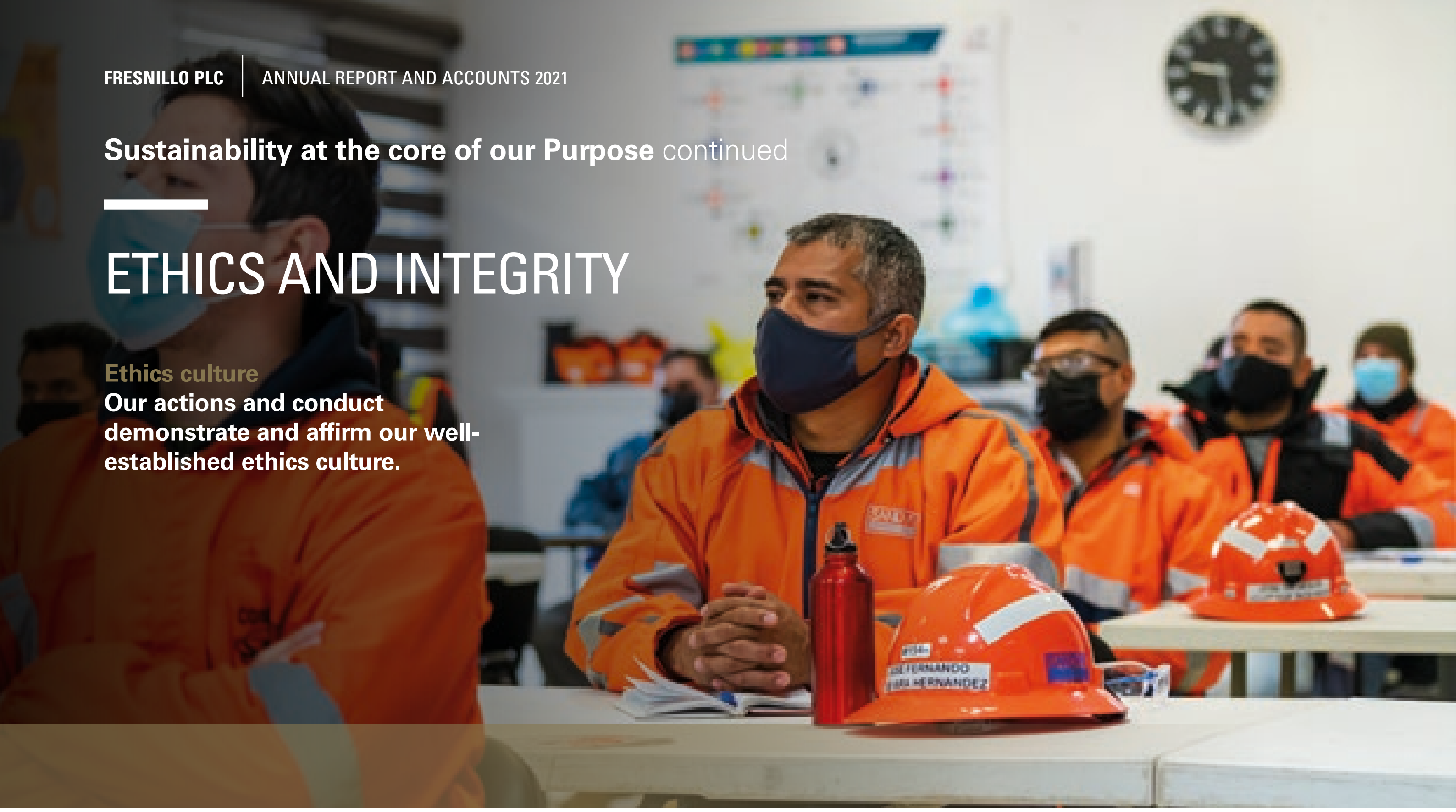
Protect health from infections and used in rapid testing

Present in innovative electronics that improve lives

Awards

During 2021, we continued to be part of the FTSE4Good Index, were named as one of the world's most ethical companies by Ethisphere for the third consecutive year, and were ranked first in the Corporate Integrity Ranking in Mexico. We also received recognition from other organisations during the year, including: Ethics and Values in Industry from the Mexican Confederation of Industrial Chambers (CONCAMIN); the Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI); and Exceptional Company in the Social Support and Commitment, and New Ways of Working categories of the Communication Council and the Business Coordinating Council (CCE).

2022 WORLD'S MOST ETHICAL COMPANIES®
WWW.ETHISPHERE.COM
3-TIME HONOREE



Sustainability at the core of our Purpose continued

ETHICS AND INTEGRITY

Ethics culture

Our actions and conduct demonstrate and affirm our well-established ethics culture.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

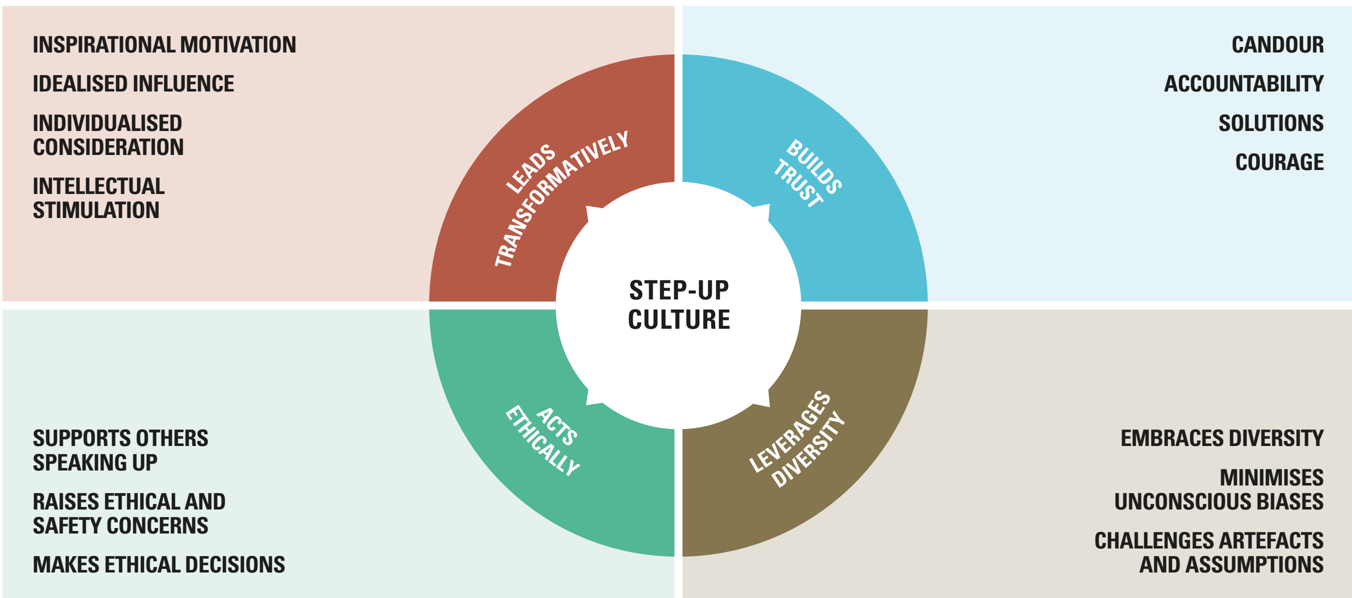
We believe that our actions and behaviour should always manifest our ethical culture, and that our workforce and related third parties must embody and be consistent with our corporate values of Confidence, Responsibility, Integrity and Loyalty. Our 'Step-Up' Culture framework enhances ethical decision-making by engaging our people and aligning their behaviour to our strategy, and we use Ethisphere's Ethics Quotient survey to monitor our ethics culture and track our progress.

We are members of the Centre for Leadership Ethics of the University of Arizona, which supports initiatives such as the International Collegiate Ethics Case Competition, which engages future leaders on ethical decision-making. This event attracts teams from universities in the United States, Mexico, Canada and Europe (https://eller.arizona.edu/cecc). We are also members of the Business Ethics Leadership Alliance (BELA) and founding members of the Mexican Chapter.

"EVERY DAY WE ARE EXPOSED TO ETHICAL DILEMMAS THAT REQUIRE REFLECTION. RATHER THAN JUST COMPLYING WITH NORMS, WE NEED TO ACT ETHICALLY AND WITH INTEGRITY. THIS MEANS ALWAYS DOING THE RIGHT THING, RAISING OUR VOICE WHEN SOMEONE IS BEING HARASSED, LISTENING WHEN PEOPLE SHOW CONCERNS OR PRESENT NEW IDEAS, THINKING ABOUT HOW OUR DAILY ACTIVITIES IMPACT OUR VALUE CHAIN, AND BEING ACCOUNTABLE FOR OUR ACTIONS, THEIR IMPACT IN OUR WORK ENVIRONMENT AND ON THE LIVES OF PEOPLE WE COEXIST WITH".

Erika Cabriada
VP Compliance

'Step-Up' Culture framework



ENGAGING OUR PEOPLE ENABLES US TO EMBED ETHICS AND MONITOR OUR PROGRESS

Evaluating, training and supporting our people to embed the 'Step-Up' Culture framework

EVALUATION:
We benchmark our ethics and compliance practices with Ethisphere's Ethics Quotient, monitor our culture through Ethisphere's Ethical Culture and Perceptions Survey, and monitor our winning behaviours with the ad hoc survey designed by the Center for Leadership Ethics of the University of Arizona.

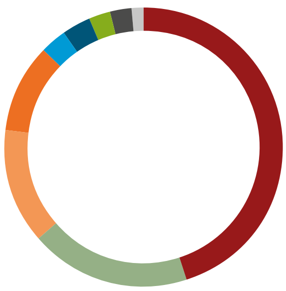
TRAINING:
We trained our executives and managers in masterclasses delivered by professors from the University of Arizona, trained a group of internal trainers to deliver ethics workshops for the rest of our employees, and are deploying an e-learning course to reinforce areas of opportunity detected in the culture survey. All our training follows the 'Step-Up' Culture framework.

SUPPORT:
We use the 'moral compass' tool and the 'Step-Up' Culture framework to enhance ethical decision-making. We are converting our trainers into ethics ambassadors, learning and sharing best practices by participating in Ethisphere's Business Ethics Leadership Alliance (BELA) and the Center for Leadership Ethics of the University of Arizona, and raising awareness of key elements of our Code of Conduct through e-learning.

Monitoring our ethics culture
With strong support from our Board of Directors, in 2013 we began a journey to embed ethics into our organisational culture. Our aspiration was *'a well-established ethics culture demonstrated by our behaviours and actions'.* We have deployed this ethics culture initiative in two phases:

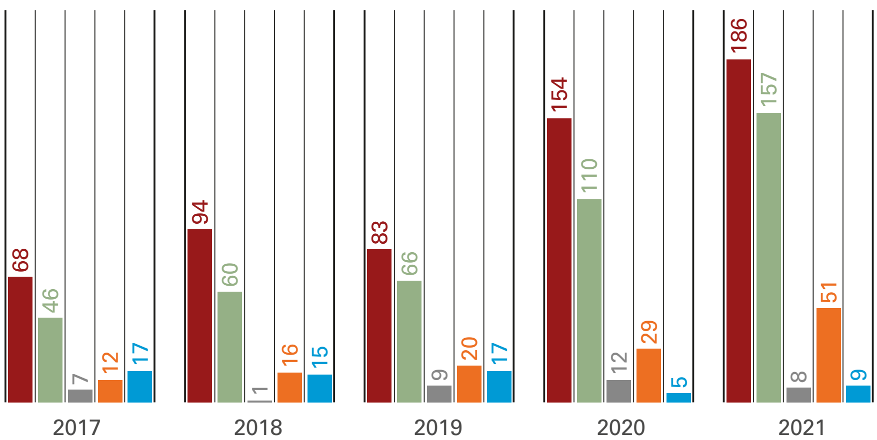
- *Phase 1:* Raising Awareness (2013-2015): The objective of this first phase was to reduce behavioural risk, which is the gap between the intended behaviours (Purpose, Values, Code of Conduct, etc.), the expressed behaviours (training, advice, tone at the top, etc.), and the actual behaviours demonstrated by employees and leaders.
- *Phase 2:* 'Step-Up' Culture (2016 to present): We retained our focus on raising awareness and developing the ethical decision-making competencies of our people. In this phase we also wanted to go beyond individual decision-making, engaging our people to become stewards of our ethical culture.

CASES 2021



Type	2021	2020
Harassment	**71**	39
Inappropriate arrangement with suppliers	**29**	27
Abuse of authority	**21**	21
Inappropriate behaviour at work	**16**	4
Conflict of interest	**5**	5
Fraud	**5**	1
Professional negligence	**4**	7
Other	**4**	4
Unsafe conditions	**2**	-
Theft	**–**	2
Total	**157**	110

ETHICAL CONDUCT KPIs



- Whistleblowing – Number of reports
- Whistleblowing – Number of cases
- Tone from the top – Number of reports related to managers
- Discipline – Number of disciplinary actions
- Discipline – Number of control reinforcement

Note: Cases reported to the Honour Commission from the whistleblowing mechanism. The increase in the number of reports and cases reflect higher levels of awareness.

ETHICS AND INTEGRITY

Preventing harassment
At Fresnillo plc we believe that a healthy work environment improves the wellbeing of our workforce and has a direct impact on productivity. Encouraged by this ingrained belief and convinced that a communication campaign alone would not suffice, our Honour Commission requested a comprehensive programme to prevent and address harassment in the workplace. In June 2019, we carried out a diagnosis exercise to identify the root causes that triggered these behaviours. This diagnosis comprised direct observations of work dynamics and social interactions, face-to-face interviews, psychological workshops for all the workforce, and perception surveys. The model was tested in the San Julián and Fresnillo mines and modified to create a protocol to prevent and address workplace harassment in a reliable, accessible, efficient and fair way for all our unionised and non-unionised employees. This protocol was implemented in August 2020.

It has three focus areas:
- Prevention: address the internal and external conditions of workers and raise awareness.
- Care: address instances of harassment with trained personnel.
- Restoration: train staff involved in harassment situations, improve our processes and introduce initiatives to prevent these situations developing.

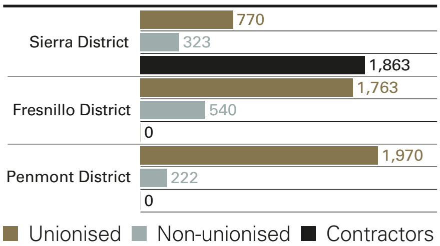
To build a culture of prevention and wellbeing at work that discourages harassment, we need to ensure that all our people embrace the idea that this task requires responsibility and commitment from all members of the organisation. We therefore developed a company-wide training scheme during 2021, making sure that this could be implemented in accordance with safety measures to combat Covid-19. The scheme comprised:

- Online courses aimed at non-unionised personnel, raising awareness of the ways in which harassment behaviours may manifest, and the mechanisms to report them. Implemented in February, these courses also became part of our induction programme for new personnel.
- Awareness workshops aimed at managers, deputy directors and human resources personnel to reinforce their knowledge and behaviour with a greater understanding of inclusion and the importance of zero tolerance for harassment. The first workshops were held in May. Following these, the rest of our organisation received face-to-face training on this matter.
- Face-to-face workshops in two formats:
  - Six-hour training sessions for team leaders focusing on their leadership role to drive a culture of zero tolerance of harassment.
  - Four-hour training sessions to raise awareness of how to avoid risks and discourage harassment behaviours.

Between May and November 2021, 7,451 people received awareness training across our operating units. The workshops fostered an open, respectful and receptive environment for the exchange of ideas and experiences, encouraging participants to manage harassment through exercises and experiential group dynamics. The workshops were positively received by most participants, who challenged beliefs and paradigms that they had internalised as normal – such as male chauvinism or gender violence – and developed new perspectives and tools to handle situations differently. Another favourable outcome was that these workshops helped lay the foundations of trust in our whistleblowing mechanism: harassment-related grievances increased not only from one year to another but also as a share of all reported categories.

To eradicate any manifestation of workplace violence, reduce risks, increase productivity and maintain optimal occupational health, we believe we must continue promoting well-being and respectful relationships, raising awareness to prevent harassment in the workplace and building confidence in the whistleblowing mechanism.

AWARENESS WORKSHOPS IN 2021 BY WORKFORCE GROUP



Next steps:
In 2022 we will continue to strengthen harassment prevention.

Key activities:
- Ongoing 'train the trainer' sessions so that our trainers are able to raise awareness among new and pending employees.
- Communication campaigns on specific topics such as microaggressions: myths and reality, consent.
- Contests to promote participation and assess understanding of training.
- Reinforcement, consolidation and adjustment of the procedures of the programme, two years after its implementation.

INTEGRITY CULTURE SURVEY HIGHLIGHTS 2021

97%
HAVE KNOWLEDGE AND UNDERSTANDING OF INTEGRITY CULTURE

93%
HAVE POSITIVE ATTITUDES TOWARDS INTEGRITY CULTURE

100%
KNOW OF THE EXISTENCE OF THE WHISTLEBLOWING MECHANISM

90%
AGREE THAT THE COMPANY TAKES PREVENTIVE MEASURES TO REDUCE ILLICIT BEHAVIOUR

46% of non-unionised personnel completed the online survey.

Government payment transparency

Our goal is to transparently disclose our payments to governments.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Responsible mining can be a driver of economic and social development. However, corruption and poor governance diminish the benefits that society should gain from the revenues generated by mining resources. We believe that transparency regarding payments to governments builds trust and empowers society. (See our website for our report on payments to governments.)

How we will win
Disclosure of our payments to governments.

Key activities:
- Report payments to governments as required under the UK Reports on Payments to Governments Regulation 2014 and its amendment in December 2015 ('the UK Regulations').

Transparency and accountability

Our goal is to provide access to non-financial information in order to facilitate the decision-making processes of our investors and stakeholders.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Being transparent and being accountable for our social and environmental performance are essential factors in building trust. By disclosing material non-financial information, we are able to help our investors make more effective investment decisions. Managing our negative impacts is the key to ensuring that our business model is socially acceptable.

How we will win
Disclosure of environmental, social and governance (ESG) information using the appropriate channels.

Key activities:
- Annual Report.
- Website.
- Carbon Disclosure Project.
- Modern slavery report.
- Meetings and traditional media to inform our local stakeholders.

Accountability and sensibility regarding our positive and negative impacts:

Key activities:
- Conduct perception studies in the communities where we operate to identify positive and negative perceptions and impacts.
- Monitor media.
- Hold regular meetings with our stakeholders.
- Operate grievance mechanisms to engage people who might be adversely affected by our activities.

Bribery and corruption

We are all expected not to engage in bribery and corruption, and to avoid any perception of being involved in these activities.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Neither a Fresnillo plc employee nor anyone who represents or is related to the Company may engage in bribery or corruption and must strive to avoid any perception of being involved in such activities. Disciplinary measures for persons who engage directly or indirectly through a third party in bribery and corruption include: in the case of Fresnillo plc employees, up to the termination of their employment contract and in the case of a third party, up to the termination of their business relationships with Fresnillo plc. The above is in addition to any measures following legal action.

How we will win
Anti-corruption and anti-bribery (ABAC) programme.

Key activities:
- Code of Conduct.
- Code of Conduct for third parties.
- Third party due diligence.
- Training on the Code of Conduct and key policies (donations and political contributions, promotional expenses, and Government relations).
- Adherence by third parties to our anti-corruption policies either through our ABAC letter and/or relevant contractual clauses.

Read more in our Audit Committee Report on pages 176-187

Sustainability at the core of our Purpose continued

OUR PEOPLE

Our workforce is the strategic stakeholder that makes possible our contribution to the wellbeing of people through the sustainable mining of silver and gold. Their health and safety have always been our top priority, and we've sustained this imperative by strengthening our strategy during the Covid-19 outbreak.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

8 DECENT WORK AND ECONOMIC GROWTH

We seek to attract, develop and retain the best people, and engage them over the long term. We continue to work hard to develop an organisational culture based on ethics and caring for our people. We respect labour rights and engage union representatives constructively. We conduct employee engagement surveys to better understand and respond to the expectations of our people. Our workforce comprises unionised employees, non-unionised employees and contractors.

Talent management

We seek to recruit, retain, and develop the most talented employees to ensure an appropriate pipeline to meet the business' future needs. We attract and cultivate talent with a long-term mindset and emphasise the value of training and mentorship. We believe that the best retention strategy is to provide opportunities for people to grow and develop.

A cohort (batch) system is used to recruit short- and long-term interns. We also team up with leading educational institutions in Mexico to attract young and diverse talent studying for mining and metals-related degrees. One of our most successful programmes is Engineers in Training, which includes 12 months of training in technical, administrative and social competencies, to instil our organisational culture in undergraduates in fields such as mining, geology and metallurgy, as well as electrical, mechanical and chemical engineering. Each undergrad is assigned a coach from our operations team who supervises their development and provides performance appraisals – those with good appraisals receive permanent job offers, thus securing the talent pipeline for our growth strategy. This programme enables us to engage students in the earlier stages of college education and to encourage more women to participate in the mining industry. Additionally, during the Covid-19 outbreak, we transformed our short-term internships into online training sessions on mining, geology, safety and communication to engage with universities and promote the Company.

DIVERSITY IN TALENT ATTRACTION

	Men	Women
2021	56%	44%
2020	62%	38%
2019	71%	29%
2018	82%	18%

Long-term internships and Engineers in Training.

Our performance assessment mechanism allows us to determine and align specific training needs as well as to identify high potential candidates for our Institutional Development programme. We develop our high-potential middle managers through the Leaders with Vision programme, which comprises technical seminars taught by senior executives throughout the year. These sessions not only add value by sharing knowledge and experience, but also as a mechanism to engage and inspire participants. Executives take part in both training programmes, which are organised by the Autonomous Technological Institute of Mexico (ITAM) – a leading higher education university.

Union relations

Unions are our strategic partners and key players in our drive to foster productivity and develop a safety culture. We believe that fair and respectful relations with unions build trust and mutual accountability and that win-win relations are the foundation for fair collective bargaining. We respect the rights of employees to freedom of expression, association and collective bargaining. We engage unions to build trust through continuous dialogue, leadership development programmes, wellbeing activities such as sports and cultural events, and continuous improvement projects.

The CEO and the Head of Human Resources engage with union senior leadership while our business units regularly engage with local union committees and their delegates. These close relationships enable collaboration on capacity building of newly elected union committees. During 2021, we did not experience any work stoppages or industrial action because of labour disputes.

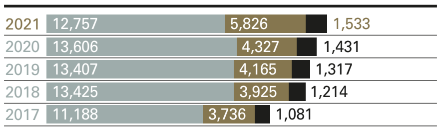
The unions and the Company collaborate in an annual symposium on Safety – with supplementary contributions from regulators – to present best practices and promote meaningful dialogue to help identify our industry's challenges and opportunities. In addition, we work closely with unions to jointly implement periodic 'LEAL' (Loyal) surveys on work behaviours and wellbeing. We use the insights gained to improve our workforce engagement strategy.

Labour reform

During 2021, the Mexican Government enacted a new law that prohibits subcontracting services, except for qualifying specialised services or projects. The strategy followed by the Company is presented in the Principal Decisions Statement (pages 147-148).

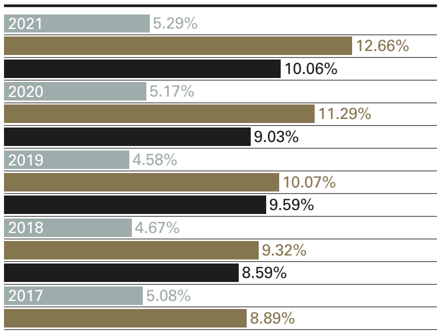
	Men	Women	Total
Senior managers	161	9	**170**
Employees (unionised and non-unionised)	6,266	923	**7,189**
Contractors	11,474	1,283	**12,757**
Total workforce			**20,116**

WORKFORCE



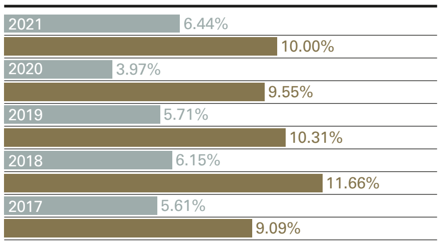
- Contractors
- Unionised employees
- Non-unionised employees

PERCENTAGE OF WOMEN



- Manager and senior executive positions
- Employees (unionised and non-unionised)
- Contractors

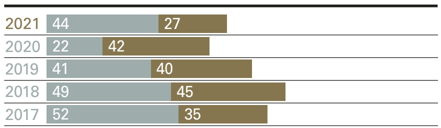
LABOUR TURNOVER



- Voluntary labour turnover
- Total turnover

Labour turnover includes unionised and non-unionised personnel.

TRAINING HOURS



- Average non-HSECR training hours
- Average HSECR training hours

Sustainability at the core of our Purpose continued

Diversity, equity and inclusion

We aspire to develop an inclusive culture where our people value diverse backgrounds, feel respected and are inspired to realise their full potential. Equity and inclusion can lead to improvements in the attraction, retention and development of talent, as well as promoting innovation and creativity.

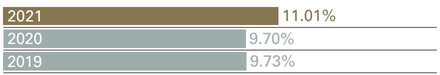
Our approach is inspired by the principle of equality and recognises the importance of treating people appropriately and providing equal access to opportunities. Our aim is to foster an inclusive workplace where openness, belonging, and respect allow people to have a meaningful impact on the workplace.

Increasing the participation and inclusion of women is the first step in the journey to make diversity a competitive advantage. We have two strategic objectives:

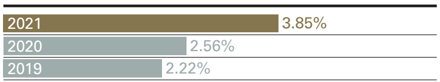
1. Enhance the contribution of women to the success of the Company.
2. Have a positive impact on female employees.

Our goal is to increase the overall representation of women from 10% to 12% by 2025 and to challenge the glass ceiling at the operating manager and superintendent level, raising the percentage of women in these roles from 2% to 8% by 2025. In 2021, we improved these percentages by 1.31% and 1.29%, respectively.

TOTAL PERCENTAGE OF WOMEN



GLASS CEILING



In 2021 our programme focused on:

- Engaging our neighbouring communities in Science, Technology, Engineering, and Mathematics (STEM) careers.
- Benchmarking our practices in the PAR Ranking, the Women Matter Mx and the Workforce Disclosure Initiative (WDI).
- Developing our diagnostic and action plan for Diversity, equity and inclusion (DEI) issues.

"FRESNILLO PLC IS A LEADING COMPANY, ALWAYS SEEKING TO IMPROVE THROUGH INNOVATIVE AND INCLUSIVE PROPOSALS. THERE HAVE BEEN POSITIVE CHANGES AMONG LEADERS THAT ARE CASCADING TO ALL LEVELS OF THE ORGANISATION. WE DEFINITELY HAVE AREAS WHERE WE CAN IMPROVE, BUT I CAN CERTAINLY SAY THAT DIVERSITY, EQUITY AND INCLUSION ARE NO LONGER UNFAMILIAR TOPICS AT ANY ORGANISATIONAL LEVEL".

Liliana Loera
Ethics Ambassador

Since 2019, we have adhered to the Women's Empowerment Principles established by the UN Global Compact and UN Women. In 2021, we participated for the second time in the PAR Ranking, the largest ranking system in Latin America to measure gender equality performance, and for the first time in the Women Matter Mx, a study on the state of diversity and gender equality with a focus exclusively on Mexico, conducted by McKinsey & Company.

What we did in 2021

- Participated at the Women in Mining (WIM) chapters.
- Participated for the second time in the PAR Ranking and for the first time in McKinsey & Company's Women Matter Mx.
- Carried out a DEI diagnosis and held a workshop to implement recommendations to achieve greater equity across the Company.
- Increased the percentage of women recruited in junior non-unionised positions from 38% to 55%.
- Maintained the representation of women on our Board at 33%.
- Designed our Women's Leadership Programme with the support of KPMG, to strengthen a culture of inclusion that promotes the attraction and development of female talent.

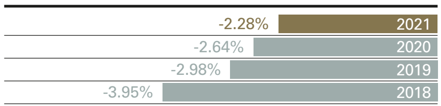
What's next

- Evolve our approach to communicate the positive impacts on women.
- Reinforce our communication and awareness-raising campaign on work and sexual harassment.
- Implement the recommendations resulting from the PAR Ranking and Women Matter Mx diagnostics.
- Implement the Women's Leadership Programme, with the support of KPMG, and monitor progress.
- Design and implement a mentoring programme for women focused on leadership development.
- Carry out a diagnosis of the Mexican Voluntary Standard NMX-025-SCFI-2015 on Labour Equity and Non-Discrimination to favour the integral development of workers, and the actions required to improve our processes and practices.

Gender pay gap

We are committed to paying an equal wage for an equal job. Based on salary scales, we have policies in place to close the gender pay gap. In 2021, the gender pay gap for non-unionised, Non-Executive employees was -2.28% compared to -2.64% in 2021. The gap is calculated using the weighted average salary per hierarchical level. The head count per hierarchical level and business unit is used to determine the weights in the overall average gap calculation. For the first time, we also studied the support and administrative staff gender pay gap for senior management and found it was -3.96%. We are committed to closing this gap and to promoting women in our operations, projects and exploration activities.

OVERALL GENDER PAY GAP



	Open pit Operations	Underground Operations	Projects	Explorations	Support and administrative staff	Average gap per hierarchical level
First level 'Senior Engineer'	(0.91)%	(6.28)%	(16.78)%	4.89%	(11.25)%	(5.44)%
Second level 'Junior Engineer'	0.18%	(2.58)%	(3.55)%	9.45%	12.81%	(0.18)%
Third level 'Assistant'	6.78%	(6.82)%	(12.17)%	(5.18)%	62.45%	(1.51)%

"WE ASPIRE TO CREATE AN ENVIRONMENT WHERE WELCOMENESS, BELONGING AND RESPECT ALLOW OUR PEOPLE TO HAVE A MEANINGFUL IMPACT ON THE WORKPLACE".

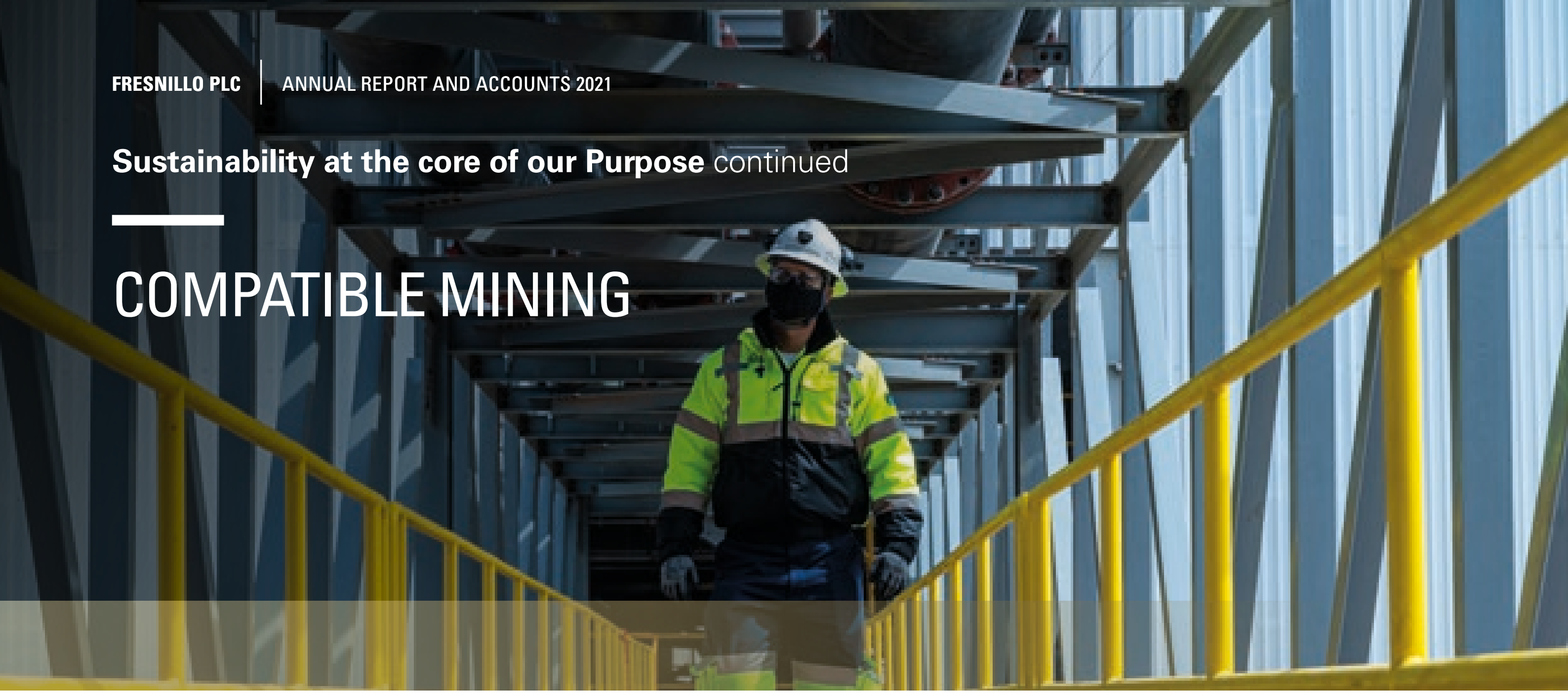
Octavio Alvídrez
CEO, Fresnillo plc

PROMOTING GREATER DIVERSITY, EQUITY AND INCLUSION

During 2021, our gender equity programme took an important step forward. Working with Aequales, we developed a Diversity, equity and inclusion (DEI) diagnosis, consisting of focus groups, interviews with senior managers and a diversity perception survey for non-unionised staff. Based on the findings, a strategic planning workshop was held in partnership with Aequales. This enabled us to draw up an action plan to implement recommendations in order to achieve greater equity in the organisation, formalise our commitment to promote equal representation of both genders at all levels and in all areas, improve wellbeing and flexibility to achieve a work-life balance, and to internalise a prevention culture and zero tolerance of sexual and workplace harassment.

Sustainability at the core of our Purpose continued

COMPATIBLE MINING



Safety

We believe that safety is a way of life. Our 'I Care, We Care' programme enables our risk management strategies to drive safety performance in every operation, and to help protect all our people, at all times.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Our strategic priorities

- Continue to implement the 'I Care, We Care' programme with its five risk-management strategic pillars.
- Strengthen safety objectives by monitoring leading KPIs to improve our ability to foresee and prevent incidents.
- Implement critical controls and performance standards in every operation to provide 100% of personnel with verification tools to reduce risks.
- Reinforce our approach of holding our people accountable for safety performance.

Me Cuido, Nos Cuidamos ('I Care, We Care') programme

This programme enables us to embrace ongoing innovation and continuous improvement regarding safety practices, risk assessments and controls, and emergency preparedness. A key element is that all our people should work together to create an environment of trust and respect; the programme also highlights the importance of safe work, recognises positive actions in operational and administrative areas and creates a learning environment. In addition, it encourages awareness of individual and group commitment, which includes understanding the responsibilities of each job or role, passion in the workplace, leadership and companionship – to create a true culture of caring.

The goal of 'I Care, We Care' is for the five strategic pillars to establish critical and performance controls in every operation, and for all personnel to become responsible for standards verification to identify any gaps. This ensures that workers are empowered by the necessary tools and trainings, and that a virtuous cycle of improvement activities and initiatives is continuously implemented to reduce risks.

Leadership: Values-driven leadership
- Higher-education courses for senior leadership.
- Education courses for supervisors.
- Training for our people.

Accountability: Integrating safety and operational management systems
- Promoting recognition of safety as the responsibility of line management.
- Senior management involvement in monitoring processes, systems, operations and reporting policies.

Behaviours Risk Competencies: A mature and resilient safety culture
- Step back (a method used to raise awareness and identify safety risks in work areas).
- Positive recognition.

Systems Risk Competencies: Establish a risk-based management system
- Internal documentation aligned to ISO standards.
- Critical risk control standards and organisational deployment.

Learning environment: Reduce risks through engineering, systems, behaviours and lessons learnt
- Communicate and implement improvements and corrective actions.
- Investigation – Eyes on Risk.

BECOMING A SAFER ORGANISATION

In 2022, we plan to open a new training centre with a focus on preparing, assessing and certifying our workforce and contractors in critical control management to prevent accidents and mitigate risks at the Juanicipio mine. Overseen directly by the Human Resources department, the centre incorporates separate access from the industrial facilities to improve safety protocols and will also be available for training requirements from other operating units. It comprises:

1. Main lecture hall for theoretical training.
2. Area for rescue squad training and practice.
3. Dedicated training area for light vehicle and mobile equipment – for example, specialised trucks used in underground mining operations, light trucks and buses for transporting personnel. Internal licences will be issued once competencies, protocols and trainings are completed and certified – including defensive driving courses.
4. Safety module protocols:
- Working at height, to improve the understanding of equipment and safety measures.
- Material handling – focused on different types of hoists – to provide training on standard ways to lift materials.
- Ground control, to practise different techniques to avoid rockfalls – such as manual scaling with aluminium bars or reading geomechanical lights.
- Hazardous materials handling, to identify and handle harmful substances.
- Safety guards, to learn how to use them in transportation bands or power transmission equipment.
- Explosive management, to learn how to transport, store and handle explosives.
- De-energisation, isolation, lockout and labelling, through hands-on experience with electricity boards.
- Confined spaces manoeuvring.
- Mobile equipment simulator, to train workers on driving within industrial facilities.
- Light vehicle simulator, to improve worker safety in vehicles used in underground mining operations.

THE FUNDAMENTALS OF CRITICAL RISK MANAGEMENT

1. Critical risk protocol
2. Tasks and activities
   - Identification of critical risks
   - Selection of critical controls
   - Field verification tools
   - Verification plans and management actions
   - High potential near-miss reporting
   - Investigation and learning
3. Workplace risk assessment and control per unit
4. Bow tie risk evaluation for top 5 risks and 25 critical risks
5. Performance standard
6. Reporting verification

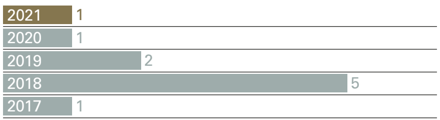
Certifications

	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Herradura	Noche Buena
OHSAS 18001/ISO 45000 Sets out criteria for international best practice in occupational health and safety management.	–	–	Certified	Certified	–	Certified	Certified

Performance

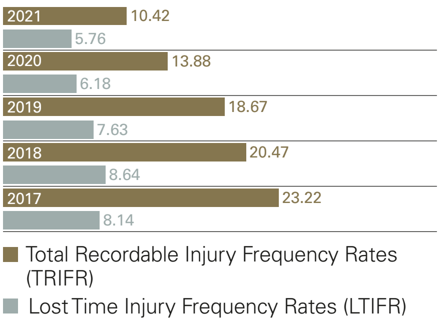
Although we have made progress in reducing injury frequency rates, we regret to report one fatality in 2021. Maturing our safety programme in Juanicipio has been our priority throughout the year and will remain a priority in 2022.

FATAL INJURIES



Number of fatal injuries to employees and contractors.

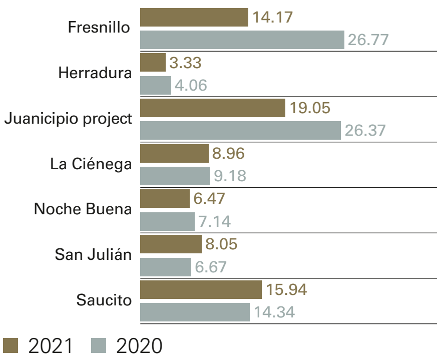
INJURY FREQUENCY RATE FOR EVERY 1,000,000 HOURS



Recordable Injuries: The Number of Fatalities + Lost-Time Cases + Restricted Work Cases + Medical Treatment Per 1,000,000 Hours Worked.

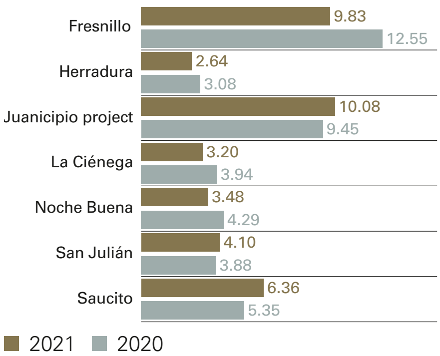
Lost Time Injuries: The Number of Lost-Time Injuries Per 1,000,000 Hours Worked.

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) FOR EVERY 1,000,000 HOURS



Recordable Injuries: The number of fatalities + lost-time cases + restricted work cases + medical treatment + first aid cases per 1,000,000 hours worked.

LOST TIME INJURY FREQUENCY RATE (LTIFR) FOR EVERY 1,000,000 HOURS



Lost Time Injuries: The number of lost-time injuries per 1,000,000 hours worked.

CERTIFICATION IN COMPETENCY STANDARDS

We work relentlessly to improve our performance by professionalising union committees and giving our workforce specialised knowledge of safety standards. During the year, we organised workshops to certify our unionised workers in the following competencies:

- **ECO 217:** Delivery of Human Capital Training Courses in Group and Face-to-Face Settings, which defines the preparation, conduct and evaluation of training courses.
- **ECO 391:** Verification of Health and Safety Conditions in the Workplace, which establishes the criteria for the evaluation and certification of members of the safety and hygiene commission within a working environment, and the theoretical, basic and practical knowledge required to perform a job, as well as the relevant attitudes for achieving expected performance.
- **ECO 680:** Industrial Safety Supervision for Team Leaders, which defines the key duties that a person must perform to prevent hazards and risks that generate potential accidents by foreseeing, coordinating and reporting actions in any working environment.

Sustainability at the core of our Purpose continued

COMPATIBLE MINING

Health

We have a comprehensive strategy in place to safeguard the health of our people. Our focus is on prevention and emergency response, the promotion of healthier lifestyles, and the enhancement of wellbeing through the early identification and management of health risks to prevent occupational and chronic diseases. During the Covid-19 outbreak, we have continued to prioritise our employees' and contractors' health and wellbeing across our operations.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

How we will win

Key activities:

- Identify and monitor the level of exposure to physical and chemical risks to the health of our people (noise, dust, vibration, heavy metal contamination, extreme temperatures, etc.).
- Determine operating procedures, equipment, training and controls.
- Evaluate and improve the ergonomics to prevent musculoskeletal disorders.
- Ensure that everyone entering the workforce has a health check, including physical and psychosocial evaluations.
- Perform regular check-ups to screen for occupational diseases and advise on preventive care measures.
- Manage our own rehabilitation facilities to accelerate recovery from injuries.
- Implement our Healthy Lifestyles programme to support good dietary habits and the prevention and control of obesity-related diseases.
- Carry out biological monitoring to prevent sanitary risks.
- Hold behavioural change workshops, facilitated by psychologists who provide guidance and counsel on personal issues that may lead to accidents or workplace stress.

Covid-19

In 2020, at the beginning of the Covid-19 outbreak in Mexico, we engaged with the authorities and our industry peers to develop a preventive protocol based on international best practices. During 2021, we maintained these protocols as well as the Health Safety Certification provided by the Mexican Social Security Institute (IMSS), having incorporated them permanently into our day-to-day operations. These measures include:

- **Operating committees:** Through fortnightly virtual meetings, statistical trends are reviewed, and commitments are established to prevent contagion, with management and the executive team updated accordingly.
- **Protecting the vulnerable workforce:** We identified vulnerable members based on criteria issued by the Federal Government in 2020. We continue to monitor their glucose levels, blood pressure and nutritional status and pregnancies, among others, to remain prepared in the event of new contagion waves or variants.
- **Raising awareness and enforcing vaccination:** We launched permanent communication campaigns to educate our people about preventive measures, raise awareness and combat misinformation. In addition, during municipalities' vaccination campaigns, we provided support to ensure personnel attendance, such as transportation, medication for side effects and giving employees time off.
- **Social distancing in the workplace:** We adopted social distancing measures and appropriate protection equipment at all our facilities. To support compliance, we use floor markings in common areas; limit capacity in canteens to avoid crowding, install protective barriers between seating, and provide packaged cutlery; personnel commuting services work at minimum capacity with staggered seating; the group size in training sessions and work meetings has been limited, favouring ventilated spaces, while we also supply antibacterial gel and chlorine wipes, and encourage video conferences when possible. Additionally, non-essential personnel with administrative duties work from home.
- **Hygiene and sanitation:** We mandated the use of masks and hygiene measures, notably handwashing and the use of anti-bacterial gel. In addition, we implemented a daily sanitisation programme for work areas, accommodation and transportation.
- **Sanitary filters:** We established checkpoints to control access, monitor body temperature and enquire about symptoms or contact with people suspected to have the disease. Additionally, random testing is deployed across all units. For workers in remote locations, monitoring takes place before transportation and on arrival at site.
- **Testing, monitoring and contagion traceability:** We test regularly for contagion and to ensure traceability. Furthermore, we monitor the progress of confirmed cases daily, and offer psychological care and emotional support.

During 2021, almost 80,000 Covid-19 PCR, antibody and antigen tests were carried out on our people. In addition, our strategy to enforce vaccination in our workforce resulted in 78.2% being vaccinated – 17.7% with at least one dose and 60.5% with a complete schedule.

SUPPORT WITH ANTIGEN TESTS FOR OUR WORKFORCE AND FAMILIES

During the December and January holiday period, all mining units conducted antigen tests for unionised and non-unionised workers and their families. This was carried out both before travelling, to prevent contagion moving from origin to destination, and again following their return to work.

In the Fresnillo, Saucito and Juanicipio units, we established a district module in our Multipurpose Centre in the city of Fresnillo. At the Ciénega unit, tests were performed at our clinic, while in the San Julián and Penmont units, they were carried out at the sanitary checkpoints outside the industrial area.

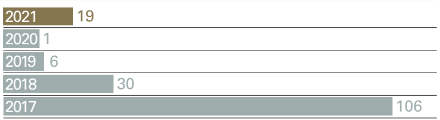
Occupational health

Our approach aims to pre-emptively identify and manage the health risks to which our workforce is exposed. Preventive care and the promotion of healthier lifestyles can limit certain chronic diseases and enhance overall wellness and fitness for work. While our focus is on prevention, emergency response is a core competence of all our health teams. Occupational health is multidisciplinary and requires the effort, support and commitment of all members of the organisation.

Certifications

	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Penmont
Healthy Company Certification by Mexican health authorities of the implementation of best practice in occupational health and preventive care, including the promotion of healthier lifestyles.						
	–	–	Certified	Certified	–	Certified
Health Safety Certification by the Mexican Social Security Institute to guarantee the implementation of protocols to prevent and avoid Covid-19 contagion.						
	Certified	Certified	Certified	Certified	Certified	Certified

NEW CASES OF OCCUPATIONAL DISEASES

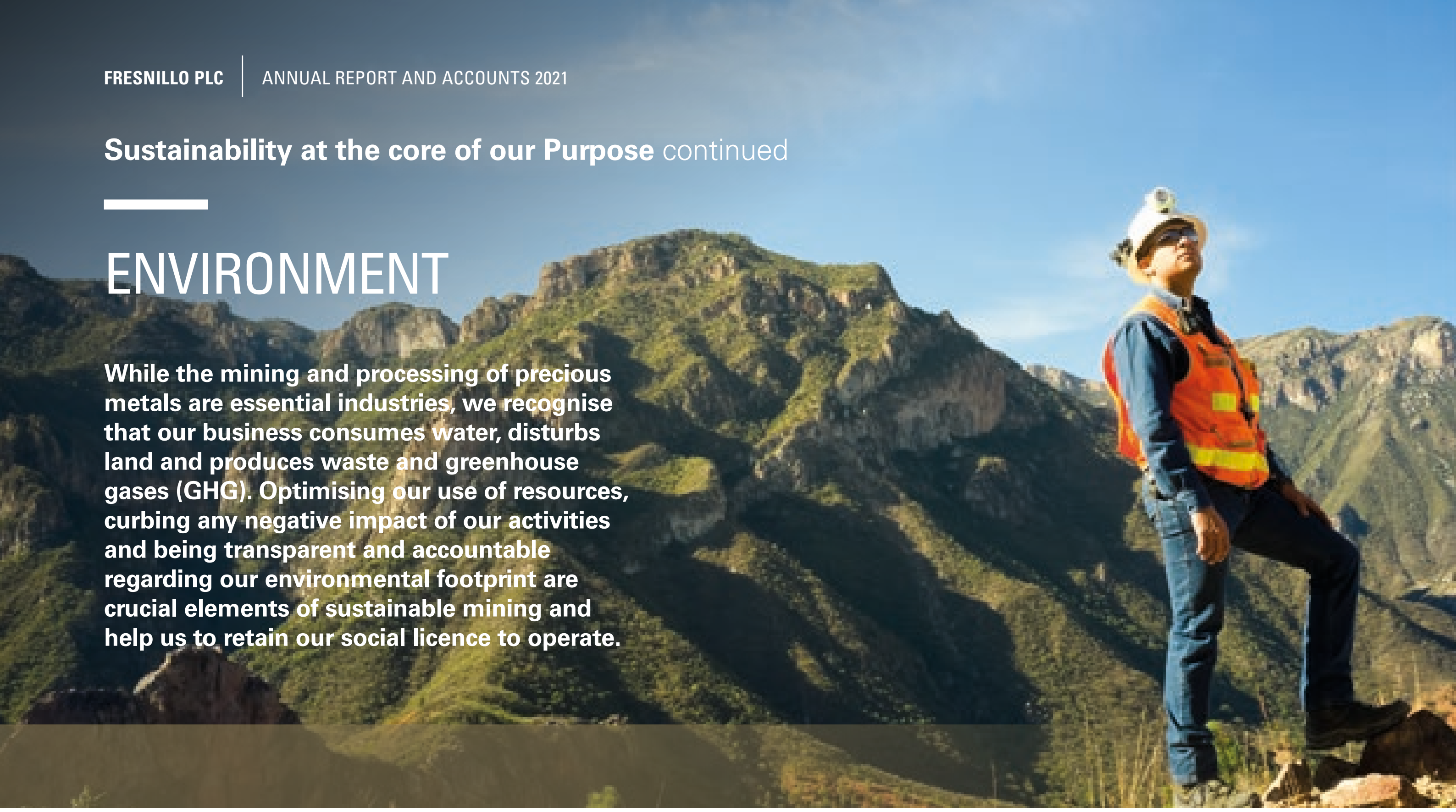


PSYCHOSOCIAL RISK FACTORS IN THE WORKPLACE

The Mexican standard NOM-035-STPS aims to establish the capabilities that companies need to identify, analyse and prevent psychosocial risk factors, as well as to promote a positive and supportive workplace environment. Our strategy is to implement the standard through:

1. **Dissemination:** A two-fold programme to support the standard, the internal policy, the constitution of a labour behaviour commission to deal with harassment issues and the establishment of a whistleblowing mechanism to report grievances. Initially, our focus was on email campaigns, group training and meetings, and this was followed by reinforcing the message and providing updates of adopted risk controls through printed and online media.
2. **Identification and channelling:** The reference questionnaires (or guides) are applied to a representative sample of the unit's different departments. Personnel exposed to traumatic events or psychosocial risks are then filtered and channelled for psychological assessment.
3. **Psychological assessment:** Personnel identified as at risk are assessed by means of interviews and psychological surveys of stress disorders – general or post-traumatic – anxiety, depression and burnout. This process leads to a diagnostic evaluation and recommendations, based on a level from 10 to 100 from the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV).
4. **Treatment:** Depending on the diagnosis, an eight-session course can be provided by the teams of clinical psychologists that are present in all mining units. Depending on circumstances, individuals receive periodic follow-up, and are eventually discharged. If necessary, personnel may be removed from operations to a job with lower risk exposure.

During 2021, the main risks detected were workload, work shifts, lack of control over work, work-life balance, and work relationships.



Sustainability at the core of our Purpose continued

ENVIRONMENT

While the mining and processing of precious metals are essential industries, we recognise that our business consumes water, disturbs land and produces waste and greenhouse gases (GHG). 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 retain our social licence to operate.

Clean technologies play an important role in improving environmental performance and reinforcing the social acceptability of the mining industry. We support the Colorado Cleantech Challenge, an innovation showcase that connects mining companies with clean technology solution providers, with the mutually beneficial goal of meeting our industry's environmental challenges. In addition, our CEO, Octavio Alvídrez, is a member of the Lowell Institute for Mineral Resources of the University of Arizona. This leading research institute has the depth of expertise necessary to tackle the challenges that are critically important to modern mining.

We are also part of the World Environment Centre (WEC), a think tank that advances sustainable development through the business practices of member companies and in partnership with governments, non-governmental organisations and other stakeholders.

Environmental impact assessments

Before developing any mining project, we conduct environmental impact assessments (EIAs), which identify potential impacts and the actions required to manage them. EIAs address many issues, such as surface and groundwater resources, water quality, air quality, soils, biodiversity (including threatened or endangered species), landscape, and socioeconomic conditions. The insights gained from EIAs form the foundation for our environmental management plans and systems such as ISO 14001.

2021 Certifications and awards

							Penmont	
Certification/Award	Exploration	Juanicipio	San Julián	Fresnillo	Saucito	Ciénega	Herradura	Noche Buena
ISO 14001 Framework and criteria for an effective environmental management system.	Certified	–	–	Certified	Certified	–	Certified	Certified
Clean Industry Certificate granted by the Mexican Environmental Authority to promote environmental audits, compliance with regulations and adoption of best practices. Level 1 – Basic. Level 2 – Advanced.	–	In process Level 2	In process Level 1	In process Level 2	In process Level 2	–	Certified Level 2	–
International Cyanide Management Code Sets criteria for the global gold mining industry on cyanide management practices. Sets criteria for the global gold mining industry on cyanide management practices.	–	–	–	–	–	–	Certified	Certified

TCFD compliance statement
We have provided Climate-related Financial Disclosures for the year ended 31 December 2021 in this section of the annual report. Our report complies with the Task Force on Climate-related Financial Disclosures (TCFD) recommended reporting principles, except for the following where our disclosure is partial:

Strategy
- **Recommended Disclosure B:** Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- **Recommended Disclosure C:** Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Reasons for partial compliance: Lack of climate projections at the geographic scales required for engineering purposes.

Next steps for compliance: A comprehensive integration of climate change considerations into financial planning relies on capital budgeting of mitigation and adaptation measures. The mitigation strategy, based on increasing the supply of renewable electricity, is already integrated into our strategic plan. We expect to mature our approach to internal carbon pricing. We are therefore developing a roadmap to integrate adaptation measures into our financial planning. This roadmap relies on the use of regional climate modelling to provide our engineering teams with actionable climate outputs to identify vulnerabilities, design adaptation measures, plan for their implementation and allocate financial resources. This is a long and challenging journey. We will report annually on our progress.

Metrics and Targets
- **Recommended Disclosure C:** Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Reasons for partial compliance: The connections between climate change and other relevant ESG risks are at an early stage of development.
Next steps for compliance: We are monitoring progress towards our goal of achieving 75% of the supply of electricity from renewable sources by 2030, together with the relevant transition risks. We are currently experiencing regulatory uncertainty regarding the legal framework for renewables in Mexico which has introduced further uncertainties to our analysis of a science-based target aligned with the Paris Agreement. We expect to mature our approach in order to more explicitly incorporate physical risks into our health, safety, environment and community relations KPIs and targets.

We are committed to integrating climate change into our engineering and financial decisions during 2022.

Sustainability at the core of our Purpose continued

13 CLIMATE ACTION

CLIMATE CHANGE

Scientific evidence of anthropogenic climate change is unequivocal. Changes in average temperature, rainfall and other conditions are shifting from climate normals. As the climate continues to change, the potential impacts on ecosystems, economies and on society at large are expected to increase over time.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Preventing the worst outcomes of climate change requires unprecedented global cooperation to pursue the Paris Agreement goals. The inspiration for our climate change strategy comes from our Purpose: *'Contribute to the wellbeing of people, through the sustainable mining of silver and gold'.* We are committed to mitigating our impact on climate change by reducing our GHG emissions (SDG 13), integrating clean energy sources into our electricity mix and improving our energy efficiency (SDG 7).

We recognise the importance of a robust climate strategy in ensuring that our business continues to thrive. In 2021 we conducted a comprehensive identification of climate-related risks and opportunities (CROs) in our business model, connecting our people in interdisciplinary working groups and enhancing the use of scenarios to evaluate and prioritise CROs. We believe that an enhanced understanding of the CROs is an important milestone in our journey to mature our climate strategy. We moved beyond managing climate change as a sustainability issue by fully incorporating the risks and opportunities in our enterprise risk management (ERM) and energy strategy. We are committed to maturing our approach to the integration of physical and transitional risks into our planning and decision-making processes. Our stakeholders expect us to act and report transparently.

We have prepared this section based on all the principles of the Task Force on Climate-related Financial Disclosures (TCFD). The table below shows our overall progress in implementing TCFD reporting:

TCFD Element	Progress	What is next
Governance	The Board and its Committees hold informed and strategic discussions on Climate Change. The HSECR Committee gained a deeper understanding of management's plans to assess transition and physical risks and the approach to adopt the framework of the TCFD.	Committee evaluation of the progress of TCFD disclosure, strategic determination of mitigation efforts including the energy strategy and target setting. Oversight of the development of our approach to physical risks, including climate modelling to inform adaptation measures. Develop synergy between the Audit and the HSECR Committees.
Strategy	We enhanced our understanding of CROs in our business model through a comprehensive evaluation, creation of executive, steering and expert committees and benchmarking with peers and industry guides. We formalised scenarios and set parameters to conduct an evaluation and prioritisation of CROs. We engaged the scientific community to better understand climate modelling for the geographic scales appropriate to planning and operating decisions in mining.	Physical risks: Collaborate with the scientific community on climate modelling. This is the first step in a long and complex journey to better understand our risks, vulnerabilities and adaptation measures. Transition risks: Collaborate with the academic community to conduct economic modelling. The aim is to determine a company-specific carbon price to guide our ambition goals regarding climate change impacts, risks and opportunities.
Risk management	Climate change is fully integrated into our ERM system. Physical and Transition risks were part of the evaluation process of our Principal Risks. The regulatory risks relating to energy policy in Mexico and the impact on renewable electricity were discussed by the HSECR Committee.	Improve and refine our financial materiality assessment of climate change risks and opportunities. Mature our approach to mitigation and adaptation strategies. Increase engagement activities on climate change with our partners in the value chain.
Metrics and targets	Increased granularity in how we report energy and Scope 1 and 2 emissions.	Increase the scope of the climate impact assessment of our value chain. Third party verification of climate related KPIs. Analyse different GHG emission reduction setting approaches (e.g. science-based targets).

GOVERNANCE

Board oversight on climate change

The Board considers climate change during its discussions and when making decisions regarding the Group's strategy, risk management, investments and stakeholders. On behalf of the Board, the HSECR Committee evaluates climate-related performance, risks and opportunities. Since 2020, climate change has been part of the agenda at all quarterly HSECR Committee meetings, and the share of renewables is among the ESG metrics discussed. In 2021, the HSECR Committee reviewed:

- The energy strategy, factoring in the expectations of our stakeholders on setting ambitious targets and the current regulatory risks associated with renewable electricity in Mexico.
- The technology strategy to explore opportunities to reduce the carbon and water footprint of mineral processing.
- The Company's approach to identifying, evaluating and responding to the risks and opportunities of climate change in the business model.
- The Company's approach to adopting and disclosing TCFD recommendations.
- The approach to partnering with the scientific community in order to use climate models to better understand physical risks and socio-economic scenarios for transition risks.

The HSECR Committee periodically briefed the Board on Climate Change performance and the Company's approach to adopting TCFD recommendations.

HSECR Committee knowledge and training

The Directors of the HSECR Committee have relevant experience and knowledge in relation to climate change. The Chairman of the Committee, Mr Arturo Fernández, has extensive expertise in Mexican public policy and a solid academic background in macroeconomics. Ms Georgina Kessel has significant experience on matters relating to energy and climate change, having served as Minister of Energy from 2006 to 2011. Dame Judith Macgregor has wide-ranging diplomatic experience and contributes valuable international perspectives on climate change. Mr Fernando Ruiz brings his considerable experience on Mexican taxation to the Committee, as well as a valuable perspective on the landscape of carbon pricing legislation.

During 2020, the HSECR Committee was briefed on the basic principles of science-based targets, which has been useful in discussing target-setting and evaluating decarbonisation pathways. In 2021, the Committee was trained on the principles of TCFD with a special focus on the approach to identify, evaluate and prioritise the CROs. Capacity building also covered the physical risks of climate change, notably on the use of climate models and the challenges to assess the physical impact at geographic scale meaningful to mining operations.

Management oversight on climate change

Our CEO, COO, Sustainability Assistant VP, and Baluarte's CEO of Engineering Services report quarterly to the HSECR Committee on the Company performance and also provide insights on trends and stakeholder expectations to better understand the exposure to climate-related risks and the decarbonisation opportunities.

The strategic vision of our CEO is key to making the connection between business strategy and climate-related risks and opportunities. The CEO's words and actions have an enormous impact, and his personal leadership is essential for setting and communicating goals and holding the organisation to account. Our COO has responsibilities related to the energy efficiency of current operations and our objectives regarding future performance. Our COO plays a key role in setting annual energy efficiency targets and holding mine managers accountable. Baluarte's CEO of Engineering Services plays a key role in the technology strategy for mineral processing and design and operation of mine infrastructure such as Tailings Storage Facilities (TSFs) and water reservoirs. Our CFO and COO collaborate to identify energy efficiency opportunities, and the former also oversees compliance with climate-change regulatory obligations. The Sustainability Assistant VP supports the Executive Committee in assessing the carbon footprint of the Strategic Plan, measuring the quarterly performance and analysing scenarios to identify impacts, risks and opportunities. During 2021 and early 2022, the Executive Team was briefed on progress made on climate-related risks and opportunities identification, prioritisation and valuation.

In a key development of 2021, the Company updated its forecast of energy demand for the Strategic Plan. Additionally, during 2021, a Steering Group was formed by representatives of the Finance, Exploration, Projects, Operations, Industrial Safety and Environment, and Sustainability teams to engage in conversations about how climate change may affect our operations; this group designated representatives from different areas to form an Expert Team from administrative and operational areas across the Company to participate in a scoping workshop to leverage existing progress on TCFD and climate risk management practices. The team discussed the Fresnillo business model – its value creation mechanisms, operational control, influence across the value chain and the risks and opportunities of growth and innovation plans – its current processes, criteria and thresholds to identify risks and opportunities, and also explored additional exposure sources and consequences of climate change, setting the foundations for a comprehensive view on the matter.

EXECUTIVE TEAM

- CEO
- CFO
- COO
- VP Exploration

STEERING TEAM

- Finance
- Exploration
- Projects
- Operations
- Safety and Environment
- Sustainability

EXPERT TEAM

- Exploration
- Mining
- Mineral Processing
- TSF Management and Infrastructure
- Safety
- Environment
- Health
- Finance
- Energy
- Legal
- Technology
- Communities
- Sustainability
- Procurement
- Logistics and Sales

Sustainability at the core of our Purpose continued

CLIMATE CHANGE

BUILDING CAPACITIES: CLIMATE CHANGE SENSITISATION

During the current and previous periods, we have implemented various sensitisation and training sessions on climate change aimed at different members of the organisation, based on their roles and responsibilities:

- Briefings to the HSECR Committee on the basic principles of science-based targets.
- Briefings to the Executive Team on progress made on climate-related risks and opportunities identifying, evaluating and prioritising.
- Climate Change Steering Team periodic meetings to reinforce awareness, discuss challenges and build a shared understanding to foster actionable strategies.
- Climate Change Expert Team scoping workshop on the principles of identifying climate-related risks and opportunities, to set a company-wide comprehensive view on the matter.
- Dissemination sessions on TCFD recommendations for operational personnel in business units.

STRATEGY

Climate Change has strategic implications for our business model. There is an investment trend towards favouring companies with resilient climate strategies and higher expectations of stakeholders and society at large regarding climate action. Minerals and metals are expected to contribute significantly to the transition to a net-zero economy, but mining operations will be expected to reduce their carbon footprint and regulations to curb greenhouse gas emissions will be more stringent. Renewable energy has reached technological maturity and economic competitiveness, while facing worrying regulatory challenges in Mexico. Technologies to reduce the carbon footprint of mineral haulage and mineral processing are at the emergence phase but industry alliances represent opportunities to expand their development.

We focus on mitigating our impact on climate change by reducing our GHG emissions with renewable electricity, fuel substitution in our truck fleet and intelligent ventilation systems. We are developing our adaptation approach, working with climate modellers and environmental economists to better understand physical and transition risks. We collaborate with our peers in Mexico to constructively engage government and regulators. We have also joined other companies to launch Mexico's TCFD Consortium.

In 2021, we conducted a comprehensive review of our business model to identify the risks and opportunities throughout the lifecycle of mining. Following a rigorous approach, we consolidated our CROs, identifying their root cause and value drivers. We redefined our scenarios to have a consistent source of parameters to evaluate and prioritise CROs. The strategic review of our CROs has informed our risk management approach and provided valuable insights to mature our climate strategy in the next years.

Impacts on and by the business

The impacts on our business arise from physical and transition risks. The change in climate patterns represents physical risks to our people, communities, mining infrastructure and value chain. The government regulations, changes in markets and social expectations represent transition risks to a low carbon economy. The impacts by our business are associated with the greenhouse gas emissions relating to our production of silver, gold, zinc and lead. Supplying metals has a positive impact on low carbon technologies such as solar panels.

Physical risks

Chronic risks result from long-term shifts in the climate pattern. The reduction in annual precipitation in Mexico is expected to increase water stress in the river basins where we operate. Water stress requires adaptation strategies based on water efficiency, technological innovations in mineral processing, nature-based solutions for replenishment and collaboration, among others. Acute physical risks are related to shifts in the frequency and magnitude of extreme events such as rainfall, droughts and heat waves. Adaptation strategies rely on preventive measures to protect our people and resilient infrastructure. Physical risks are not only associated with our operations but may influence our upstream activities such as procurement and downstream activities like smelting and refining. Physical risks also have indirect effects. Water stress may intensify the competition to access water resources and extreme events such as floods and droughts may have negative impacts on the livelihood of our communities. Indirect impacts demand enhanced collaboration with our stakeholders in the river basins where our operations are located.

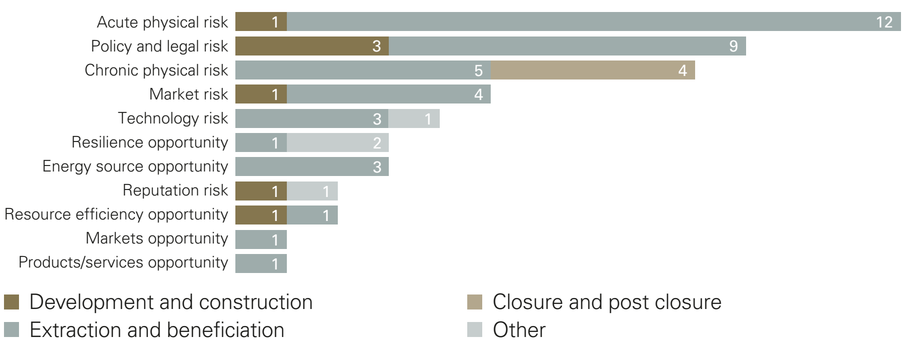
Transition risks and opportunities

Society's responses to the 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. Policies include but are not limited to carbon taxes and tariffs, cap and trade systems, renewable energy portfolios and incentives for new technologies. Climate action is also motivated by the rising expectations of society and investment trends towards companies with resilient carbon strategies. A resilient energy strategy with a disciplined approach to technology adoption is necessary to reduce our carbon footprint and exposure to regulations. Metals and minerals are essential to the technologies required for this transition, and this opens up market opportunities.

Identifying risks and opportunities

A robust climate strategy relies on a sound understanding of the CROs of our business model considering the lifecycle of mining and our value chain. To ensure a comprehensive identification of CROs, we formed a Steering Team that identified key people representing every aspect of the business who could form an Expert Team. The Steering and Expert teams were trained on the principles of climate change and CRO identification. To further understand CROs, we conducted in depth interviews with representatives from our Risk Management, Financial Planning, Infrastructure, Energy and Sustainability teams. Additionally, we introduced an external perspective based on an industry-oriented benchmark of significant peers and industry climate change guidance documents. The outcome was a comprehensive CROs register with detailed information on each identified risk including its TCFD category, external root cause, value chain impact, and value driver affected. Out of an exploratory list of over 100 CROs, a longlist of 55 individual CROs was retained for evaluation and prioritisation.

CRO LONGLIST BY TCFD CATEGORY AND VALUE CHAIN STAGE



Scenario analysis

The evaluation and prioritisation of CROs is fundamental in order to focus our strategy and risk management. This process begins with risk management and relies on the use of scenarios. We use scenarios to gain a sound understanding of the potential business impacts of an uncertain future with environmental, social, geopolitical, policy, market, investment and technology implications. Our scenarios are therefore used to generate insights, identify mitigation measures and set courses of action. *Our scenarios should not be interpreted as forecasts.*

We opted to use a climate scenario – focused on plausible representations of future climate conditions – and a socioeconomic scenario which was focused on plausible development pathways for society and the economy. For the former, we used the main Representative Concentration Pathways (RCP), which are trajectories over time of greenhouse gases, aerosols and chemically active concentrations and emissions, as well as land use/cover. For the latter, we used the Shared Socioeconomic Pathways (SSP), which are alternative socioeconomic futures over the course of the century. Both these scenarios – typically designed for research and policy purposes – are complementary, adopted by the Intergovernmental Panel on Climate Change (IPCC) to provide an integral framework of climate impact and policy analysis.

- Our first scenario is **Business as Usual**, an intermediate scenario where CO_2 emissions start to decrease until 2045 and reach roughly half of the levels of 2050 by 2100, more likely than not to result in a global temperature rise between 2 and 3°C. Additionally, the world follows a path in which social, economic, and technological trends do not shift markedly from historical patterns; environmental systems experience degradation, global growth is moderate and income inequality persists, as does vulnerability to societal and environmental changes.
- The second scenario is the decarbonisation pathway **in line with Paris Agreements**, which sets a rapid decarbonisation pathway that limits peak warming to below 2°C compared to pre-industrial times with a likelihood above 66%, achieving a net-zero global economy in the second half of the century, although to accomplish this, carbon removal will be necessary. Additionally, the world moves towards a more sustainable path that respects perceived environmental boundaries and where economic growth shifts towards a broader emphasis on human wellbeing; inequality is reduced, and consumption oriented toward low material growth and lower resource intensity.
- The last scenario is **Worst Case**, where existing climate and energy policies are unsuccessful, resulting in a significant increase in global GHG emissions without constraint, intensifying physical risks. Additionally, competitive markets produce rapid technological progress and development, but coupled with abundant fossil fuel exploitation, and resource- and energy-intensive lifestyles. Management of social and ecological ecosystems is technology driven, by all necessary means.

Our scenarios were complemented with additional parameters for rainfall, droughts, carbon and energy prices, fossil fuel subsidies, share of renewables and water scarcity among others. These parameters were gathered from reputable sources that include the IPCC Working Group I Interactive Atlas, the International Institute for Applied Systems Analysis' (IIASA) Shared Socioeconomic Pathways (SSP), the World Development Indicators from the World Bank, the World Economic Forum (WEF), the World Resources Institute (WRI), KNMI climate change Atlas, the International Energy Agency (IEA) and Mexico Energy Outlook 2016, the National Institute of Geography and Statistics (INEGI), National system of Water Information (SINA), among others. The gathering of parameters to assess CROs is challenging due to gaps in data availability at the country, regional, sectorial or company level. Scenario parameters should be used with caution and considering their viability or suitability limitations.

Implications to 2050

In our **Business as Usual** and **Worst Case** scenarios, we will be subject to severe impacts from physical risks, manifested mainly through water availability and extreme weather events demanding adaptation measures that are financially material. Transition risks, especially those regarding carbon pricing will be more uncertain as these scenarios imply failed international coordination on policies to curb carbon emissions. Conversely, on a **Paris-aligned** scenario physical risks will be contained, though not eliminated, and the transition risks certain and material resulting from policies, investment trends and social expectations to transition to a net-zero economy. Across all scenarios, adaptation technologies, resource efficiency and clean technologies are key success factors.

Business resilience to climate-related risks and opportunities

Mitigation of our impact on climate change

Our approach to mitigate our impact on climate change relies on renewable electricity and substitution of diesel by natural gas in our haulage fleet at Herradura (see case study). In 2021, we supplied half of our electricity from renewable sources. From 2015 to 2021 we sourced 2.6TWhe of wind energy that represents 1.35 million tonnes of CO_2e of avoided emissions with respect to the carbon intensity of the Mexican Power Utility (CFE) and 2.65 million tonnes of CO_2e with respect to thermoelectric power plants. We implement energy efficiency in our mining operations and processing plant to reduce the use of fuels and electricity respectively. New technologies for intelligent ventilation in underground mines reduce the carbon footprint and provide enhanced protection for our people. We have introduced a new strategy to evaluate and adopt emerging tailings technologies considering their impacts on increased safety and reduced climate and water footprint. To evaluate our resilience to transitional risks, we assess the flexibility of our energy strategy to provide decarbonisation opportunities in the 2021-2030 period. We have considered the energy requirements of our Strategic Plan which includes our mining operations and projects.

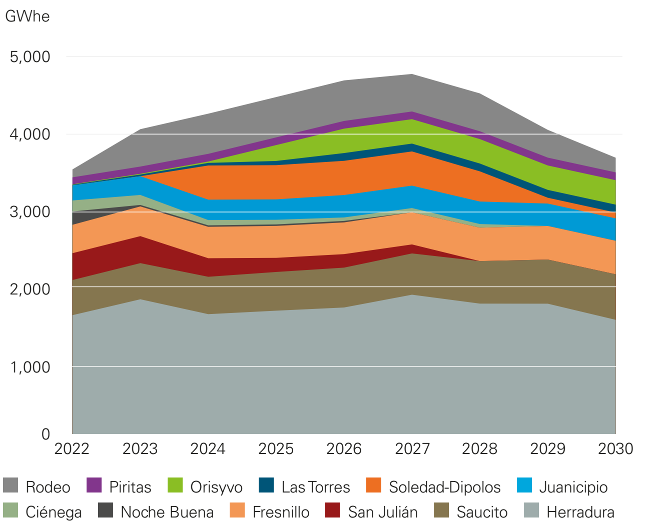
Scenarios and their key parameters

Scenarios			Parameters			
No.	Name	IPCC climate scenario	Complementary socioeconomic pathway	Global GHG emissions in 2050	Average global temperature increase by 2050	Average global temperature increase by 2010
1	Business as Usual	RCP 4.5	SSP 2 (middle of the road development)	56,000 Mt CO_2e	2.0 +/- 0.3°C	2.4 +/- 0.5°C
2	Paris aligned (2°C)	RCP 2.6	SSP 1 (sustainable development)	25,000 Mt CO_2e	1.6 +/- 0.3°C	1.6 +/- 0.4°C
3	Worst case	RCP 8.5	SSP 5 (fossil-fuelled development)	103,000 Mt CO_2e	2.6 +/- 0.4°C	4.3 +/- 0.7°C

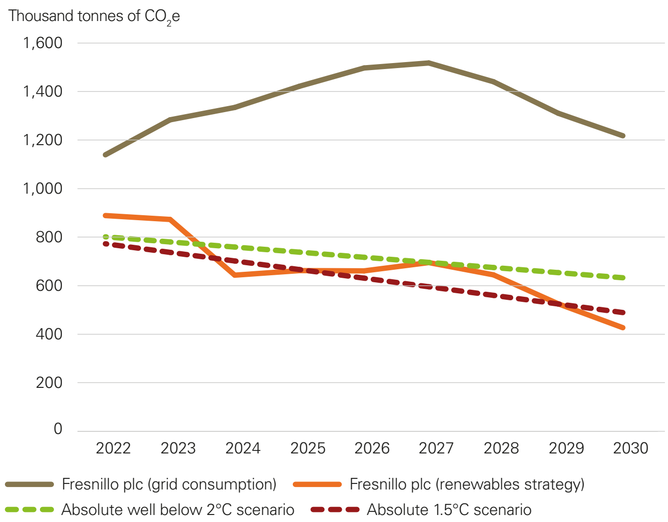
Sustainability at the core of our Purpose continued

CLIMATE CHANGE

ENERGY DEMAND FORECAST



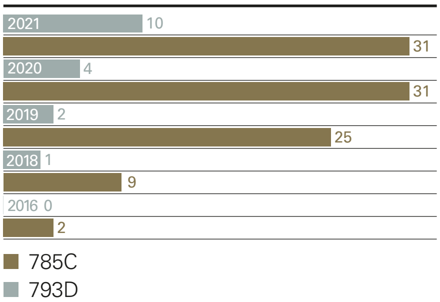
DECARBONISATION PATHWAYS



DUAL FUEL SYSTEM RETROFIT IN HAULAGE TRUCKS

As part of a strategy to reduce both our carbon footprint and costs, in 2016 we began a pilot to convert some of our haulage fleet's diesel engines to a dual fuel system, which optimises consumption by automatically switching between diesel and liquefied natural gas (LNG) depending on the terrain. The 785C series consumes approximately a 40-60% diesel-LNG mix, while the 793D achieves a 65-35% ratio, thus achieving in 2021 a reduced energy factor of 20.97% and 18.68%, respectively. To date, we've recovered 35% of our investment through fuel savings, which considers both the LNG conversion kits and the bimodal supply station.

CUMULATIVE CONVERSIONS BY TRUCK SERIES



Net Zero Implications

- 2022-2030: Our most significant opportunities rely on increasing the supply of renewable energy, mitigating the impact of diesel in our open pit haulage fleet through the substitution of diesel and capitalising on energy efficiency opportunities in our mining and mineral processing operations. The technology strategy should currently focus on mature technologies but with a disciplined approach to work with partners on emerging technologies. Nature-based solutions may play a role as pilot opportunities to offset carbon emissions, increase water replenishment and community relations. Currently, the government policy is delaying the increase in the supply from renewable sources.
- 2030-2050: Most of the electricity supply is renewable. Electrification coupled with renewable supply plays a key role in underground operations. Hydrogen trucks for open pit operations become an alternative to reduce the reliance on diesel and natural gas. Advanced upstream and downstream technologies are available to reduce the carbon and footprint of mineral processing. Nature-based solutions play a relevant role as an offset mechanism. Carbon capture starts playing a key role in the second half of the period to offset hard to abate emissions.

Adaptation

The design of adaptation measures to protect our people and communities relies on modelling the long-term shifts in climate, such as annual precipitation or temperature, and the variability of extreme events such as floods, droughts and heatwaves. Global circulation models (GCMs) are used to understand the changes in climate under different Representative Concentration Pathways (RCP) scenarios. Aqueduct, a tool developed by the World Resources Institute (WRI), is useful to model water stress under different climate change scenarios. These models are valuable in understanding global and regional trends. Most of the physical climate parameters of our scenarios come from reputable sources using global models.

While GCMs are useful to identify and prioritise CROs, their spatial resolution is too coarse and hence not suitable to support engineering decision-making at the mining site level. We have collaborated with the scientific community to identify climate modelling approaches suitable to inform engineering decision-making based on regional climate models using statistical and selective dynamic downscaling for comparative purposes. The use of estimates from regional models will be a significant contribution in our journey to mature our approach to integrate the physical risks of climate change in our planning and operating decisions.

Engagement with stakeholders

Through the Silver Institute, we participate in an industry-wide initiative on silver and the low-carbon economy. The objective is to produce more carbon footprint information for industry stakeholders, showcase carbon abatement best practices and further study silver's lifecycle and its role as a climate-smart metal. In addition, we collaborate with our peers in the Colorado Mining Cleantech Challenge to promote innovative solutions for energy efficiency and other environmental challenges.

Our engagement initiatives also extend to companies and organisations in other industries. For example, we take part in the World

Environment Center (WEC), which enables us to learn best practices on climate change strategy from leading international companies. In Mexico, we are part of CESPEDES (Mexican Chapter of the WBCSD) which shares best practices and engages with governments and society at large. During 2021, we also participated in the Carbon Trust's event 'Route to Net Zero' in Latin America to help organisations understand the steps needed to transition towards decarbonisation by learning from the region's climate leaders' initiatives. Finally, we joined the Mexico TCFD Consortium – following the success of the Japanese model – created to share lessons learnt and assist companies that are starting to adopt these recommendations to shorten their learning curve, build capacities, and improve the country's engagement levels.

We became a registered supporter of the TCFD in 2020 and we disclose our performance in the CDP and GEI Mexico, a voluntary disclosure programme with the Mexican regulators. We discuss our climate change strategy in interviews with investors.

RISK MANAGEMENT

Our risk management system is based on risk identification, assessment, prioritisation, mitigation and monitoring processes, which are continually evaluated, improved and enhanced in line with best practice. Considerations regarding climate change are fully integrated within our ERM system.

The pervasive and complex nature of climate change means that it can act as an amplifier of other risks such as environmental incidents, access to water, health and safety of our people, government regulations, and social licence to operate. Our approach to evaluate and prioritise CROs addresses this challenge.

Integration with current risk process

In the past, climate change was considered to be solely a sustainability issue. The all-encompassing business implications of climate change led in 2020 to its inclusion as one of the emerging risks, as part of provision 28 of the 2018 UK Corporate Governance Code. In 2021, climate change was fully integrated in the annual risk appraisal.

Risk identification, assessment and management

Climate-related risks and opportunities (CRO) evaluation method

Cross-cutting criteria were assigned to each CRO to enable effective comparisons. The CROs identified were then assessed through an evidence-based approach concerning materiality and certainty, drawing on climate scenarios and the Company's financial data. Each identified CRO in the longlist – consisting of 55 CROs in total – was assigned a specific parameter that could be used to indicate how factors beyond Fresnillo's control could change under different scenarios as a result of climate change. Then, each parameter was subsequently assessed for likelihood, velocity and financial materiality. By combining parameter data and the financial materiality assessment, it was possible to identify which risks were most certain and most material. Each CRO has been identified analysing its root cause and its business specific impact as shown in diagram.

CRO evaluation method

Sustainability at the core of our Purpose continued

CLIMATE CHANGE

CRO longlist by TCFD category and value chain stage

a) Velocity:
To assess how fast external pressures are changing, indicating the time frame in which the exposure to each CRO is expected to become significantly different from today. For all risks and opportunities, we then calculated the time frame at which the relevant scenario projection increases above a set hurdle (+40%) or decreases below a set hurdle (-20%), thus enabling us to categorise each external factor into time horizons of significant change based on the first year in which these hurdles are breached. A score was then assigned based on the time frame in which it takes place:

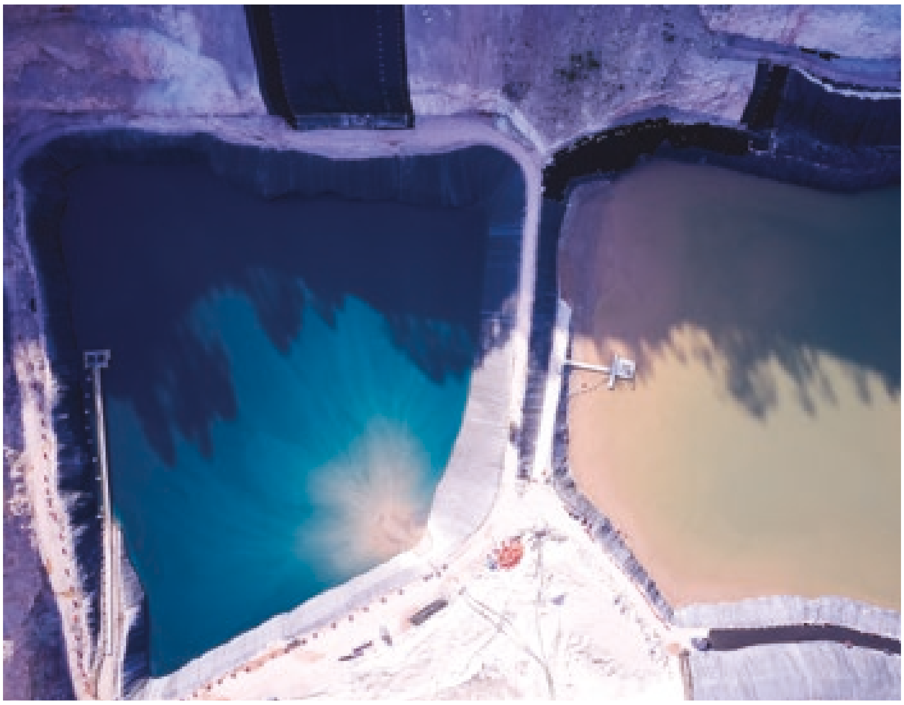
Level	Time Horizon	Period
High	Short term	Up to 3 years
Medium	Medium term	From 3 to 10 years
Low	Long term	Over 10 years

b) Likelihood:
To indicate the probability of a CRO taking place, considering outcomes across all scenarios assessed. Each relevant scenario parameter's direction of evolution was also assessed (i.e. whether under each scenario, a parameter is projected to increase, decrease, or no change). Comparative thresholds were also included to consider the projected change when comparing different climate scenarios. For transition risks and opportunities, projections based on current commitments and trends were compared to the accelerated transition aligned to a 2-degree, Paris Agreement aligned scenario. For physical risks and opportunities, this projection based on current commitments and trends was compared to a scenario with failure of climate mitigation actions and correspondingly high emissions. The measured rate of change between relevant scenarios was evaluated and scored according to the table below.

c) Financial materiality:
To estimate the annual financial impact of each identified CRO. The analysis focused on determining the relationship between the scenario parameter assigned to each CRO and the impacted value driver from the CRO. In some instances, the relationship between the scenario parameter and impacted value driver was directly correlated. To understand and compare the relevant materiality of these financial impacts, thresholds shown in the table below were developed based on our financial materiality threshold and broken into smaller categories.

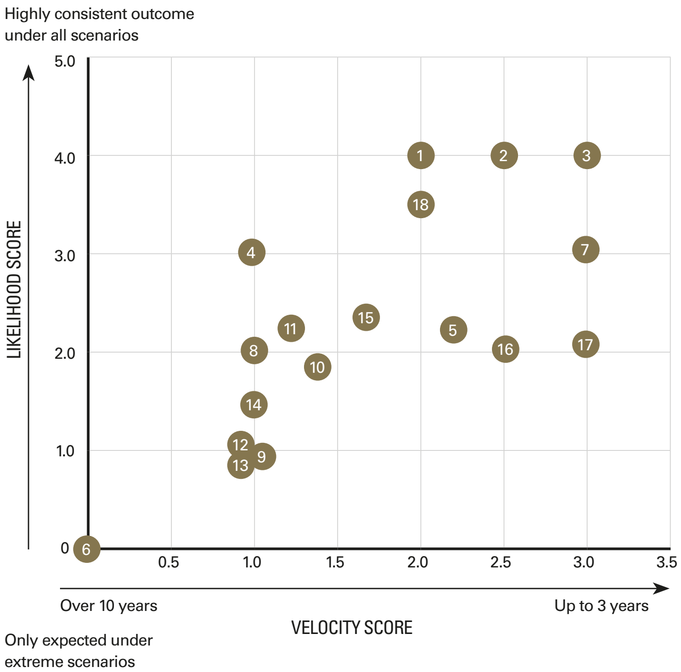
Financial thresholds (US$ million)	Level
$ 0 – 7.9	Low
$ 8.0 – 16.4	Medium
> $ 16.5	High

Level	Likelihood requirements	Threshold
Very high	Strong alignment between current policies and 2-degree scenario (transition risks) or worst-case scenario pathways (physical risks)	25%
High	Good alignment between current policies and 2-degree or worst-case scenario pathways, but 2 degrees more ambitious and worst-case more accelerated	50%
Medium	Much greater change expected under 2-degree or worst-case scenario, but trends are directionally the same	100%
Low	Only expected under a 2-degree or worst-case scenario pathway and not part of current trends/trajectories	–



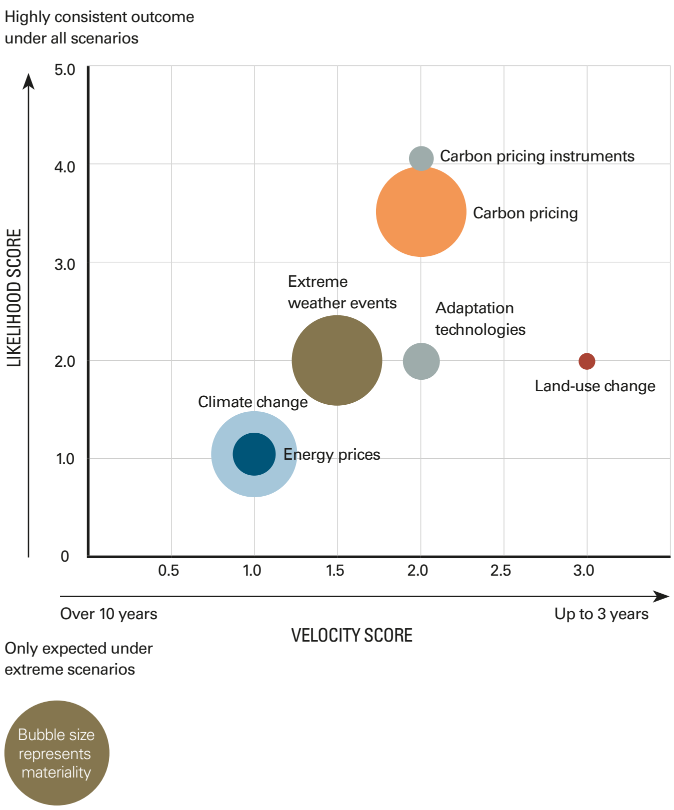
CRO analysis and insights
Transition risks – decarbonisation targets, carbon pricing, stringent regulations and investment trends – are the most likely to materialise under all scenarios followed by physical risks such as water availability, higher temperatures, and extreme events. Likewise, transition risks are expected to arise faster than physical risks, reflecting the expectation that climate action will prevent the worst consequences of climate change. Carbon pricing, extreme weather events and energy prices are the most material risks. On the opportunity side, the most imminent and material outcomes were an increased demand for silver from the solar PV industry followed by adaptation technologies. Finally, we gained insight into interactions, differentiating likelihood and velocity from financial impact to understand how fast we may be subject to a family of risks, as compared to the material impact they may have on our business. This allows us to pay more attention to those subjects where both scores are higher before considering others and streamlining our response in a timely fashion with strategic and financial planning.

VELOCITY AND LIKELIHOOD SCORING BY PARENT ROOT CAUSE

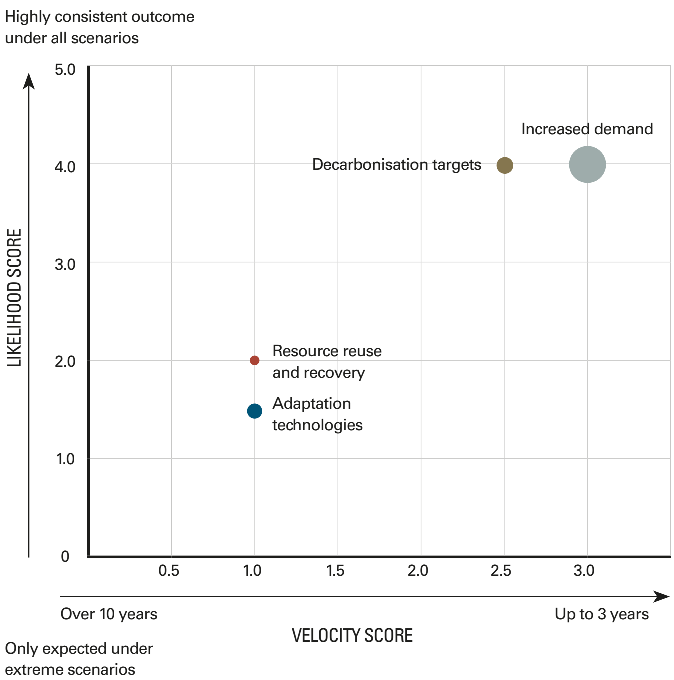


1. Carbon pricing instruments
2. Decarbonisation targets
3. Increased demand
4. Stringent regulations relating to water
5. Water availability
6. Higher temperatures
7. Expectations of capital providers
8. Resources reuse and recovery
9. Climate Change
10. Extreme weather events
11. Changes in temperatures
12. Energy prices
13. Tightening emission standards
14. Innovation and Research
15. Adaptation Technologies
16. Expectations of Staff
17. Land-use change
18. Carbon Pricing

RISK PRIORITISATION BY PARENT ROOT CAUSE



OPPORTUNITIES PRIORITISATION BY PARENT ROOT CAUSE



Sustainability at the core of our Purpose continued

CLIMATE CHANGE

CRO prioritisation and management

Physical risks			
TCFD Category	Description	Impacts	Management approach
Acute Risk	**Changes in frequency and magnitude of extreme events such as rainfall, droughts and heatwaves affecting our operations and neighbouring communities** **Likelihood:** Very likely. **Timeframe:** Medium term. **Financial impact:** Medium. **Value driver affected:** Decrease in revenue; increase in production costs – including maintenance and insurance (Income Statement).	An increase in the frequency intensity of floods, storms, cyclones and hurricanes could affect the health and safety of our people and the continuity of our operations and construction projects in multiple ways: damaging mine infrastructure and access roads; disrupting transportation and supply chains; damaging energy infrastructure; discharging untreated water into surrounding areas; and reducing slope and tailings storage stability. Extreme weather events have a negative impact on our neighbouring communities.	We rely on emergency response plans to protect our people and facilities. Our key mining infrastructure i.e., TSFs takes into consideration measures and capacity to handle excess water. Nonetheless, climate modelling at geographic scales appropriate to mining operations is necessary to increase our understanding of risks, vulnerabilities and planning of adaptation measures. We have collaborated with our communities in the response and recovery from natural disasters.
		Droughts could lead to reductions in revenue from decreased throughput. Droughts have a negative impact on the livelihood of our neighbouring communities.	Our sources of resilience to droughts and chronic water stress are similar and are presented as chronic risks.
		Heatwaves represent a health and safety risk for our workforce in the form of heat-related illnesses and inhibited decision-making capacities, increasing the risk of accidents. Increased energy demand during heatwaves can increase our own demand and the national demand for energy and strain the national grid's transmission capacity.	Our response to more frequent heatwaves relies on our health and safety programmes that evaluate hazards and monitor temperature conditions. Operations already implement energy efficiency measures to reduce electricity demand in peak hours, in order to reduce costs. Our mines are equipped with back-up diesel plants to supply critical activities such as groundwater pumping to protect mining works in case of a loss of power. This is our approach to manage the risk of strained capacity and respond to the loss of power.
Chronic Risk	**Increase in average temperatures, reduction in annual precipitation and associated water stress** **Likelihood:** Very likely. **Timeframe:** Medium and long term. **Financial impact:** Medium. **Value driver affected:** Decrease in revenue; Increase in operating costs (Income Statement).	Lower annual precipitation has a direct effect on water stress that may lead to reduced amounts of water being available for mining and other agricultural and industrial activities, therefore increasing competition for water resources in the areas where we operate. A chronic increase in maximum temperatures will drive our demand for energy for cooling purposes.	Most of our water demand is supplied from groundwater which is more resilient to droughts. The use of reused municipal water reduces our exposure in the Fresnillo District and is an option in operations such as Penmont and in projects located close to medium-sized communities. In addition, we have constructed a water reservoir at the San Julián mine to increase resilience to droughts. We have developed a new approach to technology for mineral processing considering safety (tailings), water and carbon performance. We cooperate with communities to increase water access as well as water resilience.

Transition risks

TCFD Category	Description	Impacts	Management approach
Policy and legal	**Emerging regulations such as local or transborder carbon taxes, cap and trade systems or increasing requirements from current emissions regulations** **Likelihood:** Very likely. **Timeframe:** Short to medium term. **Financial impact:** Medium. **Value driver affected:** Increase in production costs and/or decrease in net income (Income Statement).	Mexico's current pilot (non-binding) Emissions Trading System (ETS) programme excludes direct emissions from haulage and indirect emissions from electricity. However, an increase in ambition to curb climate change may drive a change in regulations of the ETS to increase the emissions sources regulated and their thresholds or requirements for the mining sector from the National Emissions Registry (RENE). Other carbon pricing mechanisms such as carbon taxes on fuels or products may also arise either nationally, subnationally or internationally (i.e. subnational environmental taxes, carbon boarder adjustment mechanisms, etc.).	A resilient energy strategy supported by renewables and cost-effective energy efficiency projects. Further exploration of decarbonisation technologies and carbon offset mechanisms are required. We engage constructively with regulators and law makers on energy and climate change regulations, directly or through industry associations and chambers.
	Changes in the regulatory framework of renewables **Likelihood:** Likely. **Timeframe:** Short to medium term. **Financial impact:** High. **Value driver affected:** Increase in production costs (Income Statement).	The growth of renewables relies on a regulatory framework that provides certainty in the long term. Changes to the Mexican electricity industry to curtail renewables may reduce the options for decarbonisation and increase the cost of energy. The policies of the Federal Government are not favourable to renewable energies. An energy reform was submitted to Congress to increase government control of the energy sector. In its current form, the reform would allocate to the state-owned power utility CFE over half of the wholesale electricity market. In addition, the proposed reform would cancel the self-supply mechanism used by private companies and the market mechanism eliminating the flexibility to source renewables. The reform would eliminate requirements for Clean Energy Certificates, which is the most important decarbonisation policy instrument of the Mexican Power Sector.	
Market	**Increase in energy prices** **Likelihood:** Low. **Timeframe:** Short term. **Financial impact:** High. **Value driver affected:** Increase in production costs (Income Statement).	The mining industry is very energy intensive. It is also very dependent on certain energy sources such as electricity and diesel, which amount to a significant share of its production costs. Volatility in oil and gas prices could increase the cost of energy.	We have deployed a very successful power self-supply scheme through PPAs, which has considerably improved our production costs. Additionally, we have seized technological opportunities to reduce both our carbon footprint and costs by leveraging state of the art technology such as dual (diesel-LNG) systems for trucks at Herradura open pit mine, reducing the consumption of diesel.

Sustainability at the core of our Purpose continued

CLIMATE CHANGE

Opportunities

TCFD Category	Description	Impacts	Management approach
Markets	**Increase in demand of silver for solar PV manufacturing** **Likelihood:** Very likely. **Timeframe:** Short term. **Financial impact:** Medium to high. **Value driver affected:** Increase in revenues (Income Statement).	Silver is used in the manufacturing of solar photovoltaic (PV) cells. Solar energy is expected to increase its role in the global energy mix as decarbonisation ambitions rise globally, and manufacturing becomes cheaper. PV manufacturing is expected to be one of the drivers of greater silver demand.	We monitor the progress of this opportunity through the Silver Institute and specialised reports.
Energy Source	**Increase of renewables in the global energy mix** **Likelihood:** Very likely. **Timeframe:** Medium term. **Financial impact:** Medium. **Value driver affected:** Decrease in production costs (Income Statement).	Renewables offer cost-effective decarbonisation opportunities and build resilience in our carbon strategy.	We have considerably increased the use of renewables in our energy mix over the years, and they accounted for almost half of our demand in 2021.
Resource Efficiency	**Resource efficiency and fossil fuel switching** **Likelihood:** Very likely. **Timeframe:** Medium term. **Financial impact:** High. **Value driver affected:** Decrease in production costs (Income Statement).	Energy efficiency helps reduce energy demand, generates savings in operating costs and reduces carbon footprint. Data science and Internet of Things applications have increased the potential for energy efficiency. Less water-intensive technologies reduce operating costs and dependence on fresh water, avoiding water scarcity risk.	We have seized technological opportunities to reduce both our carbon footprint and costs. Examples include the ventilation on demand systems, optimisation systems in processing plants and fleet management and the introduction of dual (diesel-LNG) systems for trucks at Herradura open pit mine. We have also recently undertaken an evaluation to review the feasibility of using a Colossal Filter to improve tailings deposition and water management; during the first phase, we will identify viable sites for implementation. Furthermore, we engage with suppliers of truck equipment and ventilation systems, as well as with industry associations, to monitor the ways in which technologies are evolving; we also sponsor industry-oriented cleantech challenges to foster the introduction of innovative solutions to the marketplace.
	Electrification, high penetration renewables, storage in microgrids and hydrogen **Likelihood:** Likely. **Timeframe:** Long term. **Financial impact:** High. **Value driver affected:** Decrease in production costs (Income Statement).	Electrification could transform mining equipment and truck fleets in underground mines. Microgrids (off the grid) supported by renewables and energy storage offer opportunities for remote mining operations and to reduce dependence on the national grid. Green hydrogen (hydrolysis with renewable energy) represents an opportunity to decarbonise truck fleets in open pit mines.	

METRICS AND TARGETS

Climate-related metrics

We use these metrics to monitor energy demand and intensity in order to identify opportunities for energy efficiency in our business units. We track our progress against our goal of sourcing 75% of electricity from renewable sources by 2030.

Global GHG emissions for the period 1 January 2021 to 31 December 2021

	GHG emissions (tonnes of CO_2e)			Energy (MWhe)		
	Reporting year	Previous year	Comparison year	**Reporting year**	Previous year	Comparison year
	2021	2020	2012	**2021**	2020	2012
Scope 1 (direct emissions): Combustion of fuel (mobile and stationary sources).	**526,545**	473,719	375,121	**1,965,302**	1,761,759	1,385,448
Diesel Total	**501,869**	457,955	366,784	**1,852,924**	1,691,068	1,729,591
Diesel (Company-owned)	**328,277**	281,019	228,085	**1,212,056**	1,037,851	841,216
Diesel (contractors)	**173,593**	176,936	138,700	**640,868**	653,217	511,550
Gasoline Total	**6,995**	4,840	3,686	**26,943**	18,640	12,234
Gasoline (Company-owned)	**3,771**	3,300	3,686	**14,525**	12,709	12,234
Gasoline (contractors)	**3,224**	1,540	0	**12,419**	5,931	0
Natural gas Total	**14,135**	7,379	0	**69,839**	36,460	0
Natural gas (Company-owned)	**14,135**	7,379	0	**69,839**	36,460	0
Natural gas (contractors)	**0**	0	0	**0**	0	0
LPG Total	**3,546**	3,544	4,650	**15,595**	15,590	20,448
LPG (Company-owned)	**3,340**	3,383	4,650	**14,690**	14,880	20,448
LPG (contractors)	**206**	161	0	**906**	710	0
Scope 2 (indirect emissions): Electricity purchased from the grid and PPAs	**372,343**	369,880	329,245	**1,100,699**	1,070,498	420,615
Mexican National Grid (CFE)	**138,698**	139,701	69,966	**280,764**	282,796	135,461
Thermal – Thermoelectric Peñoles (TEP)	**233,646**	230,179	259,279	**272,536**	269,818	285,164
Wind – Coahuila Wind Force (EDC)	**0**	0	0	**547,399**	517,884	0
Intensity measurement: Emissions and energy reported above per tonne of mineral processed.	**0.023**	0.023	0.013	**0.079**	0.077	0.034

Methodology: We have reported on all the emission sources required under the Streamlined Energy & Carbon Reporting. These sources fall within our operational control. We do not have responsibility for any emission sources that are not included in our Consolidated Statement. We have used the 'Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)', and a 100-year time horizon Global Warming Potential (GWP) for Methane (CH_4) and Nitrous oxide (N_2O) equivalences. Updates to scope 1 and 2 data are twofold: the former due to rectifications of fuel inventories derived from the external audits for the National Emissions Registry (RENE) – but not material as they amount to an increase of less than 1.5% of GHG emissions – and the latter due to the Mexican National Grid emission factor for the period – usually published on a later date than this annual report.
Scope 1: All direct GHG emissions.
Scope 2: Indirect GHG emissions from consumption of purchased electricity.

* The emissions and energy consumed in the United Kingdom and offshore area are insignificant.

Scope 3 emissions

We have taken the first steps to assess Scope 3 emissions, which are the emissions of our partners in the value chain that are outside our operating boundary. We are committed to collaborating with internal and external stakeholders to increase our visibility of additional Scope 3 categories and refine our understanding of the emissions related to downstream processing of our product.

Category	Description	GHG emissions (tonnes of CO_2e)
Purchased goods and services	Our most relevant supplies are blasting agents (explosives), steel balls for milling, lube oil, shell liners for mills, tyres, steel for drilling and sodium cyanide. In this Scope 3 category we provide an estimate of emissions for blasting agents (explosives), steel balls for milling and lube oil.	176,193
Processing of sold products	The products sold by Fresnillo are intermediate products that require further processing (smelting and refining).	473,604
Downstream transportation and distribution	Products sold are transported to the metallurgical complex.	15,178
Investments	Emissions from the Silverstream contract.	64,183

Performance and climate-related targets

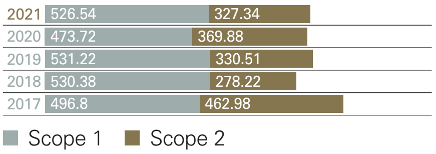
During the year, our GHG emissions increased by 6.8% driven by an increase in production, reflected principally in our Scope 1 emissions. Our supply of wind energy increased by 5.7% and our consumption from the national grid decreased by 0.7%. Wind energy represents 49.7% of our electricity supply (48.4% in 2020). We monitor progress towards our goal of achieving 75% renewables in our energy mix by 2030. However, we are currently experiencing regulatory uncertainty regarding the legal framework, as Mexican government policy is delaying the increase in the supply from renewable sources.

Sustainability at the core of our Purpose continued

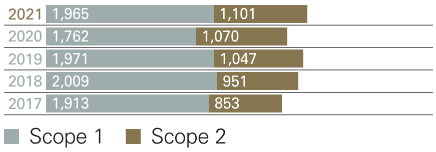
CLIMATE CHANGE

ENERGY – GHG PROFILE – 2021

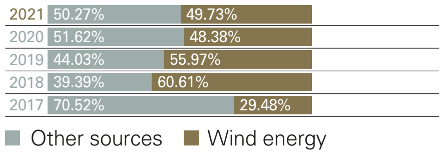
GHG EMISSIONS (KT OF CO_2E)



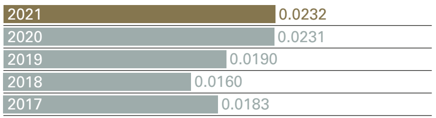
ENERGY USE (GWHE)



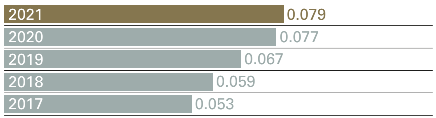
ELECTRICITY SUPPLY



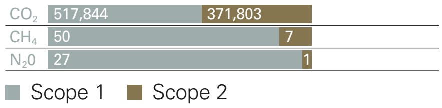
GHG INTENSITY (TONNES OF CO_2E PER TONNE OF MINERAL PROCESSED)



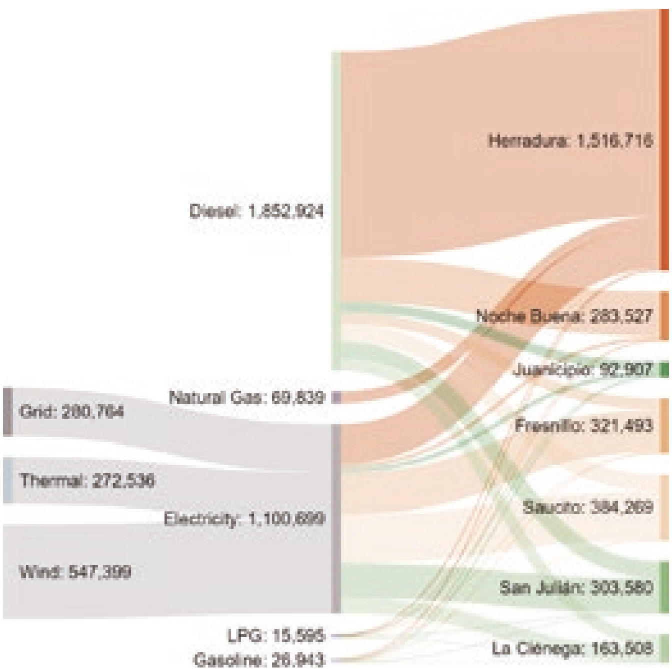
ENERGY INTENSITY (MWHE PER TONNE OF MINERAL PROCESSED)



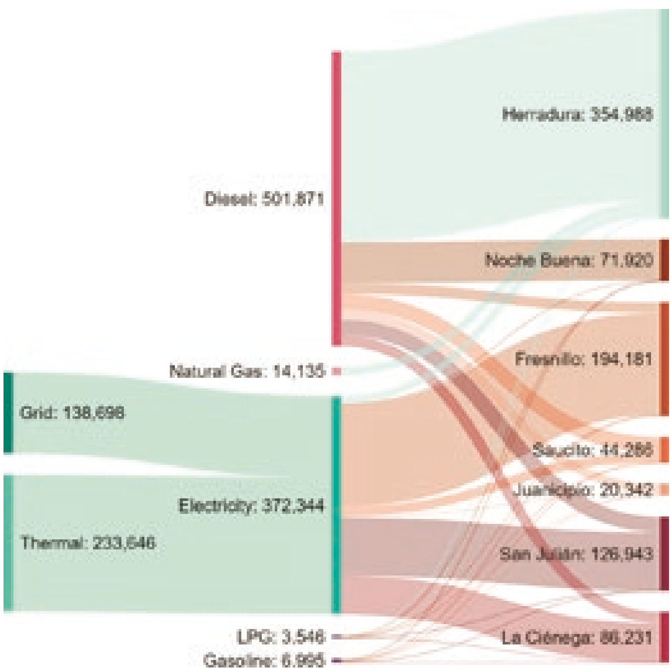
EMISSIONS BY GHG TYPE – 2021 (TONNES)



ENERGY PER OPERATING UNIT (MWHE)



GHG EMISSIONS PER OPERATING UNIT (TONNE CO_2E)



CYANIDE MANAGEMENT

Our goal is to protect human health and the environment by responsibly managing sodium cyanide solutions and waste (tailings and spent heaps).

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

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-155 SEMARNAT-2007, which establish environmental requirements for gold and silver leaching systems (production, transportation, storage, usage and facilities decommissioning). As part of our commitment to safe cyanide management, we engage with local authorities and collaborate with fire departments and hospitals to build emergency response capabilities. We also provide comprehensive training to our personnel and make operational and environmental information available to our stakeholders, ensuring both open dialogue and trust, which strengthen our social licence.

How we will win

Design and operate our gold producing mines in compliance with the International Cyanide Management Institute (ICMI)

Key activities:

- Purchase sodium cyanide from certified manufacturers.
- Protect the environment and communities during transport to our facilities.
- Protect our people and the environment during handling and storage.
- Follow working practices that prevent impacts on health or ecosystems.
- Optimise mineral processing to minimise the residual cyanide in tailings.
- Manage and monitor seepage to prevent impacts on groundwater.
- Decommission facilities responsibly to prevent legacy issues.
- Provide our people with emergency response training, and on how to engage authorities and communities.
- Provide training and organise drills for operational and emergency response personnel regarding cyanide management.
- Engage with communities and authorities to ensure the transparency of our processes, potential hazards and controls.

Visit us online to learn more about our responsible cyanide management practices.

Performance

Our operations at Herradura and Noche Buena are certified by the Cyanide Code, which accounts for each of their Merrill-Crowe processes and the dynamic leaching plants – the latter being certified in less than a year following us becoming signatories. During 2021, there were no incidents related to cyanide management.

Metrics

	2021	2020	2019	2018	2017
Sodium cyanide (NaCN) consumption (tonnes)	**13,400**	13,549	14,692	13,497	11,653

Sustainability at the core of our Purpose continued

TAILINGS AND MINERAL WASTE MANAGEMENT

Our goal is to protect local communities and the environment by managing mineral waste responsibly.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Safe tailings management is a key consideration in the design, construction, operation, closure and post-closure of our mining operations. Recent tailings accidents in the industry have served as a reminder of the complex nature of these structures. We are working towards our goal of zero harm to the people and the environment, implementing the best practices in engineering and governance of Tailings Storage Facilities (TSFs). The Company has made significant progress in maturing governance and adopting best practices, despite the challenges presented by Covid-19. There were no tailings-related failures at our operations in 2021.

WHAT TAILINGS ARE AND HOW THEY ARE PRODUCED

Tailings are a by-product of mineral processing. The ore is reduced in size by crushing and milling to obtain sand and silt-sized particles. The milled rock is then mixed with water and moved as a slurry for further processing to separate the valuable minerals from the milled rock. The remaining slurry of milled rock is known as tailings. Tailings are transported and stored in engineered structures known as TSFs or combined with cement to be reused as paste backfilling in underground workings.

Governance

Our governance framework establishes the roles, responsibilities and accountability of the groups involved in the design, construction, operation, maintenance and surveillance of TSFs. In 2021, this framework was implemented in all our operations. The key components of our framework are:

- **Site management** – Mine managers are the risk owners responsible for operating TSFs in accordance with our guidelines. The Regional Tailings Manager and a qualified Engineer of Record provide the technical expertise to ensure the facility is managed safely and complies with the appropriate governance and best practice. We are developing the implementation of a formal change management process to address changes in risk owners.
- **Tailings Management and Stewardship Team** – This group of subject matter experts develops and administers the corporate governance and appropriate controls, including the implementation of verifications and external reviews. Baluarte's CEO of Engineering Services leads the team with the support of the Assistant VP of Infrastructure, corporate tailings specialists and managers.
- **External reviews** – Our governance framework is supported by independent experts, inspectors, reviewers and auditors to confirm compliance with our governance and engineering best practice requirements. Our third-party review process includes an Independent Tailings Review Panel (ITRP), Dam Safety Inspections (DSIs) and Dam Safety Reviews (DSRs).
- **Group-level oversight** – Oversight of the overall governance and operations is provided by the TSF Review Executive Committee. The Committee, comprising Senior Executives, relies on independent expert advice and assessment for the continuous review of operation, governance, inspection, review and audit reports. Fresnillo plc CEO is the Accountable Executive (AE) for operations and Baluarte Technical Services CEO is the AE for Governances matters.

The Board's HSECR Committee is informed of compliance status, as well as any relevant issues or risks and recommended appropriate actions.

"WE HAVE COME A LONG WAY TOWARDS IMPLEMENTING A ROBUST TSF STEWARDSHIP PROGRAMME BASED ON INDUSTRY BEST PRACTICES. TO DATE, WE HAVE SIGNIFICANTLY REDUCED THE NUMBER OF SITES IN NEED OF IMMEDIATE ATTENTION IN LINE WITH RECOGNISED BEST PRACTICES, WHILE ALSO ATTRACTING AND DEVELOPING A QUALIFIED TEAM AND DEPLOYING STATE-OF-ART MONITORING INSTRUMENTATION AND TECHNOLOGY. WE HAVE COMPLETED A COMPREHENSIVE UPGRADE OF OUR APPROACH TO THE DESIGN, CONSTRUCTION, OPERATION AND CLOSURE OF OUR TSFS. THE IMPLEMENTATION OF A COMPREHENSIVE STEWARDSHIP PROGRAMME IS AN AMBITIOUS UNDERTAKING THAT REQUIRES MANY YEARS OF DEDICATED EFFORT. OUR CONSULTANTS, INDEPENDENT REVIEWERS AND REINSURERS HAVE COMMENTED ON THE REMARKABLE SPEED AT WHICH WE ARE MOVING FORWARD, AND THEY ATTRIBUTE THIS ACHIEVEMENT TO THE VISIBLE AND UNEQUIVOCAL COMMITMENT DEMONSTRATED BY OUR BOARD AND SENIOR LEADERSHIP."

Mr Herman Dittmar
Baluarte's CEO of Engineering Services

GOVERNANCE OF TSF

SITE MANAGEMENT	TAILINGS MANAGEMENT AND STEWARDSHIP TEAM	EXTERNAL REVIEWS	GROUP-LEVEL OVERSIGHT
• Mine Manager • Regional Tailings Manager • Engineer of Record (EoR)	• Accountable Executive (AE) • Corporate Tailings Specialist • Corporate Tailings Manager	• Independent Tailings Review Panel (ITRP) • Dam Safety Inspections (DSI) • Dam Safety Reviews (DSR)	• TSF Review Executive Committee

The Independent Tailing Review Panel (ITRP) meets the Company every two months and annually conducts four virtual and two field visits. Findings are presented to senior management for follow-up. Focus is now moving from initial implementation to the documentation and institutionalisation of our governance framework in our Tailings Policy, which we expect to release in 2022.

Risk management

Maintaining the high standards of safety and environmental protection of TSFs is an ongoing process that requires continuous evaluation through the lifecycle of each facility. Design, construction, surveillance, maintenance and external reviews follow the best practice guides of the Mining Association of Canada (MAC), the Canadian Dam Association (CDA), the International Commission of Large Dams (ICOLD) and the International Council of Mining and Metals (ICMM).

Design and construction

We design our new tailings dams in accordance with international best practices (i.e. ICMM. ICOLD, CDA and MAC) with the support of qualified engineering firms. We have formalised our approach to site options studies, construction methods and technology selection. At an early stage of a project, we identify opportunities for paste backfilling and filtered tailings.

We have conducted an extensive campaign of geotechnical investigation to update the geotechnical models of our TSFs. We implement quality assurance and controls for the construction or expansion (lifts) in the operating phase. The design and construction of TSFs are also managed by the Tailings Management organisation using dedicated internal and external resources.

Operation

Mine managers operate the facility in accordance with our guidelines through a combination of shared services from the Tailings management and Stewardship Team, and internal resources organised to report directly to him/her, independently of other operating roles. Mine managers are supported by a qualified Regional Tailings Manager and a qualified Engineer of Record (EoR). Master Services Agreements have been signed with several recognised consultancies and, through them, named EORs.

Surveillance and maintenance

Routine surveillance is conducted by trained operators and expert technical staff from the Tailings Management and Stewardship Team. Condition and critical control monitoring have been enhanced by the installation of improved instrumentation and monitoring equipment. With the support of our consultants, we are currently formalising and implementing the Operation, Maintenance and Surveillance (OMS) Manuals following the guidelines of the Mining Association of Canada (MAC). Our routine surveillance practices have improved as an outcome of the OMS initiative. We have increased the use of InSar Satellite monitoring, improved telemetry and data analytics to facilitate near real-time management of critical controls, improved condition reporting and response times.

External reviews

The ITRP comprises subject matter specialists of international renown who meet several times per year to conduct an independent review of the design, operation and integrity of our TSFs. Due to travel restrictions necessitated by the Covid-19 pandemic, the ITRP reviewed operating sites virtually.

We conduct Dam Safety Inspections (DSIs) and Dam Safety Reviews (DSRs) to evaluate our compliance with international best practices and applicable regulatory requirements. Our Tailings Management and Stewardship Team appoints qualified consultants to conduct formal safety inspections and periodic reviews of TSFs.

Strategy

Our Strategy for responsible tailings management aims to adopt the best practices of engineering and management principles of the Mining Association of Canada (MAC), the Canadian Dam Association (CDA), the International Commission of Large Dams (ICOLD) and the International Council of Mining and Metals (ICMM). We are maturing our implementation of Tailings Management Systems, a centre of excellence that provides shared services, formal planning and resourcing, training and a disciplined approach to investment in tailings technologies.

We recognise the importance and relevance of the Global Industry Standard on Tailings Management (GISTM) and have followed its development and progress. As a company we support this standard and we will review and assess the impact and challenges of its implementation. We feel confident that the compliance with these international guidelines is a strong baseline that will lead the GISTM compliance.

Tailings management system

Our focus is now moving from initial implementation of our governance framework to the formal documentation and implementation of our enhanced OMS Manuals and Emergency Preparedness and Response Plan (EPRPs). A training workshop was held to prepare the documents following the Tailings guide of the Mining Association of Canada (MAC).

Tailings management and Stewardship team

This group comprises subject matter experts and implements the governance framework and controls and provides shared services. In our journey to become a centre of excellence, we presented our first paper at the Tailings and Mine Waste 2021 event in Banff, Canada where we shared our best practices on the design and construction of TSFs.

Sustainability at the core of our Purpose continued

TAILINGS AND MINERAL WASTE MANAGEMENT

Planning and resourcing
We conduct a formal process to budget i) Construction of current facilities; ii) Siting, design and construction of new facilities; iii) Improvement in instrumentation and monitoring; and iv) technical services.

Training
A Tailings Governance Workshop was held in June with a range of respected speakers. Training sessions on tailings management and technical workshops were organised throughout the year. Our experts from the Tailings Management organisation participated at national and international conferences.

New technologies
Our approach to new technologies takes into consideration the strategic priority and the maturity of technologies:

- 1st Horizon: Surveillance, Monitoring and Alerting Technology (i.e. inSar, drones, data analytics, etc.).
- 2nd Horizon: Downstream Processing Technology (i.e. paste tailings and filtered tailings).
- 3rd Horizon: Upstream Processing Technology (i.e. selective processing, water and energy reduction, etc.).

In addition, we evaluate the contribution that new technologies can make to: i) safety improvements; ii) the efficiency of our operations; and iii) the reduction of our environmental footprint and risks.

We explore strategic opportunities to venture into the development and research of new technologies applied in tailings and water management. Working with Ausenco and FL Smidth, we commenced an evaluation of the feasibility of improving tailings deposition by using a colossal filter.

Waste rock
Mining operations remove waste rock to access the ore. Most mining waste is transported and deposited in waste piles for permanent storage, though some waste rock is used in underground cut and fill operations. Most of the Company's mineral waste is generated by the open pit operations at Penmont and deposited in waste rock piles.

Heaps
Part of the disseminated ore deposits of Penmont are processed using heap leaching. Channels surrounding the heaps and contingency ponds are hydraulically designed to handle flood flows caused by extreme rainfall events. We proactively monitor conditions both up and downstream to detect changes in water quality. Once extraction of ore from the mine is complete, the piles are rinsed and allowed to drain down to protect the environment.

Metrics

		Unit	2021	2020	2019	2018	2017
Mine waste	Waste rock	Tonne	**131,603,499**	119,233,877	141,717,898	164,490,105	164,431,521
Processing waste from flotation-concentration	Tailings	Tonne	**7,985,885**	8,969,146	9,370,672	8,795,869	8,062,207
Metallurgical waste from heap and dynamic leaching facilities	Tailings	Tonne	**6,224,972**	5,909,107	6,137,482	3,560,486	3,049,216
	Heaps	Tonne	**28,641,642**	20,570,573	34,422,898	39,912,814	42,448,200

WATER STEWARDSHIP

Our goals are to secure water access, minimise our water footprint and cooperate with our stakeholders.

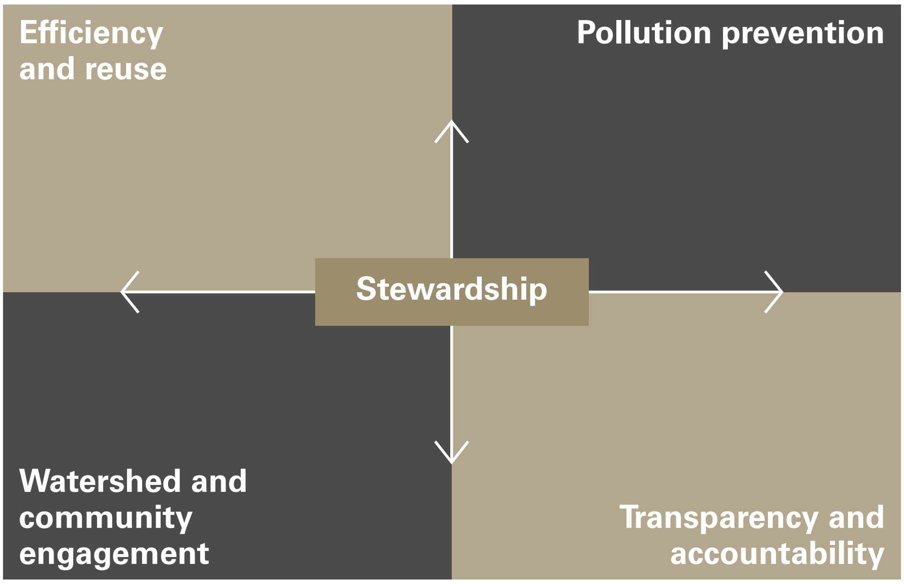
Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Mining and processing ore requires large volumes of water. In addition, many of our operations take place in arid regions where water is frequently a relevant issue for local communities. For these reasons, securing access to water and being responsible water stewards are critical success factors.

Before we commence any project, we carry out EIAs to gain knowledge of water resources and their vulnerability on a local and regional scale.



How we will win

Efficiency and reuse

Key activities:

- Implement efficient closed water circuits, eliminating the need to discharge processed water into water streams.
- Reuse wastewater from municipalities and our own operations and accommodation.
- Implement our new technology strategy to evaluate and adopt upstream and downstream mineral processing technologies able to have positive impacts on safety (tailings), carbon and water footprint.

Pollution prevention

Key activities:

- Send unused water from dewatering to settlement ponds in order to control suspended solids, before discharging the cleaned water downstream.
- Ensure responsible cyanide management (see the Cyanide management section of this report).
- Ensure the responsible operation of TSFs (see the Mineral waste management section of this report).

Watershed and community engagement

Key activities:

- Secure water rights from authorities before using any water in mining and mineral processing.
- Cooperate with water authorities and other stakeholders, including communities, to increase water access (see the Communities section of this report).
- Share best practices with other industries and civil society at events organised by the World Environment Center (WEC) and CESPEDES (Mexican Chapter of the WBCSD).

Transparency and accountability

Key activities:

- Account for water use, using the Water Accounting Framework (WAF) proposed by the Minerals Council of Australia.
- Respect our water quotas, monitoring our discharges and acting to ensure that they adhere to water quality regulations.
- Improve our water accounting practices.

River basin context

We operate in river basins that currently experience water stress. Climate change is expected to increase water stress under all scenarios.

	Current Conditions		Water stress considering climate change scenarios*	
Business unit	Overall Water Risk	Water stress	Business as usual 2030	Pessimistic 2030
Fresnillo	Medium – High (2-3)	Extremely High (>80%)	1.4x increase	1.4x increase
Saucito	Medium – High (2-3)	Extremely High (>80%)	1.4x increase	1.4x increase
La Ciénega	High (3-4)	Extremely High (>80%)	1.4x increase	1.4x increase
Penmont	Extremely High (4-5)	Extremely High (>80%)	1.4x increase	1.4x increase
San Julián	Medium – High (2-3)	High (40-80%)	Near normal	1.4x increase

Water stress measures the ratio of total annual water withdrawal to average annual available blue water. This is a commonly used indicator also known as relative water demand.

* Climate change scenarios from WRI Aqueduct tool. Please check the climate change scenarios at: https://www.wri.org/aqueduct

Sustainability at the core of our Purpose continued

WATER STEWARDSHIP

Performance

During the year, we detected no negative downstream impacts on ecosystems or waterbodies due to our groundwater intake or water discharges.

Water management in megalitres*

Category	2021	2020	2019	2018	2017
Total Water Withdrawn	**30,707**	21,138	20,941	22,185	23,583
Total Water Deviations	**13,954**	7,522	7,721	8,848	10,547
Total Water Consumed	**16,753**	13,616	13,220	13,337	11,997

1 megalitre = 1,000 m^3

Statement of water inputs and outputs in megalitres

For the period 1 January 2021 to 31 December 2021

Category	Element	Sub element	2021	2020
Input	Surface water	Rivers and creeks	**669**	201
	Groundwater	Mine Water	**6,166**	5,573
		Bore fields	**7,370**	5,822
		Ore entrainment	**362**	383
	Third party	Waste water	**2,150**	1,599
		Total water inputs	**16,718**	**13,578**
Output	Surface water	Discharges	**33**	27
	Other	Water entrained in concentrates	**35**	38
		Total water outputs	**68**	**65**

Water deviations in megalitres

For the period 1 January 2021 to 31 December 2021

Category	Element	Sub element	2021	2020
Input	Surface water	Rivers and creeks	**–**	–
	Groundwater	Aquifer Interception (Dewatering)	**13,921**	7,495
		Total water inputs	**13,921**	**7,495**
Output	Surface water	Discharges	**13,807**	7,467
		Supply to third party (Donation)	**115**	28
		Loss (evaporation, infiltration, etc.)	**–**	–
		Total water outputs	**13,921**	**7,495**

Statement of operational efficiency

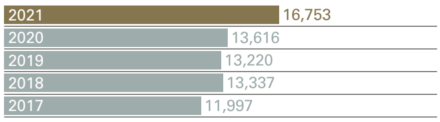
Efficiency for the period 1 January 2021 to 31 December 2021

	2020	2019
Total volume to tasks	**76,010**	73,510
Total volume of reused water	**60,031**	60,027
Efficiency of reuse	**78.98%**	81.66%
Total volume of recycled water	**1,955**	1,716

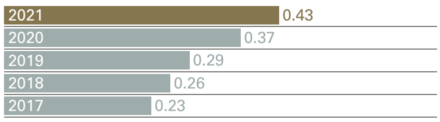
* To enhance transparency, we followed the International Council of Mining and Metals (ICMM) water reporting guidance and the Mineral Council of Australia's Water Accounting Framework.

	Unit	2021	2020	2019	2018	2017
Reuse efficiency	%	**78.98%**	81.86%	79.89%	80.16%	83.13%
Total volume of recycled water	megalitre	**1,955**	1,716	950	1,327	2,039

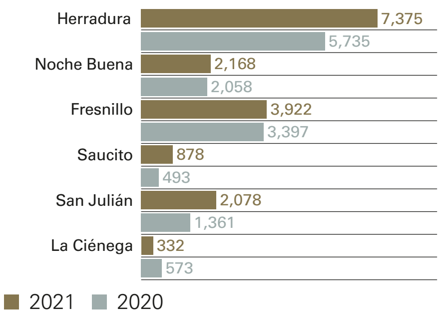
WATER CONSUMPTION (MEGALITRES)



WATER INTENSITY (M³/TONNE OF MINERAL PROCESSED)



WATER INPUT (MEGALITRES)



* The increase in water consumption was driven by the construction of leaching pads at Herradura and a review in our water accounting practices, specifically in Herradura and Saucito. The brackish water used for dust suppression at Herradura is now included in our water accounting.

CONSERVATION OF NATURAL RESOURCES

Our commitment is to implement sound measures to safeguard biodiversity and ensure that it is not adversely affected by our operations.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

The loss of natural capital together with climate change pose significant threats to the welfare of people, the health of ecosystems and economic prosperity. Our EIAs and management plans – based on the Mexican biodiversity norm "NOM-059-SEMARNAT-2010 – enable us to manage biodiversity responsibly by identifying avoidance, mitigation and compensation measures.

We assess our potential impact on biodiversity before starting a project and whenever an event such as permit change or project expansion warrants a review.

We do not operate in Mexican Natural Protected Areas, UNESCO Natural World Heritage sites, UNESCO Man and the Biosphere Reserves, Ramsar Wetlands of International Importance nor International Union for Conservation of Nature (IUCN) Protected Areas. Furthermore, we identify as species of special concern those listed in the IUCN and the Mexican biodiversity norm, as well as protected ones, capture and release wildlife and relocate plant species, map them and provide periodic follow up. We also carry out soil conservation work and plant material cordoning for erosion control, increasing humidity levels that reinforce natural rehabilitation of habitats. Moreover, we have forestry nurseries at all operations and projects, to aid our reforestation commitments.

Additionally, we partner with state governments to protect endemic endangered species, such as the Sonoran pronghorn – endemic to the Sonoran Desert – near our Penmont operations, and the golden eagle, in the Fresnillo District.

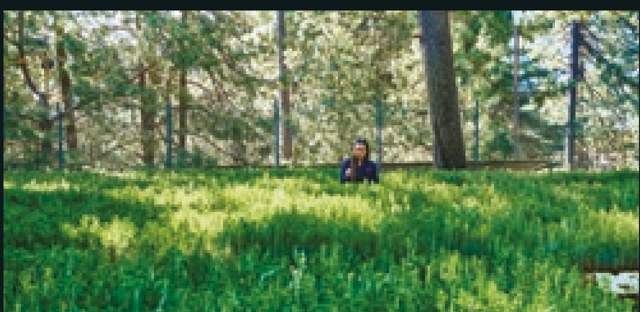
At Ciénega, we have set aside a 1,000-hectare conservation area encompassing land reclaimed from our operations as well as areas rehabilitated following deforestation. We support the NGO Naturalia as part of our WildCorp commitment.

FORESTRY NURSERIES

All our operations benefit from forestry nurseries, which enable us to comply with environmental restoration commitments to return sites to the density that existed before operations began. The nurseries support our aim of achieving endemic species conservation, reproduction, exploitation, and restoration. At some facilities, the nurseries also support environmental education and research, in collaboration with the authorities. We train our people to carry out operational and maintenance activities such as the upkeep of facilities, planting and irrigation, protection from harmful agents, and reforestation, among others.

Mining unit	Started operations	Species of interest	Production capacity (seedlings/year)
Fresnillo	2010	*Fraxinus excelsior, Washingtonia robusta, Phoenix canariensis, Pinus pinea, Ligustros.*	60,000
Saucito	2009	*Pinus pinea, Pinus greggii, Fraxinus, Quercus, Schinus molle, Phoenix canariensis.*	30,000
Ciénega	2003	*Pinus duraguensis, Pinus engelmannii, Pinus arizonica, Picea chihuahuana, Pinus pseudotsuga, Pinus abies.*	100,000
Penmont	2022*	*Olneya tesota, Cercidium microphyllum, Prosopis juliflora, Acacia greggii, Acacia constricta, Bursera microphylla.*	150,000
San Julián	2022*	*Pinus duraguensis, Pinus arizonica, Pinus pseudotsuga.*	120,000

Our newest project at Penmont is also designed to comply with the regulatory standard NMX-AA-169-SCFI-2016 – Technical specifications for the establishment of production units and management of forest germplasm. This nursery will be responsible for restoring three different types of the region's vegetation: desert microphilous scrubland associated with Chollal (17.15%), desert microphilous scrubland associated with sub-innermesic scrubland (9.68%), and vegetation of sandy deserts (73.17%), including cacti and other species. Among other facilities, the nursery will include a cold room for seed conservation and storage, a germplasm bank laboratory, an area for selecting and processing collected native seeds, a seed drying area, a warehouse equipped with tools and supplies, a working area, as well as a main office, an operations office and a staff training hall.



Sustainability at the core of our Purpose continued

SOIL POLLUTION

Our goal is to prevent soil contamination by managing our operations responsibly, thereby protecting the environment and the health of local communities.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Mining operations require the use of engine oils, fuels and chemical compounds as well as the management of tailings that may contaminate the soil if accidentally spilled. Soil can also be polluted by air-blown dust from TSFs. Our management system has procedures in place to prevent soil contamination.

ACID MINE DRAINAGE

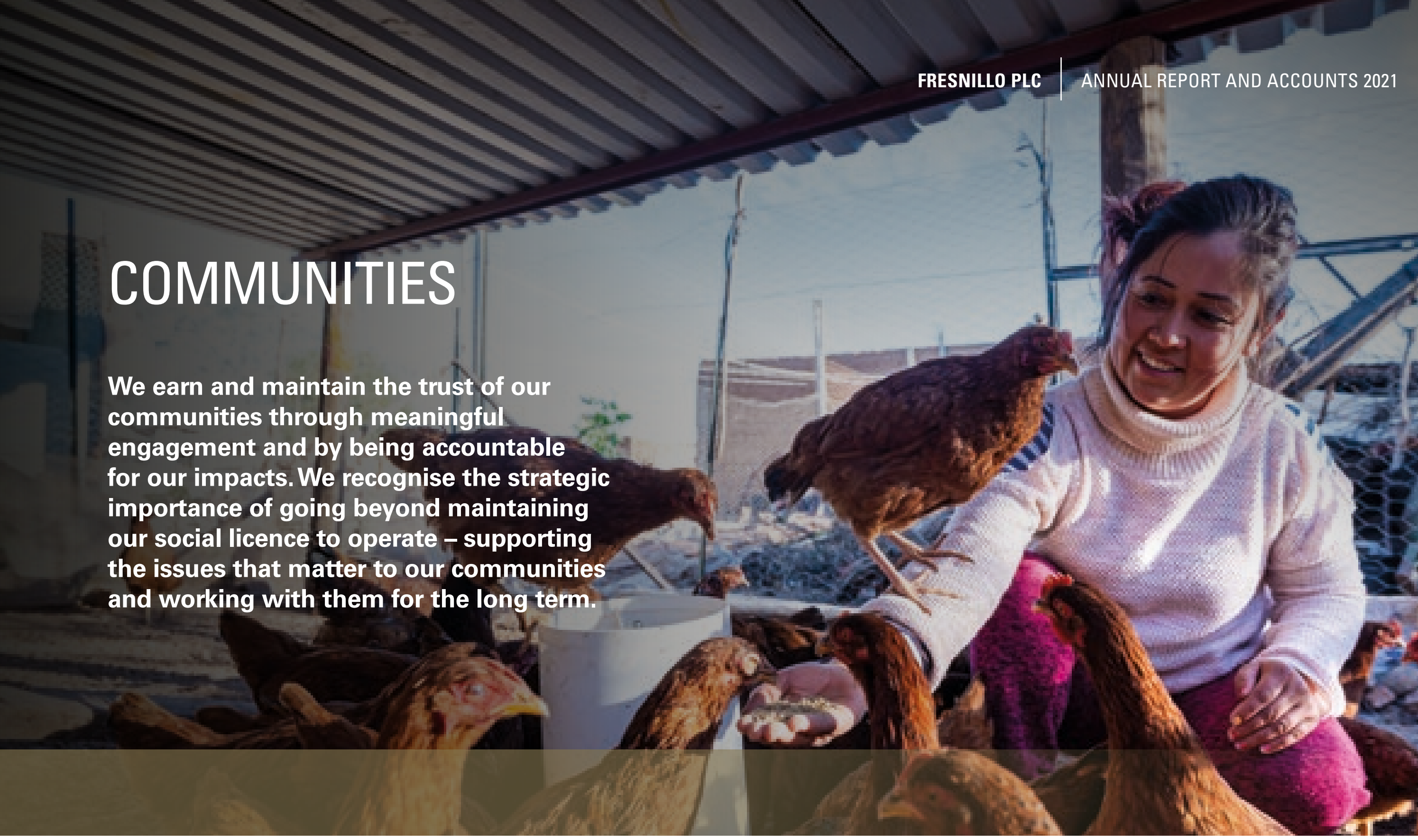
Our goal is to prevent and manage acid mine drainage (AMD) responsibly, thereby protecting the environment and the health of local communities.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

AMD is a major environmental challenge for the mining industry. Uncontrolled AMD represents a risk to surface and groundwater resources during mine operation as well as a legacy issue after closure. We analyse minerals and conduct geochemical tests to identify the AMD potential of ore mineral and waste rock. In our operations with AMD risk, notably the San Ramón satellite mine, we implement site-specific management strategies such as capping waste rock piles with a dry cover (to reduce the ingress of oxygen and water) and collecting and treating acid water.



COMMUNITIES

We earn and maintain the trust of our communities through meaningful engagement and by being accountable for our impacts. We recognise the strategic importance of going beyond maintaining our social licence to operate – supporting the issues that matter to our communities and working with them for the long term.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Partnering with our communities to respond to the Covid-19 pandemic
The Covid-19 pandemic remains an unprecedented challenge, with social and economic consequences to the communities where we operate. In the first year of the pandemic, we adapted our engagement and social investment strategy to raise awareness, support the most vulnerable and collaborate with authorities through strategic donations of equipment and supplies to the health authorities in the communities where our people and their families live and work. In the second year of the pandemic, we remained flexible and adaptable to support the issues that matter to our communities. For example, we collaborated with the Mexican public health authorities to support vaccination in the regions where we operate, significantly increasing the vaccination rate. We also partnered with our communities to support the safe return to school, sharing preventive measures, donating sanitising products, rehabilitating infrastructure and donating masks for children. Larousse Foundation worked with us for the second consecutive year, donating books in our communities. INNOVEC was another key partner, producing videos for children that raised awareness of preventive measures and strategies to manage the emotional challenges of Covid-19. In 2021, we were able to reinstate a number of our flagship programmes, notably the Health Week in Penmont with the support of the National Autonomous University of Mexico (UNAM) Foundation, local health authorities and a new partner, the Sonora Centre's Teleton Foundation.

Engaging communities effectively in the lifecycle of mining
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 activities:
- **Exploration:** Our exploration teams are the first to establish contact with a local community. We identify the relevant stakeholders and focus our engagement efforts on obtaining temporary access to explore land. We develop early local employment and procurement opportunities related to our exploration activities. Social investment is channelled through donations.
- **Project development:** Our stakeholder relationships deepen in this phase of the cycle, as we build trust through activities including local hiring, and contracts for project-related activities. Social investment takes the form of programmes to support capacity building as well as donations. For our advanced feasibility and development projects, we conduct social baseline and impact assessments, manage impacts responsibly and identify development opportunities.
- **Operation:** We regularly engage with the community via formal and informal meetings in order to manage expectations and detect risks and opportunities. Local employment and procurement are related to operation and support activities. We carry out comprehensive social studies to evaluate our social performance and reputation, as well as community concerns and development opportunities.
- **Closure:** We prepare for closure through social studies and community engagement to identify impacts, mitigation measures and opportunities.

Avoid or mitigate negative impacts on the communities where we operate
Key activities:
- Design our projects to avoid impacts and when not possible mitigate these impacts and address community concerns responsibly.
- Monitor and address the social impacts and concerns of communities:
  - During the operation of a mine.
  - During the mine closure phase.

Sustainability at the core of our Purpose continued

COMMUNITIES

Framework for community engagement in the lifecycle of mining

Exploration → Project development → Operation → Closure

Know
- Stakeholder identification, evaluation and mapping
- Social studies: baseline, impact assessment and reputation
- Social management plans

Engage
- Informal and formal meetings
- Register of commitments
- Community committees
- Indigenous peoples consultation
- Grievance mechanism
- Social incident investigations
- Land acquisitions and resettlements

Develop
- Strategic social investment
- Community requests of contribution
- Community small and medium enterprises
- Social closure plans

SUPPORTING VACCINATION IN REMOTE COMMUNITIES

We worked closely with public health authorities to support vaccination activities in the communities where we operate. We provided facilities for vaccination centres, transport for local people and accommodation for health authorities and volunteers. Our efforts significantly increased the vaccination rate for our workforce and their families in local communities.

- Caborca Region (Penmont):
  - 'La Y Griega' vaccination (2-4 July): 5,360 doses, benefiting 30 communities.
  - Penmont vaccination (30 June): 37 doses.
- San Julián (19-23 July): 1,200 doses, benefiting 35 communities.
- La Ciénega, a total of 3,292 doses, benefiting 15 communities.

Grievances

We have a strong track record of open and direct engagement with our stakeholders to address any genuine concerns. Our grievance mechanism is intended to provide a fair way to respond to concerns and resolve disputes.

To properly address stakeholder concerns, we have Community Relations (CR) teams in all operating units and current projects. Grievances are documented, followed up and handled, with the aid of a specialised system designed for this purpose. Our teams act as mediators between the communities and the operating areas responsible for the perceived grievance, with the purpose of investigating them thoroughly and resolving them as soon as possible. The typical process is as follows:

Reception → Evaluation → Investigation and recommendations → Response → Conclusion

We do not measure the performance of our grievance mechanism by the number of grievances received, because an increase or decrease may have a counterintuitive cause. For example, an increase in grievances could in fact mean that the communication channels, the degree of two-way trust or the openness of the Company towards communities' concerns have improved over time, and vice-versa. Instead, we track progress in our consistent understanding of communities' needs and demands, to learn lessons across our operations, improve performance and ensure that the incident is not repeated. The real value of the grievance mechanism lies in the development of long-lasting relationships based on mutual trust, and a procedure that allows us to address concerns fairly and successfully.

Grievances statistics

Category	2021
Outstanding grievances from previous periods	14
New grievances received in the period	22
Total grievances	**36**
Closed grievances in the period	(25)
Outstanding grievances at the end of the period	11

Human rights

Our due diligence approach is based on social assessments in the communities where we operate and develop projects. These assessments enable us to identify the social, environmental, labour and human rights risks and impacts of our activities. The findings are used to continually improve our stakeholder engagement strategy and social management plans. We also implement an additional process at our concessions to support the early identification of the presence of indigenous peoples and inform our subsequent engagement approach.

We do not tolerate any form of threats or mechanisms to intimidate or obtain corporate benefits. We do not condone attacks on anyone, including those who may oppose our activities.

Interactions with private security

Based on our risk assessment, we decided that our private security forces would be unarmed to avoid:

- Clashes with criminal groups that could put the lives of workers or communities in danger.
- Violent confrontations with artisanal miners accessing our facilities illegally.

We expect our private security contractors to conduct themselves ethically, based on honest, respectful, transparent, equitable and fair relations, in strict accordance with the law and guidelines in relation to human rights, labour, the environment and anti-corruption. Private security providers are required to implement a background screening process based on the national criminal database.

The deterrent function of our private security forces is supported by technology and by collaboration with security authorities at the municipal, state and federal level.

Interactions with public security

At present the Herradura mine is the only facility protected by the Federal Mining Police. In 2020, Mexico's Federal Protection Service (Secretariat for Citizen Safety and Protection) formed a new police force specialising in mining operations security. The Mining Police is the result of collaboration between the Secretariat for Citizen Safety and Protection, the Secretariat of Economy and Mexico's Mining Chamber. The Mining Police have been trained on the protection of mining facilities and Human Rights. Our Herradura mine is the first mining operation in Mexico to benefit from the deployment of the Mining Police, which was accompanied by a public commitment from Senior Government Security Officials, our CEO and the President of the Mexican Mining Chamber. All members of the Mining Police undertake a 15-hour Human Rights training course which includes the following learning objectives: identification of the core concepts of human rights and police action; and how to protect, respect, promote and guarantee human rights in their work activities and also in their daily lives.

Criminal background checks of all Fresnillo plc employees are conducted during the hiring process with enhanced confidence controls for members of our own Security Department.

Sustainability at the core of our Purpose continued

INDIGENOUS PEOPLES

Fostering meaningful engagement with indigenous peoples, respecting their right to free, prior and informed consent.

Relevance and risk in the lifecycle of mining

EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

We are committed to ensuring that every interaction with indigenous peoples respects their values, culture and traditions. We recognise that consultation is a fundamental right of indigenous communities and a mechanism to build trust. Good faith, transparency and accountability are the key values that guide our consultative approach.

Consultation allows us to understand their perspectives on our projects and address their concerns. Before the consultation phase, we assess the potential impacts and benefits of our projects and develop the capacities of the communities to fully exercise their right to consultation. During consultation, we consider their preferred method of engagement, present information in a culturally appropriate manner and reach agreements on shared benefits. In 2018, our commitment to constructive dialogue and inclusive participation was fundamental to obtaining the free, prior and informed consent of the Raramuri indigenous people to build and operate a water reservoir for our San Julián mine. In 2021, we engaged the indigenous peoples' Committee to collaborate on roads and collective water monitoring. We have since provided guidance to Indigenous Consultations in Mexico based on our experience at San Julián, the Mexican regulatory framework and international best practices. There were no indigenous consultations in 2021.

How we will win
Key activities:
- Identify indigenous communities, proactively conducting due diligence of our exploration concessions.
- Engage respectfully in a culturally appropriate manner that recognises their culture, values and aspirations.
- Implement best practices regarding the free, prior and informed consent of indigenous peoples.

LAND ACQUISITIONS AND RESETTLEMENTS

Our goal is to manage resettlement responsibly, respecting local laws and following international best practices.

Relevance and risk in the lifecycle of mining

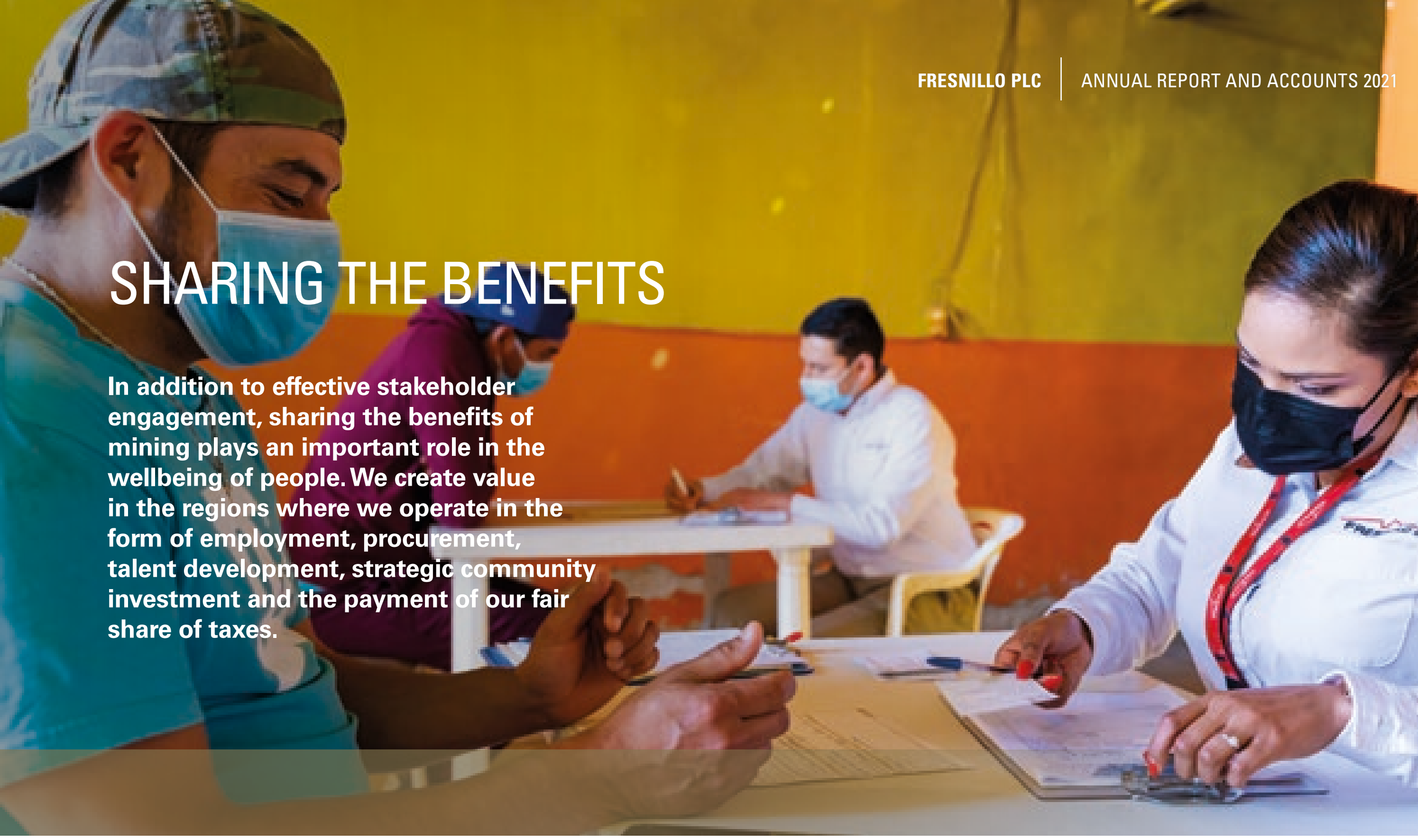
EXPLORATION	DEVELOPMENT	OPERATION	CLOSURE

Risk: High Medium Low

Developing a mining project involves land acquisition and, in some cases, the resettlement of households. We recognise that these are complex and life-changing issues for communities. When poorly planned and managed, land acquisition and resettlement can adversely impact the livelihoods and social structure of communities, damage our relationships or even cause conflict. We recognise that the right to an adequate standard of living after land acquisition and resettlement projects is a basic human right.

How we will win
Key activities:
- Avoid resettlements whenever possible, by exploring alternative options.
- If resettlements are unavoidable, work together with affected households, communities and governments to minimise adverse impacts, restoring or improving livelihoods and living conditions.
- Further develop our competencies and internal processes to manage resettlements, including social baseline and asset surveys, an entitlement and compensation framework, negotiation, livelihood restoration programmes and ongoing monitoring and evaluation.

Performance
No community resettlements occurred at our operations or development projects during 2021.



SHARING THE BENEFITS

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.

ECONOMIC VALUE DISTRIBUTED BY CONCEPT

Wages and benefits to workers	6.0%
Payments to suppliers (contractors)	76.3%
Payments to local governments	0.2%
Payments to Federal Government	17.5%

ECONOMIC VALUE DISTRIBUTED BY STATE

Sonora	24%
Mexico City	21%
Zacatecas	18%
Chihuahua	12%
Durango	9%
Coahuila	7%
Guanajuato	5%
México State	3%
Other	1%

Economic Value Distributed is considered to be a social performance measure.

Economic impact

Our activities create a positive economic impact in the regions where we operate. Employment, contracting opportunities and payment to governments are good examples of how we share the benefits of mining. We consider our community investment to be an indirect economic impact of our activities and therefore present it separately from the Economic Value Distributed measure.

	2021 US$ million	2020 US$ million
Wages and benefits to workers	**127.53**	93.15
Payments to suppliers (contractors)	**1,617.42**	1,333.88
Payments to local Governments	**4.61**	3.84
Payments to Federal Government	**370.43**	289.84
Total economic impact	**2,119.99**	1,720.71

Mining fund

In 2014, Mexico introduced a special tax to create a fund for the sustainable development of mining regions. This fund was intended to support communities close to mining operations. However, Congress has reallocated the Mining Fund to national public spending. We partner with the communities where we operate to engage the authorities and aim to encourage them to fund infrastructure projects that benefit mining communities.

The Fresnillo plc contribution to the Fund for Sustainable Development of Mining States and Municipalities was US$64.10 million in 2021.

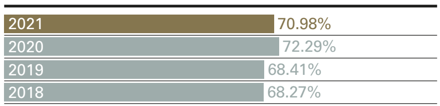
2021 US$ million	2020 US$ million
64.10	33.64

* Current mining fund taxes are used in our sustainability review as a social performance measure.

Local employment and procurement

Local employment is a key driver of social acceptability and community development. We promote local employment from the early days of the exploration phase onwards. In the development and operational phases, for example, we offer employment opportunities directly or through our mining contractors. Our local and regional labour as a percentage of the total workforce is 70.98%. Our Centre for Technical Studies (CETEF) and Peñoles Centre for Technical Studies in Laguna del Rey (CETLAR) train mining, instrumentation and maintenance technicians to meet our specific needs. Candidates are chosen from the communities surrounding our operations, thus securing talent and engaging the community for the long-term. We participate in the mining clusters of Zacatecas, Sonora and Chihuahua. These clusters contribute to the development of regional suppliers, strengthening their participation in the value chain of mining companies.

LOCAL EMPLOYMENT



Sustainability at the core of our Purpose continued

SHARING THE BENEFITS

Social investment

We work with our communities to develop a purposeful social investment portfolio aligned with the relevant UN SDGs. Over the years, we have increased our partnerships with civil society organisations in order to build capacity in the communities where we operate.

SOCIAL INVESTMENT PORTFOLIO
CREATES LONG-TERM VALUE WITH OUR COMMUNITIES

4 QUALITY EDUCATION – **EDUCATION**
Foster social cohesion and develop reading and STEM Skills

3 GOOD HEALTH AND WELL-BEING – **HEALTH & SPORTS**
Improve communities' health and habits

6 CLEAN WATER AND SANITATION – **WATER**
Work with communities to increase access to safe water

8 DECENT WORK AND ECONOMIC GROWTH – **CAPACITY BUILDING**
Develop community entrepreneurs and regional procurement

Education

Our goal is to support inclusive and quality education as a key lever to reduce poverty and inequality. The Covid-19 pandemic has had a negative impact on education in Mexico. In 2020, our response was to migrate our education programmes to digital platforms. In 2021, we partnered with our communities to support the safe return to schools.

Key activities:

- Collaboration with our communities to support the safe return to school.
- Our STEM education activities continued, and we followed-up our 'How to protect yourself and others from Covid-19?' training module with a new set of short videos. Produced with the assistance of INNOVEC and Director David Revilla, these films educate school students on issues including the science behind the prevention of Covid-19, awareness of Covid-19, caring for others and managing our emotions.
- We launched an education-based internet pilot project in remote communities neighbouring our San Julián and Penmont units. The project aims to engage teachers and provides educational content that can be accessed through Wi-Fi.
- In alliance with Larousse, we donated books for the second year in row through the 'Imagine, create and transform' and 'Reading is growing, so let's grow together' campaigns, which were supported by all our operations.
- All students with scholarships at LaSalle University continued their classes digitally and then in hybrid mode.
- Our First Robotics teams enrolled in the 2022 competition.
- We transmitted a live Christmas Concert via YouTube as part of the 'Flute without borders' programme provided by Elena Durán, a globally renowned flute player.
- We supplied equipment including playground furniture and sports equipment to schools. We also worked with the Federal Government's 'The School is Ours' programme to help provide infrastructure such as restrooms, a pedagogical classroom and multipurpose sports court.
- With support from INNOVEC, we launched two pilot projects to enhance the wellbeing of children living near our Penmont mine (see case study).

HELPING CHILDREN DEVELOP SELF-ESTEEM AND RESILIENCE

Our support has enabled 80 children from local communities close to our Penmont facility to develop greater self-esteem and resilience. Developed by UNESCO, the 'Explore my World and Take Care of my Body' programme takes girls and boys aged three to eight on a journey to discover the human body, the five senses and the recognition, expression and regulation of emotions. The programme adopts a gender perspective to achieve equity and inclusion, and promotes self-knowledge, emotional awareness, empathy and community involvement. Adapted to our requirements with the assistance of INNOVEC and deployed with the support of Semilla Teatro, the programme has so far been piloted in the communities of Desemboque and Ejido Juan Álvarez. Two adults from the neighbourhood have been trained so that the programme can continue in the local school.

"I AM HAPPY BECAUSE MY GRANDDAUGHTER SHARED WITH ME HER LEARNINGS. I HAVE A BAD TEMPER! ONE DAY I WAS RUNNING LATE, BUT MY GRANDDAUGHTER WAS NOT HURRYING. I GOT ANGRY AND WANTED TO YELL AT HER, BUT SHE TOLD ME, "CALM DOWN". SHE PUT HER HANDS ON MINE, TELLING ME TO SIT DOWN, RELAX, COUNT TO TEN, TAKE A DEEP BREATH AND EXHALE SLOWLY TO CALM DOWN. I WANTED TO CRY. MY GRANDDAUGHTER RECOGNISED MY EMOTIONS AND CARED FOR ME, SHOWING ME HOW TO CALM DOWN"

Grandmother from the community

Sustainability at the core of our Purpose continued

SHARING THE BENEFITS

3 GOOD HEALTH AND WELL-BEING

Health

Our goal is to ensure healthy lives and promote the wellbeing of local people. The Covid-19 pandemic has continued to be challenging for our communities. In 2020, our response was to collaborate by donating personal protection equipment, ventilators and raising awareness on the use of masks. In 2021, we partnered with health authorities to support vaccination logistics in our communities.

Key activities:

- We supported municipal vaccination logistics to encourage higher vaccination rates among our workers, families and communities (see case study).
- We supported rapid testing in remote communities, donating masks and raising awareness.
- We shared our knowledge, measures and advice to help reduce the spread of Covid-19 in our communities.
- We supported a safe return to school by donating masks and supplies of hygiene equipment.
- We organised campaigns to donate 550,000 N95, surgical and artisanal masks to communities near our operations, and also raised awareness about their usage.
- We donated food to vulnerable people in local communities and also through the Food Bank in the Municipality of Fresnillo.
- We provided first aid training to volunteers in community health centres and donated an ambulance to the Red Cross Caborca, in collaboration with civil society and authorities, to improve emergency response in neighbouring communities (see case study).
- We collaborated with civil society and health authorities to organise our sixth Health Week in Penmont (see case study).

PROVIDING FREE HEALTHCARE TO LOCAL COMMUNITIES

In 2020, Covid-19 forced us to cancel some of our community programmes because large gatherings could increase the risk of contagion. As vaccination progressed and cases of infection fell, we took the opportunity to relaunch our annual Health Week, which has proved popular and successful among communities close to Penmont. Working with our partners, we formed a 60-strong team to offer 13,000 practical support interventions to people living in 26 communities in the Coastal Corridor district. Among the services on offer, members of the National Autonomous University of Mexico (UNAM) Foundation provided 20 modules for free dental and eye care, while general medicine, vaccination, height and weight measurement, reproductive health and blood group detection was offered by local and national public health institutions. We joined efforts with the Teleton Foundation to offer physiotherapy, occupational therapy, pulmonary and language therapy, as well as nutrition and paediatric medical consultation, while our health team offered Covid-19 tests and general medical care.

"I'M GOING TO TAKE THIS OPPORTUNITY IN MY COMMUNITY! I HAVE SOME ISSUES WITH MY HIP AND LEG, UNFORTUNATELY I DON'T HAVE ENOUGH RESOURCES TO TRAVEL TO THE CITY (CABORCA) FOR HEALTH CARE."

Member of the El Diamante Community

SUPPORTING EMERGENCY SERVICES IN CABORCA

For remote communities, access to health care services is challenging. In the Caborca district, which is close to Penmont, first responder support is provided by 'Auxiliares de las casas de salud' (community health volunteers). We partnered with the Red Cross to train 16 volunteers from six Caborca communities to build the Auxiliares' capacity to provide first aid and promote healthy habits. The training is carried out over five months and includes basic anatomy, patient evaluation, cardiopulmonary resuscitation (CPR) and emergency response (cardiovascular, respiratory, poisoning, diabetic and paediatric, among others). The result is a stronger connection between the volunteers, the Red Cross and local health authorities and an improved emergency response service for local people. In addition, we also donated an ambulance to Red Cross in Caborca.

"IT'S A GREAT LEARNING OPPORTUNITY THAT WILL BE OF GREAT HELP TO MY COMMUNITY, SINCE MANY PEOPLE DO NOT HAVE ACCESS TO MEDICAL SERVICES. HOPEFULLY, WHAT WE HAVE LEARNED WILL HELP US TO SAVE LIVES WHEN AN EMERGENCY ARISES."

Trained community volunteer

Sustainability at the core of our Purpose continued

SHARING THE BENEFITS

Capacity building

Our goal is to generate skills in local communities, enabling people to participate in the mining value chain, and to foster the diversification of the local economy to enable an effective economic transition after mine closure. We are members of the regional mining clusters of Zacatecas, Sonora and Chihuahua and work with them to help promote regional procurement capacities and talent development. The clusters are also an effective mechanism to maintain relationships with key stakeholders such as state governments.

Key activities:

- CETLAR and CETEF schools to develop the necessary technical skills for participation in the mining value chain.
- Entrepreneurial programmes in our operations and projects.
- Mask, uniforms and equipment workshops were held at San Julián and Juanicipio.
- At Penmont, we partnered with the Centre for the Study of Deserts and Oceans (CEDO) to support the School of the Sea project, a community initiative to support fishing-related activities and deliver educational programmes around marine ecosystem conservation.
- At Ciénega, we provided entrepreneurial training to enable women to develop small businesses.
- At Juanicipio, we delivered food-based projects and helped develop micro-enterprises (see case studies).

Water

Our goal is to reduce our freshwater footprint and ensure that our communities have access to safe water.

Key activities:

- Treatment of municipal wastewater to reduce our freshwater consumption for mineral processing. Municipalities benefit from savings in wastewater treatment costs.
- At Ciénega, we supported the water network in the El Metate community, benefitting 15 families.
- At San Julián, we monitored 300 rainwater collection systems, providing recommendations to users and planning future interventions.
- In the Sonora region, we provided water tanks to communities experiencing maintenance issues with their water pumps, ensuring continued availability of water for handwashing to prevent Covid-19.

GROWING AND REARING THEIR OWN FOOD

Working with the Municipal Agriculture Development Agency, we collaborated with our communities to pilot 25 family-size vegetable gardens and 25 backyard poultry enterprises in the Juanicipio communities of México Nuevo and Carrillo. During the year, the project benefitted over 250 people.

Families were given materials to construct greenhouses, as well as seeds and technical support about growing vegetables. In addition, they received materials to build chicken pens and feeders, and were supplied with feed, 60 chickens and training to prevent diseases. Together with our partners, we regularly engage the participating families and provide training and technical assistance. In the short term, the project seeks to improve nutrition, and to develop the community's capacity to generate their own food, such as eggs, meat, pumpkins, radishes, coriander, cucumbers, lettuces, onions and chard. Looking further ahead, our aim is to inspire more sustainable models where the community, authorities and Fresnillo work more closely in partnership.

"WE ARE PART OF THE VEGETABLE GARDENS PROJECT, THEY TRAINED US TO FERTILISE OUR GARDENS AND WE HAVE HARVESTED RADISHES, ZUCCHINI, CILANTRO, PEAS AND CUCUMBERS. WE CONSUME PART OF OUR PRODUCTION AND THE REST WE SELL IN THE COMMUNITY. THANK YOU VERY MUCH. WE HOPE THAT THESE PROJECTS CONTINUE ADVANCING."

Member of Nuevo Mexico community

RECOVERING AND REUSING WASTE WOOD

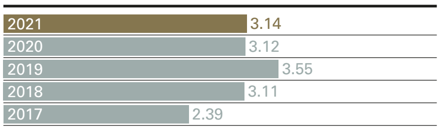
We have supported a two-stage carpentry project to recover and reuse wooden packaging from Juanicipio. As well as being made available to local families, the wood is used in workshops to make furniture for community spaces used by the 226 inhabitants of the community of Presa de Linares. The project began with seven community volunteers and has led to the manufacture of a wide range of furniture including benches and tables for classrooms, a closet for the local church and clinical beds for the elderly.

"I FEEL VERY GOOD LEARNING ABOUT CARPENTRY. WE ARE CARRYING OUT PROJECTS FOR THE CHURCH SUCH AS A CLOSET, BENCHES AND SOME CHAIRS."

Member of Nuevo Mexico community

Performance

COMMUNITY INVESTMENT IN (US$ MILLION)



Note: Rectified exchange rate for 2020.

COMMUNITY INVESTMENT BY STRATEGIC LEVER

Education	29%
Health	20%
Water	11%
Capacity Building	4%
Other	36%

COMMUNITY INVESTMENT BY BUSINESS UNIT

Penmont	30%
Fresnillo District	21%
Corporate	20%
Projects and advanced exploration*	17%
Ciénega	5%
San Julián	5%
Exploration	2%

* Includes the Juanicipio Project and the Orysivo, Rodeo and Guanajuato advanced exploration projects.

Managing our risks and opportunities

We operate in a complex global environment, where opportunities come with corresponding risks. Taking and managing risk responsibly is essential to running our business safely, effectively and in a way that creates value for all our stakeholders. Risk management is one of our management team's core responsibilities and is central to our decision-making process.

Our approach

Effective risk management enables us to manage both the threats and the opportunities associated with our strategy and operations. Our risk management process helps us identify, evaluate, plan, communicate, and manage material risks that have the potential to impact our business objectives. While risk management is a key accountability and performance criterion for our leaders, all employees have responsibility for identifying and managing risks. Our risk management framework reflects the importance of risk awareness across Fresnillo plc. It enables us to identify, assess, prioritise and manage risks in order to deliver the value creation objectives defined in our business model.

Our Board oversees our principal risks and associated management responses, while the Audit Committee monitors the effectiveness of risk management and internal controls. Our risk management system comprises six core elements (see page 121) – one of which is our risk management framework, which sets out clear roles and responsibilities, standards and procedures. We also have three lines of defence to verify that risks are being effectively managed in line with our policy, standards and procedures, including across core business processes such as finance, health and safety, social performance, environment and major hazards.

The Covid-19 pandemic is an unprecedented challenge for everybody, worldwide. We have implemented risk techniques and processes to identify new risks associated with the pandemic, while also analysing its impact on all our risks. The changes to working practices that we have introduced in response to Covid-19 have created opportunities to accelerate digital transformation and enhance safety and productivity.

Every aspect of our risk management framework exists to challenge and evaluate the status of our risk profile in the pursuit of our business objectives. We challenge this status through three lines of defence that support leaders in critically reviewing and validating their own operating assumptions.

Risk management system

Our risk management system is based on risk identification, assessment, prioritisation, mitigation and monitoring processes, which are continually evaluated, improved and enhanced in line with best practice.

In addition to our established risk management activities, our executives – including operations and projects managers, the controllership group, HSECR and exploration managers – regularly engage in strengthening the effectiveness of our current controls. These actions support the executives and the Board in each of their responsibilities.

The Company's risk profile has been developed based on the most significant risks in our business profiles. All of our principal risks were reviewed at least twice during the year, including through Key Risk Indicators (KRIs), which were developed to help embed the risk appetite framework in the business and enhance the monitoring and mitigation of risks.

The global Covid-19 pandemic posed new challenges for the risk department and the Executive Committee in 2020 and 2021. Due to the uncertainty around the pandemic, all strategic decisions of the Company were analysed using risk scenarios modelling their potential impacts. In addition five new processes were implemented: (i) a monthly procedure for evaluating and mitigating principal risks; (ii) a process to identify and analyse the impact of the pandemic in all the Company's risks including projects, with a main focus on the health and safety of employees and identification of new risks; (iii) dashboards were constructed for each business unit to monitor mitigation actions and risk level; (iv) impact and probability scenarios were conducted for risks related to the supply chain of critical inputs for operations, cost increase and projects, and v) collaboration with government, the sector, health experts and communities to ensure that we followed best practice.

Risk governance basis

TOP-DOWN
Oversight, identification, assessment and mitigation of risk at a corporate level

BOTTOM-UP
Identification, assessment and mitigation of risk across all operational and functional areas

THE BOARD
- Reviews and approves risk management and internal control systems.
- Determines the nature and extent of principal risks.
- Monitors exposures to ensure their nature and extent are aligned with overall goals and strategic objectives.
- Sets tone on risk management culture.

EXECUTIVE COMMITTEE
- Identifies strategic risks.
- Assesses level of risk related to achieving strategic objectives.
- Oversees execution and implementation of controls into strategic and operating plans.

AUDIT COMMITTEE
- Supports the Board in monitoring risk exposures against risk appetite.
- Reviews the effectiveness of our risk management and internal control systems.

INTERNAL AUDIT
- Supports the Audit Committee in evaluating the effectiveness of risk mitigation strategies, and internal controls implemented by management.

OPERATIONAL LEVEL
- Risk identification and assessment across mining operations, projects and exploration sites.
- Risk mitigation and internal controls monitoring embedded across functional areas and business units.
- Risk awareness, and safety culture embedded in day-to-day operations.

All risk governance, including principal, individual and emerging risks.
Including personnel at mine sites, development projects, exploration sites and support areas.

Three lines of defence		Responsibilities	Accountability to
1st	Unit leaders including mine, exploration and project personnel. Also, leaders of corporate and support areas.	Identifying, managing, verifying and monitoring risks and controls.	Management
2nd	Corporate level oversight functions include the risk management team, the HSECR team, the project oversight function and the Executive Committee.	Overseeing risks and the effectiveness of controls, advising on capability and ensuring compliance with our policies, standards and procedures.	Management
3rd	Group Internal Audit.	Providing independent verification that risks and internal controls are being managed effectively.	Board and committees

RISK MANAGEMENT

RISK ASSURANCE
- Assurance for management that risk and critical controls are being managed effectively.

RISK MANAGEMENT FRAMEWORK
- Group's roles and responsibilities, standards, procedures and guiding principles for effective, consistent and integrated risk management.

CAPABILITY AND CULTURE
- Risk capability built through coaching and training for leaders and teams across our business.
- Risk culture of active management of risks is embedded into how we run our business.
- Risk culture fosters collective ability to identify and understand, openly discuss and respond to current and future risks.

RISK ANALYSIS AND MANAGEMENT
- Risks are measured, monitored and managed, which requires that critical controls performance is also being measured, monitored and managed.
- Risks and their control information are current, transparent and connected.
- Leader-led analysis and management.

SYSTEMS, TECHNOLOGY AND DATA ANALYTICS
- Leverage systems and data analytics to support risk analysis, management and oversight.

REPORTING OVERSIGHT AND INSIGHTS
- Management's oversight is supported by proactive reporting and effective escalation.
- Decision-making is supported by connected and insightful risk analysis.

Managing our risks and opportunities continued

Emerging risks

The 2018 UK Corporate Governance Code covers emerging risks and requires the Board to carry out a robust assessment of the Company's emerging risks, disclose procedures to identify them and also explain how these are being managed.

This requirement has been adopted and embedded within the Company's risk management reporting process and, in parallel with the day-to-day management of risk, within each business unit and project. The risk control and assessment processes in mines, exploration offices and projects were adapted to pay particular attention to emerging risks. At each location, health, safety, security, environment and community relations (HSECR) risk-responsible staff monitor local information and analyses related to Fresnillo plc's emerging risks. This monitoring process involves building scenarios for three, five and ten years for each emerging risk and quarterly performance indicators that assess probability and impact.

Fresnillo plc defines an emerging risk as a new manifestation of risk that cannot yet be fully assessed, a risk that is known to some degree but is not likely to materialise or have an impact for several years or a risk that the company is not aware of but that could, due to emerging macro trends in the mid or long-term future, have significant implications for the achievement of the organisation's strategic plan. Furthermore, Fresnillo plc considers emerging risks in the context of longer-term impact and shorter-term risk velocity. The Company has therefore defined emerging risks as those risks captured on a risk register that: i) are likely to be of significant scale beyond a five-year timeframe; or ii) have the velocity to significantly increase in severity within the three-year period.

To strengthen our emerging risks management framework, during 2021 we carried out activities to: i) identify new emerging risks in light of Covid-19 and climate change; ii) reassess the emerging risks identified in 2020; iii) deploy effective monitoring mechanisms; iv) carry out horizon scanning to consider disruptive scenarios, and; v) implement mitigating control actions and enhance our risk awareness culture. This process involved workshops, surveys and meetings with the Executive Committee, business unit leaders, support and corporate areas, as well as suppliers, contractors and customers. We also consulted third-party information from global risk reports, academic publications, risk consulting experts and industry benchmarks.

Our risk management standards promote communication of up-to-date information on the Company and industry risks, trends and emerging risks. This year's emerging risk assessment determined the two most exposed emerging risks to be: 'Water crisis' and 'Technological disruption' and identified two new emerging risks: 'Transition to a low-carbon future' and 'Increasing societal and investor expectations'.

Relevant emerging risks are discussed below:

	Emerging risk	Description	Impact	Mitigating actions	Time scale
1	**Water crisis** (linked to climate change principal risk)	Lack of sufficient water resources to meet water consumption demands in a region.	Water is critical to mining processes. Without this natural resource, we cannot extract gold and silver.	Strict control and monitoring of water concessions is maintained and actions are envisaged to ensure water for the following years.	> 5 years
2	**Technological disruption**	Failure to identify, invest in, or adopt technological and operational productivity innovations that significantly replace or optimise a process through new systems with recognisably superior attributes.	Obsolete or outdated mining processes impact productivity and efficiency levels and impact sales and profits.	Technological advances in the mining industry are constantly monitored (particularly in mine operations) in order to adopt the most appropriate best practices and new technology.	> 5 years
3	**Risk of narco states** (linked to security principal Risk)	Countries whose government institutions are significantly influenced by the power and wealth of drug trafficking, and whose leaders simultaneously hold positions as government officials and members of the illegal narcotic drug trafficking networks, protected by their legal powers.	The safety of employees, contractors and communities near mines is threatened by the presence of drug cartels that increase high-impact crimes.	We maintain constant communication with government authorities and the National Guard to coordinate security and citizenship protection operations.	< 5 years
4	**Infectious diseases**	The regional or global spread of a new disease (bacteria or virus) against which most people do not have immunity.	Another virus such as SARS-CoV-2 coronavirus (Covid-19) may affect the health of employees and stop the Company's activities.	Much was learned from the Covid-19 pandemic about providing care for employees' health and health prevention measures. We have embedded those learnings in our business as usual activities.	< 5 years
5	**Transition to a low-carbon future** (linked to climate change principal risk)	The transition to a low-carbon future is a 'transition risk' according to the TCFD and presents challenges and opportunities for our portfolio in the short and long term. It is considered within the climate change principal risk mitigation strategy. However, we consider this risk to be an emerging risk due to the speed of potential new climate change regulations and the obstacles that government may place in the way of supporting investment in clean energy.	Key areas of uncertainty include future climate change regulation and policies, the development of low-carbon technology solutions and the pace of transition across our value chains, in particular the decarbonisation pathways across the steel sector.	We have introduced new sources of information to help us identify the impacts of climate change. These include industry reports and guides, energy scenarios, and global circulation models (GCMs) under several representative concentration pathways (RCPs). We have used a well-below two-degree decarbonisation pathway to evaluate the flexibility of the energy strategy.	> 5 years

	Emerging risk	Description	Impact	Mitigating actions	Time scale
6	**Increasing societal and investor expectations**	We continued to see increasing expectations and focus on social equality, fairness and sustainability. Financial institutions are also placing greater emphasis on environmental, social and governance (ESG) considerations when making investment decisions.	The increasing focus on ESG has the potential to shape the future of the mining industry, supply cost structures, demand for global commodities and capital markets. While this presents us with opportunities for portfolio and product differentiation, it has the potential to impact how we operate.	We respond to investor and societal requests and comments and promote action plans to meet their expectations. A number of initiatives demonstrate our progress. For example, our ESG performance was recognised by our inclusion in the FTSE4Good Index. We were also listed among the world's most ethical companies by Ethisphere and placed second in the Corporate Integrity Ranking in Mexico.	< 5 years

2021 risk assessment
As part of our bottom-up process, each business unit head determined the perceived level of risk for their individual unit's risk universe. Executive management then reviewed and challenged each perceived risk level and compared it to Fresnillo plc's risk universe (120) as a whole. The results of this exercise were used as an additional input to define the Company´s principal risks. We conducted the same risk analysis on advanced projects, detailing the specific risks faced by each project according to their unique characteristics and conditions.

The risk team narrowed down our 120 risks into major risks which are monitored by executive management and the Audit Committee. We then further consolidated these into 13 principal risks which are closely monitored by the Board of Directors.

Due to the effects caused by the global Covid-19 pandemic, it was necessary to re-evaluate the principal and emerging risks and to rethink the order of their relative importance, probability and impact and reassess the corresponding mitigation actions. As a result of this analysis, we recognised the effects of Covid-19 on Fresnillo's 13 principal risks rather than incorporate a new risk.

During the first half of 2021, the risk team focused its efforts on identifying and assessing emerging risks, business continuity risks and climate change risks according to the TCFD criteria. In the second half of the year, we conducted fraud, compliance and internal control risk assessments.

Overview of the 2021 risk assessment exercise:

ANALYSIS

20
BUSINESS WORKSHOPS
(Director and manager level).

30
INTERVIEWS WITH THE RISK OWNERS
(managers and leaders of units).

10
WORKSHOPS
SSMARC team.

5
CRITICAL PROCESSES
mapped and reviewed for impact and likelihood.

ANALYSIS

5
RISK ANALYSIS METHODOLOGIES
used: ISO-31000, ISO-22301, Markov, Bow-Tie and FMEA models.

SURVEY RISK IDENTIFIED AND ASSESSED

350
COLLEAGUES
in operations, exploration, projects, corporate and support areas of Peñoles, including Internal Audit.

TREND COMPARISON AND REVIEW

15
INTERNATIONAL INSTITUTIONS
specialising in risks were consulted.

10
RISK SCENARIOS
were built by mining industry risk specialists.

TREND COMPARISON AND REVIEW

20
GOLD AND SILVER MINES
(10 in Mexico and 10 elsewhere in the world) were consulted regarding their risks.

6
CONSULTING FIRMS RISK REPORTS
(including Marsh, EY, PWC, KPMG and Deloitte) were reviewed.

3
RISK EXPERTS
were interviewed.

ADDED VALUE

200
COLLEAGUES WERE TRAINED
in basic risk topics.

ADDED VALUE

150
COLLEAGUES WERE TRAINED
in advanced risk topics.

100
COLLEAGUES WERE TRAINED
in climate change risks and TCFD framework.

3
NEW PROCESSES
of identifying risks were included in response to the Covid-19 pandemic.

3
NEW TOPICS
were included in the risk analysis: climate change, fraud and compliance risks.

Managing our risks and opportunities continued

As a result of the 2021 annual risk assessment, the most exposed risks were determined to be:

- The risk of **'Potential actions by the government',** is assessed as the main risk for the Company, exacerbated by recent decisions of the current government, such as: (a) the restriction on the granting of new mining concessions; (b) the increase in audits and tax requirements; (c) the labour reform that prohibits outsourcing, leading to complications in the relationship with contractors; (d) delays and complications in obtaining permits, licences and authorisations; (e) the implementation of policies that support the emission of carbon into the atmosphere and reduce the development of renewable energies; (f) energy law reform that would reduce electricity supply options for end-users and allocate valuable resources to maintain obsolete and costly generation technologies, with significant environmental and social impacts; and (g) the United States-Mexico-Canada Agreement (USMCA or TMEC) with its new labour provisions.

- The **'Security'** risk, arising from the accelerated increase in organised crime in the vicinity of the mining units, particularly in Fresnillo (with the highest perception of insecurity in the country), Saucito, Juanicipio and Penmont; the increase in high-impact crimes (homicide, kidnapping and extortion) in the regions where we operate, especially in Zacatecas, Guanajuato and Sonora; and the sale and consumption of drugs inside the mines. Threats of theft of doré, minerals, concentrates and assets from mines and projects have also increased.

- While gold and silver prices have remained strong despite the effects of the Covid-19 pandemic, the economic crisis in the world, and especially in Mexico, is a high risk that has a negative impact on the supply chain of critical operating inputs, operating costs and contractor availability. For this reason, the risk of **'Impact of metal prices and global macroeconomic developments'** remains within the main risks.

- The risk of **"Access to land"** has increased in recent years as it has become increasingly difficult to negotiate the price of land. Landowners demand more money and benefits for access to land. At the same time, the Federal Government continues its policy of not granting new mining concessions and may decide to withdraw mining concessions that are not used or operated. In addition, the prevailing insecurity 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, which could lead to the cancellation of the concession.

- The **'Licence to operate'** risk is one of the main risks that have increased in probability of occurrence and impact, as communities near mines and projects increasingly demand more benefits. The environmental impact of mines is an issue of concern to communities near our operations and they are increasingly demanding more information and mitigating actions. Activism by mining advocacy groups and other organisations increases the risk of social conflict, fuelling public perception against mining. Finally, insecurity and access to water are the issues that most concern people and community leaders in the regions where we operate.

Our risk matrix

A consistent assessment of the probability and impact of risk occurrence is fundamental to establishing, prioritising and managing the risk profile of the Company. In common with many organisations and reflecting good practice, Fresnillo plc uses a probability and impact matrix for this purpose.

Relative position									
2021	2020	Risk	Risk appetite	2021 vs. 2020		Risk velocity	Impact by Covid-19	Focus	
1	1	Potential actions by the Government (political, legal and regulatory)	Low		Increasing	High	Severe	Strategic, Economic, ESG	(v)
2	3	Security	Low		Increasing	High	Medium	Operational, ESG	(v)
3	2	Impact of metals prices and global macroeconomic developments	High		Stable	Medium	High	Economic	(v)
4	7	Access to land	Medium		Increasing	Medium	Low	Economic, Operational	(v)
5	10	Licence to operate (community relations)	Low		Increasing	Medium	Medium	ESG	
6	4	Human resources (attract and retain requisite skilled people)	Medium		Increasing	Medium	High	Operational, ESG	
7	6	Projects (performance risk)	Medium		Stable	High	High	Strategic, Operational	
8	5	Union relations (labour relations)	Low		Decreasing	Medium	Medium	Operational, ESG	
9	8	Cybersecurity	Low		Stable	High	High	Operational	
10	11	Safety	Low		Increasing	High	Low	Operational, ESG	(v)
11	9	Tailings and environmental incidents	Low		Stable	High	Low	Operational, ESG	(v)
12	12	Climate change	Low		Stable	Low	Low	Operational, Strategic, ESG	(v)
13	Return*	Exploration (new ore resources)	Medium		Return	Low	Low	Strategic, ESG	

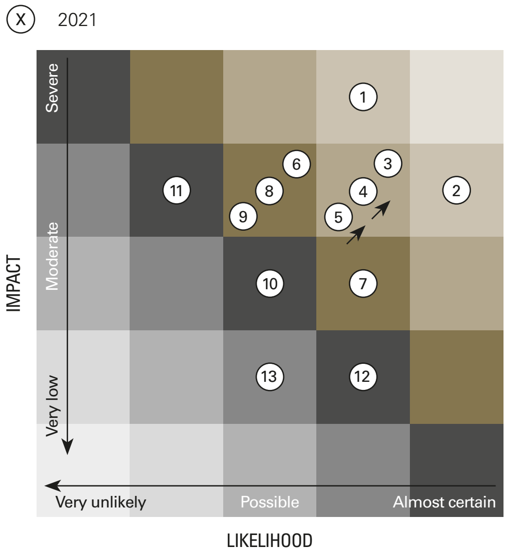
Risk velocity:
High: impact within 6 months of risk occurring
Medium: impact between 6 and 12 months of risk occurring
Low: impact after more than 12 months of risk occurring

(v) Risk that was considered for the viability assessment.

* This risk was in our principal risks until 2019 and has now returned to the list.

Strategic – risks arising from uncertainties that may impact our ability to achieve our strategic objectives.
Economic – risks that directly impact financial performance and realisation of future economic benefits.
Operational – risks arising from our business that have the potential to impact people, environment, community and operational performance including our supply chain.
Environment – risks arising from our business that have the potential to impact air, land, water, ecosystems and human health.
Social – risks arising from our business that have the potential to impact on society, including health and safety.
Governance – risks arising from our workplace culture, business conduct and governance.
ESG – Environmental + Social + Governance.

Heat map



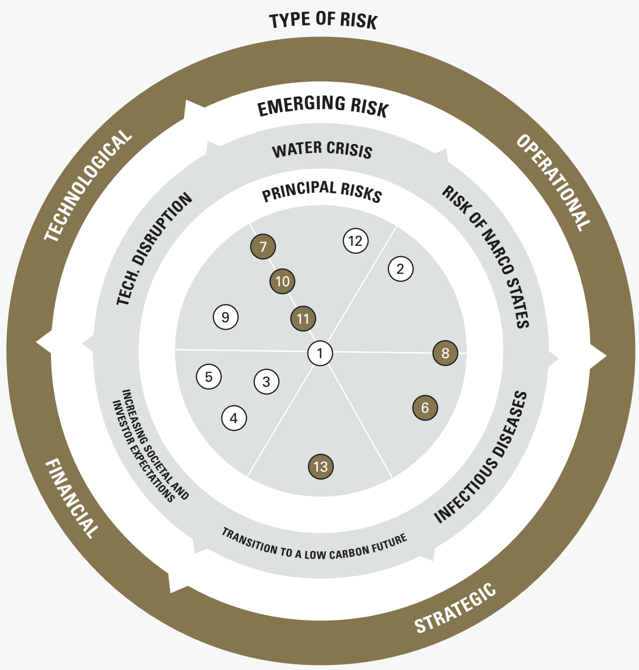
1. Potential actions by the Government (political, legal and regulatory)
2. Security
3. Impact of metals prices and global macroeconomic developments
4. Access to land
5. Licence to operate (community relations)
6. Human resources (attract and retain requisite skilled people)
7. Projects (performance risk)
8. Union relations (labour relations)
9. Cybersecurity
10. Safety
11. Tailings and environmental incidents
12. Climate change
13. Exploration (new ore resources)

Our principal risks and interdependencies

We continue to consider risks both individually and collectively in order to fully understand our risk landscape. By analysing the correlation between principal and emerging risks, we can identify those that have the potential to cause, impact, or increase another risk and ensure that these are weighted appropriately.

In performing this exercise, we have considered Covid-19 which could lead to a long-term global recession and other operating constraints that may have a knock-on effect on several of our principal risks.

Our analysis highlights the strong relationship between security and risk of narco state, climate change and water crisis as well as cybersecurity and technological disruption.



1. Potential actions by the Government
2. Security
3. Impact of metals prices and global macroeconomic developments
4. Access to land
5. Licence to operate
6. Human resources
7. Projects
8. Union relations
9. Cybersecurity
10. Safety
11. Tailings and environmental incidents
12. Climate change
13. Exploration

External
Internal

Managing our risks – response/mitigation to our risks

1 – POTENTIAL ACTIONS BY THE GOVERNMENT (POLITICAL, LEGAL AND REGULATORY)

RISK DESCRIPTION

Regulatory actions can have an adverse impact on the Company. Such actions could include stricter environmental regulations, forms of procurement or explosives, more challenging permit processes, more onerous tax compliance obligations for us and our contractors, as well as more frequent reviews by tax authorities.

The right of indigenous communities to be consulted regarding mining concessions could potentially affect the granting of new concessions in Mexico.

The Federal Government wants to discourage the generation of energy based on clean sources and encourage that from fuel oil and coal.

We paid special attention to the following aspects:

- Government actions that negatively impact the mining industry.
- Regulatory changes to mining rights and adverse fiscal changes.
- Change in tax regulations.
- Increase in the frequency of the reviews by the tax authorities with special focus on the mining industry.
- Inability to obtain necessary water concessions because of government control or private interests.
- Failures/delays in obtaining the required environmental permits.

FACTORS CONTRIBUTING TO RISK

- The Federal Government reported that the delivery of concessions to mining companies would be reviewed and that no more concessions would be granted during this six-year term (ending in 2024).
- Labour reform prohibiting outsourcing, mainly leading to complications in the relationship with contractors.
- New taxes and discrepancies in the criteria used in audits carried out by the tax authority.
- Increase in the frequency of the reviews by the tax authorities with special focus on the mining industry.
- Potential adverse actions resulting from a change in government in the states of Zacatecas, Sonora and Chihuahua.
- The United States-Mexico-Canada Agreement (USMCA or TMEC) with its new labour provisions.
- Given that the population does not systematically follow Covid-19 prevention measures; that health authorities may not effectively implement the Covid-19 vaccination programme; that there are people who do not want to be vaccinated; that there are new variants of the virus such as Delta and Omicron, we could experience a reduction in the number of people available to work in the mines, which would materially affect our productivity.
- The Federal Government promotes investment in coal rather than renewable or clean energy. This has led to increased difficulty in operating on clean energy.
- The Federal Government 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.
- The Federal Government recently purchased a refinery to produce gasoline and diesel in Houston, USA. This acquisition reinforces the strategy of encouraging the consumption of fossil fuels derived from coal and fails to promote the use of clean or green energies.
- The Federal Government is promoting a reform of the energy law to limit access to private investment and strengthen the government-owned Federal Electricity Commission (Comisión Federal de Electricidad). If this reform is approved, there is a risk that there will not be enough electricity to operate the mines.
- A Federal Government initiative aims to discontinue the Mining Fund (Financial support that the government provides to communities near the mine for social development). This would have an impact on mining development in the country.
- In addition, Mexico's corruption perception remains high. The country's score in the International Transparency 2021 Corruption Perception Index was relatively unchanged, despite a higher ranking. As a result, delay in obtaining permits for certain operations and/or projects remains a risk.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

- Commitment and constant communication with all levels of Government.
- Increased monitoring of the processes being implemented at the Ministry of Labour and Economy.
- We remain alert to the changes proposed by the authorities, including energy and mining tax initiatives, so that we can respond in a timely and relevant manner.
- In relation to the new labour law prohibiting outsourcing, changes to the relationship with contractors have been implemented and staff structures have been adapted to comply with the law.
- We continue to collaborate with other members of the mining community through the Mexican Mining Chamber 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.
- We continue to comply with all applicable environmental regulations and are fully committed to operating sustainably.

For more details see Environment on 86-108

- We are committed to maintaining community dialogue throughout the life of a mining project, from the first exploration to the eventual closure, with the aim of creating long-term relationships and value, while ensuring operational continuity.

For more details see Communities on pages 109-112

- We seek to maintain full compliance with the requirements of the tax authority.
- In doing so, we continue to cooperate with any ongoing tax inspections.
- We maintain a register and control of vaccinated staff and encourage all staff to be vaccinated as soon as possible.
- Follow-up and timely compliance with all suggestions of the health authorities.

For more details see Occupational Health on pages 84-85

COVID-19 PANDEMIC IMPACT

The Federal or State Government orders another total or partial stoppage of operations in mining units because of a new wave of mass infections, mainly in Sonora and Zacatecas.

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.

LINK TO STRATEGY

1 2 3 4

RISK APPETITE

Low

CHANGE IN HEAT MAP

▲ Increasing

RISK RATING (RELATIVE POSITION)

2021: Very high (1)

2020: 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 particular risk to us.

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

According to information from the Secretariat of Security and Citizen Protection, the National Guard and the Attorney General's Office of the Republic, the presence of organised crime and high-impact crimes (homicide, kidnapping and extortion) increased in 2021, 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.

FACTORS CONTRIBUTING TO RISK

- A severe increase in the 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 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 2021. 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

- Our property security teams closely monitor the security situation, maintaining clear internal communications and coordinating work in areas of greater insecurity.
- Management is fully committed to protecting our workforce.
- 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; reduction in the number of authorised stops in order to optimise delivery times and minimise exposure of trucks transporting ore concentrates or doré.
- We continue to invest in community programmes, infrastructure improvements and government initiatives to support the development of legal local communities and discourage criminal acts.
- We have increased the number of anti-doping tests conducted at the start of the day in the mining units.
- Frequent inspections are carried out inside the mines to verify that drugs are not consumed and sold.
- Drug consumption prevention campaigns are carried out, focused on employees.

COVID-19 PANDEMIC IMPACT

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

KEY RISK INDICATORS

- Total number of security incidents affecting our workforce (thefts, kidnapping, extortion, etc.).
- Number of sites affected, and work days lost, by region and type of site.
- Number of media mentions related to safety issues affecting the mining industry where we operate.

LINK TO STRATEGY

1 2 3 4

RISK APPETITE

Low

CHANGE IN HEAT MAP

▲ Increasing

RISK RATING (RELATIVE POSITION)

2021: Very high (2)

2020: Very high (3)

Managing our risks – response/mitigation to our risks continued

3 – IMPACT OF METALS PRICES AND GLOBAL MACROECONOMIC DEVELOPMENTS

RISK DESCRIPTION

With the Covid-19 pandemic, economies across the world, including in Mexico, were negatively impacted by lockdowns and disruptions to supply chains. Globally, economies almost stopped completely for more than five months in 2020.

During 2021, we saw increases in operating costs and greater inflationary pressures, together with a shortage of critical inputs and equipment. We expect this to continue during 2022.

This situation could create an adverse impact on our operations, costs, sales and profits, and potentially on the economic viability of projects, including as a result of:

- A possible decrease in precious metals prices, which is the main driver of risk.
- Revaluation of the Mexican peso. In March 2021, the United States Dollar exchange rate was around 20.8 pesos, due to the socioeconomic impact of the Covid-19 pandemic. At the end of the year the dollar exchange rate was 20.5 pesos.
- General inflation in Mexico. This was 7.4% in terms of Mexican peso for 2021. The specific inflation for the Company was 9.5% in US dollars.
- A decrease in the price of our by-products. In 2021, the average prices for lead and zinc increased by 20.9% and 32.7%, respectively, compared to the previous year.

FACTORS CONTRIBUTING TO RISK

- The impact of the pandemic on supply chains has been global, prolonged, and comprised 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.
- 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 21% and kWh (US percentage per kWh) by 12%.
- Appearance of Omicron variant of Covid-19 cases. Some countries have reintroduced lockdown measures and there is a possibility that Mexico will follow suit.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

We monitor price movements and market dynamics using primarily third-party analysis and forecasts in order to support our financial projections and cash management strategies. Prices will continue to influence budget considerations in areas such as exploration and the timing of certain capital expenditures.

For more details see Review of our Markets on pages 26-27

We have hedging policies for exchange rate risk, including those associated with project-related capex and a hedging policy for precious metals.

We focus on cost efficiencies and capital discipline to deliver competitive all-in sustaining cost.

See note 29 in the Consolidated Financial Statements on pages 260-261

Maintain long-term optionality by ensuring our pipeline of opportunities is continuously replenished.

Improve debt profile and reduce annual interest bill.

For more details see Financial Review on pages 58-69

Execute operational excellence initiatives to counter inflation and improve margins. Enhance cost competitiveness by improving the quality of the portfolio.

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 million (~60%), significantly reducing the short-term refinancing risks and improving the liquidity and solvency capabilities of the Company.

For more details see Financial Review on pages 58-69

COVID-19 PANDEMIC IMPACT

The price of gold and silver rose rapidly as investors took refuge in these metals.

Unfortunately, the supply chains of our mining operations suffered disruptions and delays in supplying critical inputs such as cement, cyanide and spare parts.

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 metal prices and the Mexican peso/US dollar exchange rate.

LINK TO STRATEGY

1 2 3

RISK APPETITE

High for metal prices

Medium for all macroeconomic developments

CHANGE IN HEAT MAP

Stable

RISK RATING (RELATIVE POSITION)

2021: High (3)

2020: Very high (2)

4 – 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.
- 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 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 2021, after disinvesting certain areas of mining interest, we maintained 1.439 million hectares of mining concessions granted. A further 238,090 hectares is in the process of being granted. In total, we have 1.678 million hectares, representing a year-on-year decrease of 2,000 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 2021, 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

1 2 3

RISK APPETITE

Medium

CHANGE IN HEAT MAP

Increasing

RISK RATING (RELATIVE POSITION)

2021: High (4)

2020: High (7)

Managing our risks – response/mitigation to our risks continued

5 – LICENCE TO OPERATE (COMMUNITY RELATIONS)

RISK DESCRIPTION

At both a local and a 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.

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.

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

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 IBBY, INNOVEC and First Robotics; for water, with Captar AC; and for health with the National University Foundation.

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 and enabled us to retain the qualified contractors' workers essential to our business model and the delivery of our strategy. 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 109-112

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 social expectations regarding corporate citizenship. The response of the mining industry to Covid-19 will shape relationships with stakeholders and perceptions of the industry over the coming years.

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

1 2 3 4

RISK APPETITE

Low

CHANGE IN HEAT MAP

▲ Increasing

RISK RATING (RELATIVE POSITION)

2021: High (5)

2020: Medium (10)

6 – HUMAN RESOURCES (ATTRACT AND RETAIN SKILLED PEOPLE)

RISK DESCRIPTION

Fresnillo plc's most valuable asset is its workforce.

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

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

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

However, the risk of contagion continues and increased in the months of September to December, mainly in the Fresnillo district, where the highest number of cases of contagion across the Company were detected. This situation may be exacerbated if and when new strains of the virus reach Mexico.

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

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

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

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

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

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

FACTORS CONTRIBUTING TO RISK

- 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 preventive measures difficult to implement, which makes mineworkers vulnerable to both acquiring and spreading the virus.
- There was a significant increase in staff turnover during 2021.
- Talent retention 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.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

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

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 corporate function, 18% are women as are 34% of new joiners, while 18% of the female population were promoted during the year.

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 42 students from different Earth Science professions at our mining units to support their training, and 87 engineers took part in our training programme.
- CETLAR (Centre for Technical Studies of Peñoles), which trains mechanical and electrical technicians. Ten of the twelve 2021 graduates were hired as full-time employees.

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.

In partnership with the University of Arizona, we developed a five-hour online training module on diversity, equality and inclusion for our executives, managers and high potential talent. Management and leadership skills development programmes were conducted with 40 superintendents, 76 counsellors and 74 facilitators.

In order to keep our staff updated and trained, 83% of employees and 98% of unionised staff have received training this year. In 2021, 216 employees participated in institutional development programmes, which means that 59% of staff with more than two years of service have participated at least once. Of this 59%, 12% are women (18% of employees are female). 502 courses and studies were conducted through external training, benefiting 383 employees. 83% of our leaders have participated in institutional development programmes focused on leadership.

Managing our risks – response/mitigation to our risks continued

6 – HUMAN RESOURCES (ATTRACT AND RETAIN SKILLED PEOPLE) (CONTINUED)

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

Performance: The virtual internship programme continued this year in conjunction with Peñoles, with courses in mining, geology, metallurgy and topography. 572 students and 36 trainers attended (42.27% men and 57.73% women).

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

For more details see Our People on pages 78-81

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

A series of security measures have been applied:

- Use of sanitary measures within mining units.
- Constant health monitoring of employees.
- Temperature control.
- Social distancing.
- Strict hygiene.
- Home office.
- Selective Covid-19 tests.

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

For more details see Occupational Health on pages 84-85

COVID-19 PANDEMIC IMPACT

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

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

KEY RISK INDICATORS

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

LINK TO STRATEGY

1 2 3 4

RISK APPETITE

Medium

CHANGE IN HEAT MAP

▲ Increasing

RISK RATING (RELATIVE POSITION)

2021: High (6)

2020: High (4)

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 the Juanicipio project:

- Regularising electricity consumption with CFE.
- Delays in the design and obtaining permits related to the tailing dams.
- Obtaining building permits with CONAGUA.
- Lack of qualified labour.
- Lack of specialised contractors.
- Low contractor productivity.

FACTORS CONTRIBUTING TO RISK

- 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.
  - Change 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 2021 included:

- Continuing the construction of the Juanicipio project.
- Continuing the construction of the third tailings dam at La Ciénega.
- Constructing the 14th leaching pad at La Herradura.
- Constructing the carbon-in-column process at La Herradura.

For more details see our Development Project on page 39

COVID-19 PANDEMIC IMPACT

Covid-19 affected project development and led to delays in approvals, for example at the Juanicipio mine and Pyrites Plant.

The contractors failed to meet commitments, leading to disruptions in the supply of critical inputs such as cement, fuels and spare parts.

KEY RISK INDICATORS

- Earned value (rate of financial advancement rate 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

2

RISK APPETITE

Medium

CHANGE IN HEAT MAP

Stable

RISK RATING (RELATIVE POSITION)

2021: High (7)

2020: High (6)

Managing our risks – response/mitigation to our risks continued

8 – 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 published in May 2019 allows the existence of several unions within a company and gives the employee the freedom of choice. This has led to a complex 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) will result in new labour and trade union provisions.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

Increased communication with trade union leaders in mining units to monitor the working climate.

Meetings have been held with groups of workers who want to introduce new unions to the Company.

A specialist group in labour relations was formed to meet the demands of dissident workers.

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.

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.

These initiatives include the 'Security Guardians' programmes, certification partnerships, integration of high productivity equipment, and family activities.

We are proactive in our interactions with the union. When appropriate, we hire experienced legal advisers to support us on labour issues. We remain attentive to any developments in labour or trade union issues.

We started 2021 by conducting five regional labour update forums with company leaders and unions in Sonora, Coahuila and Zacatecas with 500 participants.

From February to the end of the year, we carried out a job training programme for operational leaders of companies at the level of middle management, with the participation of 906 leaders.

We conducted a review of the contractual benefits for union members in our mines.

Our executive leadership and the Executive Committee recognise the importance of trade union relations and follow any developments with interest.

For more details see Our People on pages 78-81

COVID-19 PANDEMIC IMPACT

Although the pandemic did not severely affect this risk, it did slightly complicate the negotiations and delayed some agreements, but with no significant impact. Faced with the pandemic, the union requested the Company to take care of all the sanitary measures recommended by the health authority so that the workers could return to the mining units. Today, the union continues to support the safety measures that we adopted.

KEY RISK INDICATORS

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

LINK TO STRATEGY

2 3

RISK APPETITE

Low

CHANGE IN HEAT MAP

▼ Decreasing

RISK RATING (RELATIVE POSITION)

2021: High (8)

2020: High (5)

9 – 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 supports 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:

1. Corruption of data – Critical data where any unauthorised modification can have adverse impacts.
2. Unauthorised access – Cybersecurity and privacy incidents due to incorrect access permissions or system abuse, exploit or misuse.
3. Breach and data theft – Disclosure of critical and sensitive company data by an internal or external source.
4. Business disruption – Disrupting key applications or systems for a period of time.
5. Lack of cybersecurity ownership – Failure to assign responsibility for implementing and adopting cybersecurity practices on a daily basis.
6. Non-compliance – Cybersecurity and privacy incidents resulting in non-compliance with applicable regulations, including privacy.
7. Health and safety incidents – Breach of availability, integrity or confidentiality of data which impacts health and safety.
8. 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 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 center (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 US 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 forms the basis of our IT/OT operational guarantee.

Our plan for 2022 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.

COVID-19 PANDEMIC IMPACT

With the Covid-19 pandemic, this risk has increased mainly due to the accelerated digital transformation, increased 'phishing' attacks and a reduction in the robustness of IT defences due to remote working.

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

2 3

RISK APPETITE

Low

CHANGE IN HEAT MAP

Stable

RISK RATING (RELATIVE POSITION)

2021: High (9)

2020: Medium (8)

Managing our risks – response/mitigation to our risks continued

10 – SAFETY

RISK DESCRIPTION

It is an inherent risk in our industry that incidents due to unsafe acts or conditions could lead to injuries or fatalities.

Safety and health incidents could result in harm to our employees, contractors and local communities. Ensuring their safety and wellbeing is our ethical obligation and first priority, and is one of our core values.

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.

FACTORS CONTRIBUTING TO RISK

- We are saddened to report that one fatality was recorded during 2021, 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.
- 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

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.

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.

Unfortunately, we suffered a fatal accident during the second half of this year, which means that even with the extraordinary efforts we are making, we have failed to achieve our goal of zero fatalities. Additionally, we recorded 363 high potential incidents (24% more than 2020).

For more details see Safety on pages 82-83

At Fresnillo plc, 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.

During the year, we continued to implement support measures to strengthen, address and prevent the causes of accidents, injuries and fatalities. These include:

- Strengthening safety objectives, including establishing proactive performance indicators that allow us to anticipate events.
- Encouraging managers to own security risks to operations, so 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.
- 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 2021, 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.

COVID-19 PANDEMIC IMPACT

The Covid-19 pandemic did not significantly affect this risk.

KEY RISK INDICATORS

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

LINK TO STRATEGY

4

RISK APPETITE

Low

CHANGE IN HEAT MAP

▲ Increasing

RISK RATING (RELATIVE POSITION)

2021: Medium (10)

2020: Medium (11)

11 – TAILINGS AND 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.

We continue to be alert to the following risks:

- Cyanide management risk.
- 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 the disruption of the quality of life of neighbouring communities as well as our operations.
- 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 SO_2, 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.
- Implications of future regulations 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.
- Historic tailings dams with little or no operation construction design.
- Insufficient information regarding 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

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 are a company responsible for its activities and the fulfilment of the environmental commitments made.

Our environmental management system, together with our investment in preventive measures and training, are key factors that reduce the risk of large environmental incidents.

Based on the level of perceived risk due to recent serious and catastrophic developments in the industry, the Board decided to increase the severity of this risk in 2018 and maintained the same level in 2021.

Herradura, Saucito, Fresnillo, Noche Buena, San Julián and Ciénega each have an integrated certificate of management. Fresnillo and Saucito have ISO 9001; Herradura and Noche Buena have GIS ISO 14001 and 45000.

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.

For more details see Environment on pages 86-108

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-155-SEMARNAT-2007, which establishes environmental requirements for gold and silver leaching systems.

For more details see Cyanide Management on page 101

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.

In 2021 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 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.

COVID-19 PANDEMIC IMPACT

The construction programmes for new tailings dams and the expansion of existing ones were adjusted, due to the increased complexity caused by the pandemic, such as the required health and safety protocols.

KEY RISK INDICATORS

- Number of business units with ISO 14001:2004 certification.
- Number of business units with Clean Industry certification.
- Number of business units with International Cyanide Code certification.
- Number of environmental permits for all advanced exploration projects (according to schedule).

LINK TO STRATEGY

4

RISK APPETITE

Low

CHANGE IN HEAT MAP

Stable

RISK RATING (RELATIVE POSITION)

2021: Medium (11)

2020: Medium (9)

Managing our risks – response/mitigation to our risks continued

12 – 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 and safety of our people, damage access roads and a mine's 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.

The most important risk we currently face is to comply 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.
- Chronic physical risks such as changing weather patterns including rising temperatures and sea levels.

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 unit operations.

CONTROLS, MITIGATING ACTIONS AND OUTLOOK

- Climate change has formed part of our strategic thinking and investment decisions for over two decades.
- We are considering the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) regarding: Governance, Strategy, Risk Management and Metrics and targets.
- 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.
- The pervasive and complex nature of climate change means that it can act as an amplifier of other risks such as environmental incidents, access to water, health and 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 88-100

- 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.
- 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).
- 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.
- 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.
- We are increasing the supply of the materials essential to building a low-carbon economy.
- 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 Energy & Climate on pages 86-100

COVID-19 PANDEMIC IMPACT

The Covid-19 crisis and climate change demonstrate that we live in an interconnected world. We are faced with global challenges that need coordinated responses where each actor takes on their role. No country can deal with these issues alone.

KEY RISK INDICATORS

- Energy demand/value added.
- CO_2/energy consumption.
- Zero-carbon fuel share.

LINK TO STRATEGY

1 2 3 4

RISK APPETITE

Low

CHANGE IN HEAT MAP

Stable

RISK RATING (RELATIVE POSITION)

2021: Medium (12)

2020: Medium (12)

Managing our risks – response/mitigation to our risks continued

13 – 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.

We also risk the loss of purchase opportunities due to slow decision-making.

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 of new mining concessions.
- Geological sampling falling below standard.
- 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

During 2021, we invested a total of US$140.1 million in exploration activities. Our objectives for 2022 include a budgeted risk capital investment in exploration of approximately US$180 million.

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.

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 2022 will allocate 26% to brownfield targets, 19% to development projects, 20% 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.

COVID-19 PANDEMIC IMPACT

The pandemic has halted exploration work in some areas and has led to a shortage of contractors.

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

1

RISK APPETITE

Medium

CHANGE IN HEAT MAP

Return to Principal Risk

RISK RATING (RELATIVE POSITION)

2021: Medium (13)

2021 Viability statement and going concern statement

Our focus is on the Group's existing business and the ability of the current portfolio to generate sufficient cash to meet the Group´s outgoings, including the dividend.

In accordance with provision 31 section 4 of the UK Corporate Governance Code and taking into account the Group's current position and its principal risks for a period longer than the 12 months required by the going concern statement, management prepared a viability analysis which was assessed by the Board for approval.

Mining is a long-term business and timescales can run into decades. The Group maintains life-of-mine plans covering the full remaining mine life for each mining operation.

As discussed above, we closely monitor and assess the impact of key principal and emerging risks on our long-term prospects and, where possible, proactively build response plans into our investment decisions.

Our long-term planning reflects our business model of running our business in ways that are safer, smarter and more sustainable. To ensure we remain resilient in the long term, our business model is continuously stress tested against the key uncertainties within the emerging risks, with recommended actions to mitigate potential downside.

The Directors reviewed the viability period and confirmed the suitability of a five-year period to December 2026. This period aligns with the mining industry's typical planning cycle and with the Company's five-year forecast period normally used to evaluate liquidity and contingency plans. It allows us to model capital expenditure and development programmes planned during the timeframe and reflects cash flows generated by the projects currently under development. Due to the long business cycles in our industry, the Directors considered that a shorter time period would be insufficient.

Reporting on the Company's viability requires the Directors to consider those principal risks that could impair the solvency and liquidity of the Company. In order to determine those risks, the Directors robustly assessed the Group-wide principal risks and operation-specific risks by undertaking consultations with executive management, mine managers and other personnel across our operations. These consultations also enabled the Directors to identify low probability, high loss scenarios – 'singular events' – with the potential magnitude to severely impact the solvency and/or liquidity of Fresnillo.

For the purpose of assessing the Group's viability, the Directors identified that of our principal risks, the following are the most important:

i. 'Potential actions by the government', which could include a delay in obtaining permits and/or new restrictive regulations and the restriction on the granting of new mining concessions.
ii. 'Impact of metals prices and global macroeconomic developments', specifically volatility in the prices of gold and silver over a period of time and the inflation in the prices of critical inputs to the operation.
iii. 'Security', especially the theft of explosives in the most insecure region.
iv. 'Access to land', especially due to disputes with the owners of the land where we have operations.
v. 'Safety', especially in scenarios that consider fatalities.
vi. 'Tailing and environmental incidents', especially the failure or rupture of a tailings dam.

This year, we also considered the effects of climate change on the viability scenarios, especially the impact of heavy rains and incorporated climate-related factors in scenarios 2, 3, 4 and 7. Nevertheless, our conclusion was that the most important scenarios are not at this stage materially impacted.

Having determined that none of the individual risks would in isolation compromise the Group's viability, the Directors went on to group principal risks into the following severe but plausible scenarios, in each case determining the risk proximity (how soon the risk could occur) and velocity (the speed with which the impact of a risk could be felt):

Scenario 1: Impact of metals prices and global macroeconomic developments. Our model assumes that prices for gold and silver in 2022 fall to US$1,492 per oz and US$16.9 per oz respectively. We further assume that precious metals prices remain at a low level for the following four years of the viability period, varying between US$1,942 – 1,676 per gold oz. and US$23.4 – 21.9 per silver oz.

To create an impartial projection for a future low metals prices environment, the Directors used an average of the three lowest forecasts for each year of the assessment, based on consensus estimates published by institutional financial analysts. This environment was deemed to be the most significant risk, and pervasive across the Company. (Principal risk.)

Scenario 2: Bench collapse at an open pit mine. A landslide occurs covering the lower pit of one of our mines. Due to the unexpected nature of the event, fatalities occur. Production is gradually ramped back up and re-established to full capacity. (Singular event.)

Scenario 3: Tailings deposit breach at a mine. A tailings deposit collapses and tailings are released into the surrounding area, causing environmental damage. A fund is created by the Company to be used to remediate and compensate for any damage caused. The investigation into the causes of the event is drawn out and further time is required before all environmental permits are reinstated. As a result, the mine remains closed throughout the viability assessment period. (Principal risk.)

Scenario 4: Flooding at a mine. An unforeseen fault containing water is cut into, leading to water entering the mine in excess of pumping capacity, thereby halting production of one of the mine's main areas. The ramp-up to pre-event production levels commences once management determines that it is safe to do so. (Singular event.)

2021 Viability statement and going concern statement continued

Scenario 5: Action by the Government at a mine. Explosives are stolen on site causing the authorities to suspend the mine's explosives permit. Production is halted while an investigation into the matter is completed. Once permits have been restored, production ramps back up to pre-event levels. (Principal risk.)

Scenario 6: Access to land at a mine. Conflicts with local communities arise and result in the Company having to cease operations until negotiations can be finalised and the land can be re-occupied. (Principal risk.)

Scenario 7: Total power failure at a mine. There is an unexpected power outage at a mine caused by a severe winter storm, which freezes gas and diesel pipelines and supply facilities. (Singular event.)

The hypothetical scenarios above are extremely severe in order to create outcomes that have the ability to threaten the viability of the Group. However, multiple control measures are in place to prevent and mitigate any such occurrences. Should any of these scenarios take place, various options are available to the Company in order to maintain sufficient liquidity to continue in operation, including the deferral of capital and/or exploration expenditure. When quantifying the expected financial impact and remediation time required for each of these risks, management performed benchmarking against the Group's own experience and against publicly available information on relevant, comparable incidents in the mining industry.

The successful restructuring of the Company's debt, buying back US$482.1 million from the US$800 million Senior Notes at 5.5% due in 2023 and issuing new US$850 million Senior Notes at 4.25% due in 2050, helped reduce liquidity risk and ensure that viability scenarios did not have serious consequences. It is important to note that all the scenarios assume that the outstanding portion of the 2023 Notes (US$317.8 million) are paid when they fall due.

All scenarios were first evaluated using metals prices based on average analyst consensus. As no mitigations were necessary, it was decided that there was no threat to the viability of the Company. To create a more stringent test and further challenge the resilience of the Group, all scenarios were then overlaid with scenario 1, (low metals prices) and then re-evaluated.

When these scenarios were re-modelled, none led to an extremely low or negative cash balance because the strong cash and other liquid funds balance at the end of 2021 (US$1,235.3 million) positions Fresnillo plc in a healthy financial situation. In addition, metals prices contribute to the preservation of a positive cash balance position through the scenarios assessed. The lowest cash balance level was identified in scenario number two, in combination with the low metals prices scenario. However, with mitigation actions this scenario would maintain a positive cash balance throughout the viability period, with a minimum level of US$115 million during the third year (2024).

Risk management and internal control systems are in place throughout the Group. The internal control systems enable the Directors to monitor key variables that have the ability to impact the liquidity and solvency of the Group. We are confident that management is able to sufficiently mitigate any situations as they might occur.

Our risk mitigation and control measures include a Crisis Committee, while the Board would also be briefed and convened as necessary, in order to respond to events as they develop. At each level of our organisation, we have appointed dedicated personnel responsible for media management and engaging with authorities and other stakeholders, depending on the magnitude of the crisis.

Based on the results of this robust analysis and having considered the established controls for the risks and the available mitigating actions, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their detailed assessment. This longer-term assessment process supports the Directors' statements on both viability, as set out above, and going concern.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above in the Strategic Review on pages 1-155. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 58-69. In addition, note 30 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecasts for the period to 31 December 2023 (being the going concern assessment period). The Directors have also considered the cash position as at 31 December 2021 (US$1,235.6 million) and the restructuring of debt during the period, as described in the financial review. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US$20.1 and US$1,553 respectively throughout this period, whilst maintaining current budgeted expenditure and only considering projects approved by the Executive Committee. This resulted in our current cash and cash equivalents balances reducing over time but maintaining sufficient liquidity throughout the period.

The Directors have further calculated prices (US$17.4 and US$1,308 for silver and gold respectively), which should they prevail to the end of 2023 would result in cash balances decreasing to minimal levels by the end of 2023, without applying mitigations.

Should metals prices remain below the stressed prices above for an extended period, management has identified specific elements of capital and exploration expenditures which could be deferred without adversely affecting production profiles throughout the period. Finally, management could amend the mining plans to concentrate on production with a higher margin in order to accelerate cash generation without affecting the integrity of the mine plans.

In the prior year, the Directors reviewed scenarios that incorporated an estimated potential impact of government-imposed stoppages due to Covid-19 restrictions. The Directors reassessed the situation in the current year, considering in particular the fact mining was declared an essential activity by the Federal Government and there have been no further stoppages at any of our mines.

Furthermore, as previously reported, we have implemented additional health and safety measures at each of our mines coupled with extensive targeted and random testing. The Directors concluded that the risk of government-imposed stoppages was low and therefore disclosure of a specific Covid scenario is no longer relevant.

After reviewing all of the above considerations, the Directors have a reasonable expectation that management has sufficient flexibility in adverse circumstances to maintain adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Section 172 Companies Act statement

SECTION 172 COMPANIES ACT STATEMENT

In compliance with sections 172 (‘Section 172’) and 414CZA of the UK Companies Act, the Board of Directors of the Company (the ‘Board’) makes the following statement in relation to the year ended 31 December 2021:

We are committed to fostering strong relationships with our stakeholders through purposeful engagement, value creation and thoughtful consideration of stakeholder perspectives within our strategic decisions. We recognise that we can only achieve long-term success by considering how our operations affect stakeholders such as communities and the environment, supported by a strong ethics culture.

Our Section 172 Statement identifies our stakeholders, explains how we consider their interests in our principal decision-making processes, and also reports on progress towards achieving our objective of long-term success.

Recent stakeholder reporting regulations in the UK are aligned with the international trends that are shaping the growing interest of society and investors in environmental, social and governance (ESG) factors. These factors – which continue to evolve rapidly – are the subject of increasing focus, and our Board recognises that our business model and strategy must respond effectively to those that are relevant to our stakeholders. Our materiality assessment (pages 72-73 of the Strategic Report) identifies the ESG factors that are significant to our stakeholders and material to our operations.

Our stakeholders

We identified our relevant stakeholders by considering their influence on the success of our business model and strategy. Our ‘Putting our stakeholders first’ section (page 14 of the Strategic Report) introduces our stakeholders, why they are important and the engagement strategies we deploy to build and maintain strong relationships. Our ‘Managing Our Risks and Opportunities’ section (pages 120-142 of the Strategic Report) evaluates the risks associated with these relationships and the strategies we use to mitigate them.

We provide the following information on our stakeholders:
- our relevant stakeholders;
- how they are relevant to our business model and strategy;
- their interests, needs and concerns;
- how engagement is being conducted;
- management and governance activities;
- the actions and outcomes from engagement;
- the metrics used to monitor relationships; and
- what risks could affect our relationships with stakeholders.

Our principal decisions

We consider ‘principal decisions’ to be those decisions linked with our strategy, or resulting from major regulatory changes, that entail significant implications for our stakeholders and the Company’s future. We have developed a pro forma template identifying the relevant stakeholder considerations for inclusion in the Board papers which accompany Board discussions.

During the year, we launched an initiative to transform our strategy, based on three pillars (i) enriching strategy; (ii) changing culture; and (iii) restructuring the organisation. This corporate transformation is aimed at: (a) better positioning the Company in the context of an ever-changing and more complex environment and (b) achieving the Company’s goals, both on a business level and in terms of creating value for our stakeholders.

The Board makes principal decisions and delegates specific decisions to committees or management with the appropriate oversight of Non-Executive Directors. In July, the Board appointed a Special Committee to analyse management proposals and approve all matters relating to the corporate restructure to ensure compliance with the recent Mexican labour reform legislation, which regulates the subcontracting of personnel. The Special Committee validated the strategy and instructed management to take all necessary steps to meet the requirements of the new legislation, including but not limited to the incorporation of certain contractors’ personnel as Company employees. Board oversight ensures that these decisions are conducive to the success of the Company and that stakeholders are being considered appropriately.

The Board monitors and provides oversight of previous years’ principal decisions, including the decision in 2020 to “Maintain operations as close to normal as possible, implementing preventive measures to prevent Covid-19”. The Health, Safety, Environment and Community Relations Committee monitored the performance of the preventive measures necessary to operate as close to normal. Amid the challenges of Covid-19, this decision enabled us to avoid furloughs and redundancies, and to maintain our dividend policy. An interim dividend was declared considering the principle of balancing growth with shareholder returns, and following a comprehensive review of the current and expected near-term financial position as well as the Company’s ability to adapt its operations and growth plans to adverse scenarios.

During 2021, the Board’s principal decisions with relevant implications for our stakeholders and the Company’s future were:

(i) The approval of the Company’s Business Plan and Budget; and
(ii) Strategy to comply with the new labour legislation in Mexico regulating subcontracting

We provide the following information on our principal decisions:

- The context of the decisions.
- The decision-making process.
- Stakeholder considerations.
- Impact on the communities and the environment.
- Strategic actions supported by the Board.
- The impact of these actions in the long term.
- The outcomes of the decisions.

The Company, its Board of Directors and Company management are fully committed to effectively engaging with all key stakeholders.

Approved by the Board of Directors on 7 March 2022.

Principal decisions

DECISION:	APPROVE THE 2022 BUSINESS PLAN AND BUDGET	
CONTEXT	The Business Plan and Budget set the annual production targets and the necessary resources and competencies to achieve it, while responsibly managing the impacts of mining. The Business Plan and Budget are aligned with our Strategic Plan and Purpose, and consider the specific priorities and challenges faced by each operation and project, including stakeholder and environmental considerations.	
DECISION-MAKING PROCESS	The Executive Committee presents the Business Plan and Budget for the Board's discussion and approval. The discussion and decision-making of the Board was supported by a pro forma template, distributed within the Board papers, which identified relevant stakeholder considerations. The Board then decided to approach these stakeholder issues with a focus on: • Generating value for all the stakeholders in an increasingly challenging environment. • Prioritising excellent health, safety, social and environmental performance which are all essential to support our business model, which relies on the trust of our stakeholders.	
STAKEHOLDER CONSIDERATIONS	Employees	• A healthy and safe work environment • Covid-19 preventive measures • Job stability and benefits • Organisational culture • Diversity, equity and inclusion • Prevention of harassment • Wellness programmes • Workforce engagement
	Unions	• Assimilation of contractors resulting from the Mexican outsourcing reform • Safety culture and critical risk control protocols • Covid-19 preventive measures, including vaccination • Preventing and addressing harassment
	Community	• Community programmes: Health & sports, Education, Capacity building and Water • Local employment and procurement
	Government and regulators	• Compliance with regulations • Permitting • Payment of taxes • Implementation of anti-bribery policies
	Contractors & Suppliers	• Covid-19 preventive measures • Safety performance through our 'I Care, We Care' programme • Involvement of contractors' representatives in accident or incident investigations
ENVIRONMENTAL CONSIDERATIONS	• Safe cyanide management • Responsible operation of Tailings Storage Facilities (TSFs) to ensure the safety of our people, communities and the environment. • Climate action	
STRATEGIC ACTIONS SUPPORTED BY THE BOARD	The Strategic Actions of the Business Plan supported by the Board to generate value for stakeholders are: • Covid-19 preventive measures, including wellbeing initiatives; • 'I Care, We Care' safety programme to promote safety culture, and to support the implementation of critical risk control protocols and the involvement of contract owners in accident or incident investigations; • Follow-up of actions in response to the feedback collected through the workforce engagement mechanisms; • Joint strategy with our union to collaborate on health, safety and labour productivity, including cooperation to address the feedback from workforce engagement meetings; • Strengthening community relations through community programmes, local employment and procurement opportunities; • Increasing the storage capacity of TSFs and executing the planned investments to ensure the safety of our people, communities and the environment; • Strong governance of our TSFs, implementing the recommendations of our Independent Tailings Review Panel; and • Responsible cyanide management.	
IMPACT OF THESE ACTIONS ON THE LONG-TERM SUCCESS OF THE COMPANY	The Business Plan and Budget 2022 is expected to balance responsibly our operating performance targets and the considerations that matter to our stakeholders in the short and long term. These include Covid-19, health and safety, workforce wellbeing, environmental performance, and social acceptability.	
OUTCOME	In October 2021, the Board discussed and supported the 2022 Business Plan and Budget (which is subject to final review by the Board in early 2022).	

Principal decisions continued

DECISION:	STRATEGY TO COMPLY WITH THE NEW LABOUR LEGISLATION IN MEXICO, WHICH REGULATES THE SUBCONTRACTING OF WORKS AND SERVICES
CONTEXT	Mexico recently enacted legislation to regulate the subcontracting of workers. The spirit of this new law aims to preserve workers' rights and ensure the compliance of contractors with their labour and social security obligations. Key aspects of the reform: • The reform expressly prohibits subcontracting personnel, with the exception of subcontracting specialised services/works if these are not included within the core business (corporate purpose) of the companies contracting the services, and provided that the subcontractor is duly registered as a provider of specialised services with the Ministry of Labour and Social Welfare in Mexico; • The reform also considers as specialised services those shared between entities of the same corporate group (insourcing) as long as these activities are not included in the core business (corporate purpose) of the beneficiary receiving the services; • The Income Tax Law and the Value Added Tax Law prohibit the deduction of taxes on expenses paid related to subcontractors that are not in compliance with the reform; • The companies contracting the services/works will be jointly and severally liable for any breach in the contractors' obligations under the labour, social security and/or tax laws; and • Using deceptive practices to simulate the provision of specialised services or subcontracting personnel will constitute tax fraud and be subject to criminal penalties.
DECISION MAKING PROCESS	In response to the reform, the Executive Committee presented a strategy, supported by the opinion of external advisors, to absorb certain contractor personnel. To further mitigate this risk, the Company decided to implement stringent controls to ensure that contractors fully comply with their tax and labour obligations. The Board decided to approach these stakeholder issues with a focus on: • Compliance with the new regulatory standards; • The retention of those members of the qualified workforce who are essential to our business model and the delivery of our strategy; and • Ensuring that workers' rights are respected.
STAKEHOLDER CONSIDERATIONS	Employees: • Recruitment and onboarding of qualified contractors' workforces to ensure business continuity • Job stability for the contractors' workforces at risk Unions: • Collaboration on the assimilation of qualified contractors' workers Community: • Minimise the impact on local employment and procurement Government and regulators: • Compliance with the new labour legislation, preserving workers' rights and strengthening contractors' compliance with tax payments Contractors & Suppliers: • Collaboration to implement enhanced controls to ensure compliance with their tax and labour obligations
STRATEGIC ACTIONS SUPPORTED BY THE BOARD	The Strategic Actions supported by the Board were: • Implement the strategy proposed by management to comply with the new labour and tax obligations; and • Appoint a Special Board Committee to comprehensively evaluate the strategy and make all the necessary decisions on behalf of the Board. The Strategic Actions supported by the Special Board Committee were: • Merger of concession companies with operating companies; • Modification of the corporate purpose contained in the by-laws of the operating, technical and services subsidiaries; • Contracting specialised services and works whenever necessary, from companies registered with the Ministry of Labour and Social Welfare in Mexico; • Extending job offers to qualified contractors' personnel who have been working on non-specialised services; • Adjustment of insourcing arrangements; and • In certain cases, re-allocating personnel within Group companies.
IMPACT OF THESE ACTIONS ON THE LONG-TERM SUCCESS OF THE COMPANY	The strategy to comply with the new labour legislation in Mexico has enabled Fresnillo to comply with the legislative reform, including the retention of qualified contractors' workers essential to our business model, and also to support the delivery of our strategy. Extending job offers to the qualified workforce has also mitigated the negative impacts of the reform on our people and local communities.
OUTCOME	In July 2021, the Board discussed and supported the Strategy. The Special Committee made the key decisions in August 2021, for implementation by management.

Non-financial information statement

This section of the Strategic Report constitutes Fresnillo plc's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information listed is incorporated by cross-reference.

Non-financial information	Policies and guidelines	Outcomes	Principal risk	KPIs
Environmental matters		• Environment section pages 86-108.	• Tailings and Environmental incidents. • Climate change	• GHG emissions. • GHG intensity. • Energy intensity. • Mining and metallurgical waste. • Water withdrawal. • Water intensity.
Company's employees	• Sustainability[1]. • Code of Conduct[2]. • Recruitment, selection and training of personnel[3].	• Our People section pages 78-81. • Safety section pages 82-83. • Organisational Culture section pages 74-77. • Occupational Health section pages 84-85.	• Security. • Safety. • Union relations.	• Labour turnover. • Training hours. • Injury frequency rates. • Cases of occupational diseases. • Details of number of cases in HR matters. See page 76. • Number of disciplinary actions. See page 75.
Social matters		• How we report sustainability, materiality assessment section on pages 72-73. • Communities section of the ARA, on pages 109-112.	• Access to land. • Licence to operate.	• Economic value distributed. • Local employment. • Community investment. • Number of community grievances. See page 111.
Respect for human rights	• Sustainability[1]. • Diversity and inclusion[1]. • Code of Conduct[2]. • Harassment Prevention Protocol[3].	• Diversity & Inclusion section on pages 78-81. • Operating labour Commissions in each business unit. • Awareness training sessions in harassment prevention. See page 76.	• Human resources.	• % of women. • Diversity in talent attraction. • Gender pay gap.
Anti-corruption and anti-bribery (ABAC) matters	• Anti-bribery and corruption[1]. • Code of Conduct[2]. • Donations and Political Contributions[3]. • Promotional expenses (including gifts policy)[3]. • Third party Due Diligence[3]. • Government relations[3].	• Governance activities during 2021 included reviews of elements of the ABAC programme, which were presented periodically to the Board and to the Audit Committee. See pages 170 and 184. • During 2021 we continue performing our third party due diligence process (506 analysed, obtaining 8 high risk, 80 medium risk, 415 low risk and 3 third parties non-recommended thus rejected). • Corporate Integrity 500 and World's Most Ethical Companies by Ethisphere rankings See page 73. • Ethics Culture section on pages 74-77.	• Potential actions by the Government (e.g. taxes, more stringent regulations).	• Completion rate on training programme for employees. • ABAC policy certification by third parties. • Details of number of cases of alleged inappropriate arrangement with suppliers (some of them related with alleged bribes). See page 75. • Ethical conduct. See pages 74-77.

1 http://www.fresnilloplc.com/corporate-responsibility/our-policies/
2 http://www.fresnilloplc.com/corporate-responsibility/ethics-culture-and-integrity/code-of-conduct/
3 Public commitment as part of our Code of Conduct, detail on our stance and procedures available in our intranet policy site.

The Strategic Report which is set out on pages 1 to 155 has been approved by the Board of Directors of Fresnillo plc
Signed on behalf of the Board

Alberto Tiburcio
Independent Director
7 March 2022

Building trust – relationships with key stakeholders

We rely on strong relationships with our stakeholders to fulfil our Purpose of contributing to the wellbeing of people, through the sustainable mining of silver and gold.

Our values, embedded within our culture, are the compass that guides our engagement efforts to foster prosperity and wellbeing. To this end, we engage purposefully with the communities in which we operate, as well as with employees, unions, contractors, and suppliers. We also work closely with government and regulators and ensure open communications with investors.

EMPLOYEES AND UNIONS

Engaging our people for the long term to instil a long-lasting culture where everybody understands our Purpose and how we do business.

Relevance to our business model and strategy:
- An experienced and motivated workforce is fundamental to delivering a sound business and ESG performance.
- A committed workforce is key to the success of Covid-19 preventive measures and sustained improvements in our safety performance.
- A sound ethics culture, demonstrated by our actions, is the basis for trust among our shareholders, neighbouring communities, governments and society.
- Constructive dialogue and collaboration with Union leaders are fundamental to Covid-19 prevention, safety and productivity.
- Workforce engagement, including board level engagement, offers valuable insights into employees' interests and concerns, supporting better decision-making.
- A diverse workforce improves creativity, innovation, retention and productivity.
- Society, regulators and investors are placing greater emphasis on human rights and diversity, equity and inclusion.

What issues matter to our employees and unions:
- Effectiveness of Covid-19 preventive measures.
- Health and safety in the workplace.
- Security in the regions where we operate.
- Organisational culture.
- Remuneration (including statutory profit-sharing).
- Labour and human rights.
- Preventing and addressing harassment.
- Diversity, equity and inclusion.
- Ethics and integrity.

Metrics:
- Fatal injuries.
- Total Injury Frequency Rate.
- Lost Time Injury Frequency Rate.
- New cases of occupational diseases.
- Turnover rate.
- Gender diversity and payment gap.
- Ethisphere's Ethics Culture quotient.
- Honour Commission and whistleblowing line KPIs.

For more information see KPIs in our Sustainability Section on pages 72-119

How we engage our employees and unions:
Management activities:
- Crisis management teams to oversee the measures to prevent Covid-19, including testing, confirmation of cases and vaccination of our employees and contractors.
- Union engagement on Covid-19 preventive measures, collective bargaining, prevention of harassment, outsourcing reform, Health & Safety commissions, critical controls and joint inspections of workplace safety conditions.
- Comprehensive programme to prevent and address harassment in the workplace covering unionised and non-unionised workers.
- Surveys to better understand the issues that matter to our workforce. This year, we carried out a culture survey among unionised and non-unionised employees.
- Interviews and focus groups to gain a deeper understanding of our employees' perception of our social initiatives in the communities where we operate.
- Fresnillo 'plays fair' whistleblowing line, harassment committees, and the Honour Commission.

How the Executive Committee and Board complement the engagement efforts:
- The CEO and COO engage with Union leaders in constructive dialogue on safety, productivity and collaboration to prevent harassment in the workplace.
- Visits from Board members to mine sites to discuss safety, productivity and diversity. In 2021, visits were postponed to minimise risk exposure. However, contact is maintained with the mine sites on an ongoing basis through the Executive Committee which reports to the Board, as well as representatives from corporate functions who attend the Company's HSECR Committee, which also reports to the Board.

Governance activities of the Board and Board Committees:
- Mr Arturo Fernández, our Designated Non-Executive Director (Designated NED), brings workforce feedback to the Board.
- Monitoring of the effectiveness of the measures to contain Covid-19 by the HSECR Committee and Board.
- Regular evaluation of health and safety programmes and their performance by the HSECR Committee and Board.
- Evaluation of the strategy to increase the participation of women by the Nominations Committee and Board.
- Evaluation and approval of the Modern Slavery Statement.
- Oversight of whistleblower arrangements and cases by the Audit Committee with further reviews by the Board every six months.

Mr Fernández's activities as Designated NED involved both unionised and non-unionised members of the workforce and focused on:

- Health safety and Covid-19; and
- Ethical culture, inclusion and gender equality.

For more information see Workforce Engagement NED on page 169

Actions and decisions

(A – Actions undertaken, D – Decisions)

- **D –** Collaborate with the Union and authorities to promote and support vaccination logistics in our operations, benefiting our workforce and neighbouring communities.
- **A –** Strengthening our strategy to prevent and contain Covid-19 cases with high levels of vaccination while keeping the protocol introduced in 2020:
  - Vaccination, workplace social distancing, access control and sanitisation measures at our operations, accommodation and transportation facilities.
  - Rapid testing and contact tracing to support self-quarantine.
  - Daily monitoring of the health condition of confirmed cases and psychological support.
- **A –** Enhanced collaboration with unions on safety through our 'I Care, We Care' strategy and active participation of management and our unionised employees in the definition and auditing of critical risk controls.
- **A –** Workforce Engagement, led by our NED Mr Arturo Fernández, using an online town hall meeting format to collect feedback from unionised and non-unionised employees and report the findings to the Board.

Outcomes:

- Positive relations with workers and unions.
- No strikes or labour conflicts affecting our ability to operate.
- Reduction of the impact of Covid-19 to operations resulting from the actions taken to prevent and reduce the spread of infection.
- Reduction of the Total and Lost Time injury frequency rates.
- Introduction of a Board-level town hall conversations with the workforce.

For more information
See pages 78-81

Principal risks:

- Human resources: Not enough candidates with the required profiles or skills. Covid-19 outbreaks.
- Union relations: Disputes between challenging and incumbent unions.
- Safety: Unsafe acts or conditions leading to injuries or fatalities.

For more information see Managing Our Risks and Opportunities Section on pages 120-142

Building trust – relationships with key stakeholders continued

COMMUNITY

Building trust in the communities where we operate, acting ethically, being accountable for our impacts and sharing the benefits of mining.

Relevance to our business model and strategy:
- A sound environmental and social performance is fundamental to maintaining the acceptability of our operations, and to minimising the risk of conflicts with communities.
- Mutually beneficial relationships with our communities are essential to building long-term trust and collaboration.
- A responsible approach to managing Covid-19 health risks in our workforce and collaboration with our hosting communities are crucial to ensuring the acceptability of our operations.
- Fair engagement of indigenous peoples to gain access to new projects is scrutinised by regulators, NGOs, investors and society at large.
- Leaving a positive legacy beyond life of mine is crucial to gaining and maintaining the social acceptability of mining.
- Environmental and social performance are considered to be important investment criteria.

What issues matter to our communities:
- Security.
- Water.
- Public infrastructure and services: roads, health, water and sanitation, public lighting, and garbage collection.
- Our environmental performance.
- Education quality and infrastructure.
- Inflation.
- Unemployment.
- Our transparency and access to information.

Covid-19 issues:
- Outbreaks of the disease and access to healthcare.
- Testing and vaccination.
- Recovery from the impacts on education and a safe return to schools.

Other stakeholders and society at large are interested in our social and environmental performance in the communities where we operate. The ESG topics that matter to our stakeholders have been identified through our materiality assessment and are presented in our sustainability section.

For more information see Materiality Matrix in our Sustainability Section on pages 72-73

Metrics:
- Economic value distributed.
- Local employment and procurement.
- Tax payments to the Fund for Sustainable Development of Mining States and Municipalities.
- Community investment.
- Environmental performance KPIs.

For more information see KPIs in our Sustainability Section on pages 72-119

How we engage our communities:
Management activities:
- Raise awareness of the measures to prevent Covid-19, collaborate on rapid testing, support authorities with vaccination logistics and donate food supplies for the most vulnerable.
- Engage parents and school authorities on the safe return to schools including sharing preventive measures, donating masks and supporting school repairs.
- Social investment portfolio with emphasis on education, health & sports, capacity building and water access. During Covid-19, some programmes were postponed, while others were adapted to be conducted online or with appropriate preventive measures.
- Engage with formal and informal leaders, local and regional authorities to understand and discuss their concerns and aspirations. Preventive measures were implemented to conduct interviews safely, with a limited number of participants.
- Conduct social studies every two years to identify and evaluate issues that matter to our communities. This approach is used to gain further insights into our social performance and to implement Covid-19 preventive measures.
- Operate grievance mechanisms to address concerns in local communities.

How the Board complements the engagement efforts:
- Visits from Board members to communities to gain further insights into our social projects. Visits were postponed in 2021 to mitigate the Covid-19 risks.
- Meetings between the Chairman and other members of the Board with key Government officials, at both the federal and the local.

Governance activities of the Board and Board Committees:
- Gain insights into the corporate citizenship expectations of society during Covid-19.
- Monitor community engagement and collaboration with communities to address the impacts of Covid-19 and the long-term capacity building initiatives.

Actions and decisions:
(A – Actions undertaken, D – Decisions)
- **A –** Pursue our collaboration with communities to mitigate the impact of Covid-19 by raising awareness, donating masks, providing rapid testing and supporting the safe return to schools.
- **A –** Collaboration with public health and local authorities to support the logistics in community vaccination centres.
- **A –** Social investment portfolio with emphasis on Covid-19 impact mitigation, education, health & sports, capacity building and water access.
- **D –** Launch our biennial social performance surveys with the appropriate Covid-19 preventive measures.

Outcomes:
- No conflicts with communities affecting our ability to operate.
- Community engagement and programmes were adapted to the new dynamic regarding Covid-19, maintaining our commitment to health & sports, education, capacity building and water access.
- Community investment.
- Local employment and procurement.
- Economic value distributed in the regions where we operate in the form of wages and benefits, payments to contractors and suppliers and Federal, State and Municipal taxes.

For more information
See pages 109-119

Principal Risks:
- Access to land: Rising compensation expectations, influence of special interests in negotiations, effectiveness of indigenous peoples consultation processes and risks of litigation from increased activism by agrarian communities.
- Licence to operate: Deficient social and environmental performance and/or the presence of anti-mining activism increase the risk of opposition and conflict.

For more information see Managing Our Risks and Opportunities Section on pages 120-142

GOVERNMENT AND REGULATORS

Cooperative and respectful relations for the common good with policymakers and representatives of local, state and federal government.

Relevance to our business model and strategy:

- Address a wide range of strategic issues such as Covid-19 protocols for mining, connection to the grid, environmental permitting, security, tax issues, and community support, among others.
- Build a strong reputation among policymakers to facilitate the consideration of our perspective on new legislation.
- Partner with the business community in Mexico to provide a positive impact on public policies and the business environment.

What issues we believe matter to Governments and regulators:

- Employment and regional development;
- Covid-19 preventive measures in the workplace.
- Donations of personal protection equipment and ventilators.
- Logistical support for vaccination centres;
- Regulation of outsourcing and tax payment by contractors.
- Ensuring a market share for the electricity produced by the National Grid via conventional power plants.
- State and municipal sources of revenue such as property and environmental taxes.
- Reallocation of the Mining Fund to national public spending.
- Health, safety, environmental and social best practices.
- Prevention of corruption.
- Relations with communities.
- Consultation of indigenous peoples.

Metrics:

- Economic value distributed: taxes and levies paid.
- Tax payments to the Fund for Sustainable Development of Mining States and Municipalities.
- Health, safety and environment KPIs.

For more information see KPIs in our Sustainability Section on pages 72-119

How we engage with Governments and regulators:
Management activities:

- Meetings with federal authorities and regulators on regulatory issues through trade unions such as CAMIMEX (Mexican Mining Chamber), CONACAMIN (Mexican Confederation of Industrial Chambers) and CCE (Business Coordinating Council) and sustainability associations such as CESPEDES (Mexican Chapter of the World Business Council for Sustainable Development) and the CCA (Mexican Water Advisory Council).
- Direct meetings with policymakers and federal, state and local authorities regarding Covid-19 cooperation, security, mining rights, environmental permitting, etc. in the regions where we operate.

How the Executive Committee complements the engagement efforts:

- Meetings of the CEO with key municipal, state and federal authorities on Covid-19, security, mining regulations and tax issues.
- Meetings of the CFO with tax authorities.

Governance activities of the Board and Board Committees:

- Evaluation of compliance challenges and economic implications relating to changes in labour, tax, mining, safety, social and environmental regulations.
- Evaluation of issues where we deem it strategic to go beyond compliance, such as safety, cyanide management, climate change, TSFs and mine reclamation for closure.
- The Audit Committee regularly monitors the Company's relationships with the Mexican tax authorities.
- The Audit Committee reviews the annual UK payments to Governments filing prior to approval.
- The Chairman and the Board member Arturo Fernández lend assistance on tax matters as necessary through liaison with Government officials, including by providing an industry perspective.

Actions and decisions:
(A – Actions undertaken, D – Decisions)

- **D –** Roll-out of the strategy to comply with the new labour and tax obligations, absorbing contractors' workers where contractors are at risk of termination of service agreements between us.
- **D –** Implement stringent controls to assure that contractors fully comply with their tax and labour obligations, as required by the new labour and tax obligations.
- **A –** Participate in health, safety and environmental certifications by the Mexican authorities.

Outcomes:

- Group restructure to comply with the new labour and tax obligations, securing a segment of our workforce essential to our business strategy, preserving workers' rights and collaborating with authorities on contractors' compliance with tax obligations.
- Regional employment and procurement.
- Economic value distributed as payment of taxes and levies.
- Logistical support for vaccination centres.
- Excellent compliance record on health, safety and environment, recognised by National awards and certifications.

Principal risks:

- Potential actions by the Government: Regulatory actions and processing delays can have an adverse impact on social and environmental permitting, mining rights and concessions, energy policy and connectivity to the grid, water concessions, outsourcing regulations, fiscal changes, onerous tax compliance obligations including contractor compliance responsibilities, state environmental taxes and municipal property taxes, and explosive permits, among others.

For more information see Managing Our Risks and Opportunities Section on pages 120-142

Building trust – relationships with key stakeholders continued

CONTRACTORS

Collaborative partnerships with contractors to improve productivity and safety.

Relevance to our business model and strategy:
- Capable contractors are necessary to perform specialised works and services to support our operations, projects and exploration.
- Cooperation with contractors is essential to the implementation of preventive measures to contain the spread of Covid-19 in the workplace.
- Committed contractors are fundamental to strengthening our safety culture and alignment with our values and ethics.
- Collaboration to comply with the new labour legislation in Mexico regulating subcontracting and stringent controls on contractors' tax payments.

What issues matter to our contractors:
- Productivity/development rates.
- Compliance with the new labour legislation in Mexico.
- Covid-19 preventive measures.
- Health and safety in the workplace.
- Security in the regions where we operate.
- Labour and human rights.
- Preventing and addressing harassment.
- Diversity, equity & inclusion.
- Ethics and integrity.

Metrics:
- Fatal injuries.
- Total Injury Frequency Rate.
- Lost Time Injury Frequency Rate.
- Gender diversity.

For more information see KPIs in our Sustainability Section on pages 72-119

How we engage our contractors:
Management activities:
- Set the tone in recognising contractors as valuable members of our workforce.
- Engage on preventive measures to minimise the risks of Covid-19 in the workplace, transportation and accommodation.
- Regular engagement and capacity building through the 'I Care, We Care' initiative.
- Involvement of contract owners in accident or incident investigations.
- Roll-out of the strategy to comply with the new labour regulations in Mexico that prohibit outsourcing for works and services, including job offers to qualified contractor personnel who have been working on non-specialised services.
- Enhanced controls to assure compliance with their tax and labour obligations.
- Require compliance with our Code of conduct for third parties.
- Due diligence procedures to verify the ethical profile of new contractors and suppliers.
- Capacity building of contractors to implement measures to prevent and address harassment.
- Organise focus groups with contractors to better understand our social performance in local communities.

How the Executive Committee complement the engagement efforts:
- Meetings of the CEO and COO with key contractors on production and safety matters.
- Meeting of the CEO, COO and CFO with contractors to implement the strategy to comply with the new labour regulations in Mexico.

Governance activities of the Board and Board Committees:
- Special Board Committee to ensure oversight of the strategy to comply with the new labour regulation and to make all the necessary decisions.
- Monitoring of the effectiveness of the measures to prevent Covid-19 by the HSECR Committee and Board.
- HSECR Committee oversight of safety performance of contractors.
- Reviews by the Board and the Audit Committee of the contractor engagement elements of the anti-bribery and corruption programme.

Actions and decisions:
(A – Actions undertaken, D – Decisions)
- **D** – Implement a strategy to comply with the new labour and tax obligations, absorbing contractors' workers where contractors are at risk of termination of service agreements between us.
- **D** – Appoint a Special Board Committee, including both Mr Alberto Tiburcio and Mr Arturo Fernández, to carry out a comprehensive evaluation of the strategy and to make all the necessary decisions.
- **D** – Authorisation by the Special Board Committee for the CEO Mr Octavio Alvídrez and the CFO Mr Mario Arreguín to sign, execute and deliver any documents and perform any acts to execute the strategy to comply with the new labour and tax obligations.
- **A** – Implement the same preventive protocol for employees and contractors to prevent Covid-19 in the workplace (see Employees and Union, Actions and Decisions).
- **A** – Extend job offers to qualified contractor personnel who have been working on non-specialised services.
- **A** – Capacity building for contractors and accountability, as part of the 'I Care, We Care' and anti-harassment programmes.
- **A** – Monitoring the security situation and maintaining clear communications with contractors.

Outcomes:
- Group restructure to comply with the new labour and tax obligations, securing operational continuity and minimising the impact on contractors' personnel.
- Reduction of the impact of Covid-19 on our people and operations.
- Reduction of the Total and Lost Time Injury Frequency Rates.
- Training of contractor companies in the implementation of the mechanism to prevent harassment.

Principal risks:
- Human resources: Not enough candidates with the required profiles. Covid-19 outbreaks.
- Safety: Unsafe acts or conditions leading to injuries or fatalities.

For more information see Managing Our Risks and Opportunities Section on pages 120-142

MINORITY SHAREHOLDERS

Strong and transparent relationships to support investment through the cycles and generate sustained returns.

Relevance to our business model and strategy:
- Continuous investment makes it possible to contribute to the wellbeing of people, through the sustainable mining of gold and silver.
- Investor support for our strategy, governance and long-term objectives.
- Investors provide valuable feedback and insights regarding our strategy, performance, risks and ESG performance, among others.

What issues matter to minority shareholders:
- Operating and cost performance.
- Capex project execution.
- Country risk uncertainty.
- Environmental, social and governance performance.
- Progress of the Juanicipio project.

Metrics:
- Financial and operational performance.
- Dividend payments.

How we engage minority shareholders:
Management activities:
- Organise conference calls and roadshows.
- Attend investment forums and conferences.
- Engage via online meeting to minimise the risks of Covid-19.

How the Executive Committee and Board complement the engagement efforts:
- Due to Covid-19 restrictions, the Company's annual general meeting (AGM) was not open for physical attendance by investors. The Senior Independent Director joined the AGM by virtual means, which was held with a minimum quorum and arrangements were made for an online Q&A session open to all investors.
- CEO and CFO meet with analysts, hold conference calls after production reports and engage shareholders in roadshows.
- Direct Senior Independent Director engagement with shareholders.

Governance activities of the Board and Board Committees:
- Dividend decision-making, balancing quality growth with returns across the cycle.
- Evaluation of operating, cost and safety performance.
- Assessment of the progress of projects.
- Audit Committee oversight of the Services Agreement with Peñoles and review of related party matters including the Met-Mex pricing (see page 186).
- Oversight of environmental, social and governance performance.

Actions and decisions:
(A – Actions undertaken, D – Decisions)
- **D** – Support for a Business Plan and Budget 2022 that responsibly balances the operating performance targets and the considerations that matter to our stakeholders.
- **D** – Declaration of an interim dividend considering the principle of balancing growth with shareholder returns, following a comprehensive review of the current and expected near-term financial position and the Company's ability to adapt its operations and growth plans to adverse scenarios.

Outcomes:
- Interim dividend of 23.5 US cents per share.

Note: The relationship with Industrias Peñoles, S.A.B. de C.V., the Company's significant shareholder, is discussed on pages 170, 179 and 186 of the Corporate Governance Report and Audit Committee Report.

The Chairman’s letter on Governance 2021

“AT OUR AGM THIS YEAR, WE WERE DELIGHTED TO WELCOME TWO NEW MEMBERS TO THE BOARD – HÉCTOR RANGEL AND EDUARDO CEPEDA.”

Dear Shareholder

It is with mixed feelings that I introduce this section of the Annual Report following my election as Chairman of Fresnillo plc. It has been a great honour for me to take on this role. Since Fresnillo plc listed on the London Stock Exchange in 2008, we have been proud of the steps that the Board has taken to continuously improve our corporate governance and meet our obligations as a responsible premium-listed company. Credit for this must go, above all, to my father and predecessor as Chairman, Mr Alberto Baillères. His firm commitment to good governance and outstanding leadership of the Board set an exceptionally high standard. We had continued to benefit from his immense wisdom in his capacity as Honorary Chairman during the brief period after he left the Board but, with his passing away on 2 February 2022, the scale of his achievements is even more evident to me now and the sense of loss is beyond words. His passionate dedication, human sensitivity and the values with which he conducted himself throughout his life are an inspiration to all of us and I will work with determination to maintain and build on his legacy.

As Chairman of the Company's majority shareholder and therefore not being an independent Director, my appointment as Chairman of Fresnillo should nevertheless be regarded as a sign of strong governance due to the full alignment of the majority shareholder's interests with other shareholders, considering that all related parties' transactions are approved by only our independent Directors.

At our AGM in 2021, we were delighted to welcome two new members to the Board – Héctor Rangel and Eduardo Cepeda. In joining the Board, Héctor brings a broad understanding of Mexican business founded upon his distinguished career in banking. Héctor, who served the Board when Fresnillo plc was listed in 2008, will now bring his experience not just to the Board but also to the Audit Committee, of which he also became a member. Eduardo has considerable experience in finance, international markets and banking as well as wider perspectives gained from his involvement in several organisations related to culture, education and health, which will be of benefit the Board in its wider responsibilities to stakeholders.

Earlier in the year, the Board agreed to appoint Ms Georgina Kessel as a member of the Audit Committee and Ms Guadalupe de la Vega as a member of the Remuneration Committee. Guadalupe brings valuable experience in Mexican business to the Remuneration Committee. Georgina's appointment to the Audit Committee not only brings valuable financial experience but insight into energy and climate related risks which will be increasingly important in the Audit Committee's thinking in the coming years. At the same time, we also announced that Charlie Jacobs, our Senior Independent Director, has become a member of the Nominations Committee, which brings additional insight into the expectations of UK investors to the work of that Committee. Charlie also stepped down as a member of the Audit Committee, as well as Chairman and a member of the Remuneration Committee and was replaced by Alberto Tiburcio who also became Chairman of that Committee at the same time. In addition, I was appointed as Chairman of the Nominations Committee following Mr Alberto Baillères's retirement from the Board and Alberto Tiburcio also stepped down as a member of that Committee. In 2021, the Board rightly spent a considerable amount of time focusing on the Company's activities on stakeholders such as communities, the environment and climate change. In this Annual Report, we set out details of the Company's responses to climate change through our TCFD reporting. The Audit and HSECR Committees both report on how their remits have developed during the year to enable them to provide more focus and oversight of climate-related risks and mitigation programmes. In addition, the Board has continued to monitor management's efforts to ensure that the working environment is a healthy and safe one; both through the ongoing Covid-19 related measures in place at our sites as well as continuing to reinforce the implementation of the 'I Care, We Care' safety programme through our operations. Furthermore, the Board dedicated attention to workforce engagement initiatives which have been implemented and are ongoing, in order to better gauge the comments, concerns and needs of the workforce.

The introduction of new, challenging and operationally disruptive labour reforms in Mexico made it necessary for the Board, the Executive Committee and the Audit Committee to devote time during the year to consider the implications of the new requirements and the changes in operational practices which have been needed. As a result of this, the Company has implemented several changes in order to meet the requirements of these reforms.

In September and October, we undertook our annual board effectiveness review which was run by Lintstock. While the key conclusions from the review were on the whole very encouraging, they have prompted some useful conversations about opportunities for further improvement to the way in which the Board works. In particular, we plan to introduce an additional working meeting in 2022 to enable the Board members to spend more dedicated time on strategy and risk management in addition to the regular reviews of these matters which take place at our regular meetings.

With the support of our Board, we were able to continue implementing sound decisions in an ever-changing and complex environment affected by Covid-19 amongst other factors. The support from our Board is invaluable in this regard, as these decisions will help to ensure the Company's operations going forward.

In concluding, I would like to thank my Board colleagues for their continued support and valuable contributions to the work of the Board and its committees during 2021. This support has been greatly welcomed during my first few months as Chairman. I look forward to leading the Board into 2022 and all the challenges and opportunities that it will bring.

Yours faithfully

Mr Alejandro Baillères
Chairman of the Board
7 March 2022

The Board of Directors

Non-Independent Non-Executive Directors

	Alejandro Baillères Chairman	**Juan Bordes** Non-Executive Director
DATE OF APPOINTMENT	16 April 2012 as Director and 28 April 2021 as Chairman	10 January 2008
COMMITTEE MEMBERSHIP	Nominations Committee (Chairman) Remuneration Committee	None
CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS	All four of the BAL Listed Entities (as defined below), and Fomento Económico Mexicano S.A.B. de C.V., (Alternate Director).	All four of the BAL Listed Entities.
OTHER KEY CURRENT APPOINTMENTS	Mr Baillères is President of Grupo BAL and a member of the board of trustees of Instituto Tecnológico Autónomo de México. He is Adjunct Chairman of the board of directors of Centro Cultural Manuel Gómez Morin, A.C.	Mr Bordes is a member of the board of trustees of Instituto Tecnológico Autónomo de México.
KEY STRENGTHS AND EXPERIENCE	• Insurance and related financial services in Mexico. • Broad board-level commercial experience in Mexico. As President of Grupo BAL and former Chief Executive Officer of Grupo Nacional Provincial (a leading insurance company in Mexico), Mr Baillères brings knowledge and experience of Mexican and international business to his role.	• Senior Executive (CEO-level) responsibilities over many years. • Board membership of companies spanning a broad range of sectors and industries. During his career, Mr Bordes has held both senior Executive management roles and board responsibilities with companies spanning a number of different sectors, particularly within Mexico.

Note: Some Directors hold directorships of some or all of the following listed companies which are all part of the consortium known as Grupo BAL (along with Fresnillo plc, see also page 192): Industrias Peñoles S.A.B. de C.V., Grupo Palacio de Hierro S.A.B. de C.V., Grupo Nacional Provincial S.A.B. and Grupo Profuturo S.A.B. de C.V. In this section, these companies are jointly or individually referred to as the BAL Listed Entities.

Arturo Fernández **Non-Executive Director**	**Fernando Ruiz** **Non-Executive Director**	**Eduardo Cepeda** **Non-Executive Director**
15 April 2008	15 April 2008	24 June 2021
HSECR Committee (Chairman)	HSECR Committee	None
All four of the BAL Listed Entities, and Grupo Bimbo S.A.B. de C.V.	Kimberly Clark de México S.A.B. de C.V. (Alternate Director), Grupo Cementos de Chihuahua S.A.B. de C.V., Grupo Mexico S.A.B. de C.V., Grupo Financiero Santander Mexico S.A.B. de C.V., Bolsa Mexicana de Valores S.A.B. de C.V., and two BAL Listed Entities (Grupo Nacional Provincial S.A.B., and Grupo Palacio de Hierro S.A.B. de C.V.).	All four of the BAL Listed Entities.
Mr Fernández is rector and a member of the board of trustees of Instituto Tecnológico Autónomo de México and a member of the board of Grupo Financiero BBVA Bancomer S.A. de C.V.	Mr Ruiz is a Non-Executive Director of Rassini S.A.P.I de C.V.	Mr Cepeda is a director of Profuturo Pensiones, S.A. de C.V.; Profuturo Afore, S.A. de C.V., Valores Mexicanos Casa de Bolsa, S.A. de C.V., and EnerAB, S. de R.L. de C.V.
• International economics and public policy. • Directorships of several Mexican companies. Mr Fernández's career brings together a solid academic economics background, many years' experience within the Mexican public policy arena and broad commercial experience (through board directorships of leading businesses in a number of sectors in Mexico).	• Mexican tax and accounting experience. • International board and audit committee experience. Mr Ruiz was, until 2006, managing partner of Chevez, Ruiz, Zamarripa y Cia., S.C., tax advisers and consultants in Mexico and now serves on the board and audit committees of several Mexican and international companies. He has extensive knowledge of Mexican tax and accounting issues.	• Finance, international markets and banking in the public and private sectors. Mr Cepeda was President and Senior Country Officer for Mexico at JP Morgan from 1993 to 2019 and Chief Executive Officer of JP Morgan Wealth Management Latin America, also based in Mexico City from 2009 to 2012. Mr Cepeda has served as Vice President of the Mexican Bank Association and has also been a board member of the Woodrow Wilson International Center for Scholars and a counsellor in several organisations related to culture, education and health.

The Board of Directors continued

Independent Non-Executive Directors



	Charles Jacobs Senior Independent Non-Executive Director	**Bárbara Garza Lagüera** Independent Non-Executive Director	**Georgina Kessel** Independent Non-Executive Director
DATE OF APPOINTMENT	16 May 2014	16 May 2014	30 May 2018
COMMITTEE MEMBERSHIP	Nominations Committee	Nominations Committee	Audit Committee HSECR Committee
CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS	None	Fomento Económico Mexicano S.A.B. de C.V., Promecap Acquisition Company S.A.B. de C.V., Grupo Aeroportuario del Sureste S.A.B. de C.V. and Grupo Financiero Santander Mexico S.A. de C.V.	None
OTHER KEY CURRENT APPOINTMENTS	Mr Jacobs is co-head of UK Investment Banking at JP Morgan.	Ms Garza Lagüera is a Non-Executive Director of Soluciones Financieras SOLFI and Vice President of ITESM Mexico City.	Ms Kessel is a Non-Executive Director of Grupo Financiero Scotiabank Inverlat, S.A. de C.V. (a subsidiary of The Bank of Nova Scotia) serving as Chair of the Risk Committee and a member of the Audit and Corporate Governance Committees). Ms Kessel is also a member of the board of trustees of Instituto Tecnológico Autónomo de México.
KEY STRENGTHS AND EXPERIENCE	• Board and governance experience. • Rare combination of legal and investment banking experience with a focus on capital markets, mining and metals. Mr Jacobs's background as the former Chairman of Global law firm Linklaters, along with his previous Non-Executive Directorships at Investec, and his previous membership of the Shanghai International Financial Advisory Council means he brings his 30 years of global experience in governance, legal and regulatory matters to the boardroom. As Senior Independent Director, Charles Jacobs is available to shareholders if they have concerns that have not been resolved through the normal channels of Chairman, Chief Executive Officer, Chief Financial Officer or Head of Investor Relations.	• Mexican commercial and industrial experience. • International Board experience. As an experienced director, particularly through her career at Coca-Cola FEMSA and Fomento Económico Mexicano, the largest franchise bottler of Coca-Cola products, Ms Garza Lagüera brings a broad experience of Mexican commercial and international business.	• Ministerial experience within Mexican government. • Knowledge of Mexican energy sector. Ms Kessel has broadened the Board's energy and climate change expertise having served as Minister of Energy from 2006 to 2011 and chaired the governing board of the Federal Electricity Commission. She has previously held senior board positions at Iberdrola, S.A., Petróleos Mexicanos, and the National Bank of Works and Public Services, Nacional Financiera, and the National Bank of Foreign Trade. She was previously adviser to the Chairman of the Federal Competition Commission and Head of the Investment Unit at the Ministry of Finance and Public Credit of Mexico.

Dame Judith Macgregor, DCMG, LVO **Independent Non-Executive Director**	**Alberto Tiburcio** **Independent Non-Executive Director**	**Guadalupe de la Vega** **Independent Non-Executive Director**	**Héctor Rangel** **Independent Non-Executive Director**
23 May 2017	4 May 2016	29 May 2020	24 June 2021
HSECR Committee	Audit Committee (Chairman) Remuneration Committee (Chairman)	Remuneration Committee	Audit Committee
None	Mr Tiburcio is an independent Non-Executive Director of Fomento Económico Mexicano, S.A.B. de C.V., Coca-Cola FEMSA, S.A.B. de C.V., Grupo Nacional Provincial S.A.B. and Grupo Palacio de Hierro S.A.B. de C.V.	None	Mr Rangel is an independent Non-Executive Director of Grupo Nacional Provincial, S.A.B.
Dame Judith is Vice Chair of the University of Southampton's Governing Council, Chair of the Strategic Advisory Group to the UK Global Challenges Research Fund and Member of the UK Arts and Humanities Research Council. She is interim Chair of the British Tourist Authority and Member of the Board of Trustees of the University of Cape Town Foundation and the Caradon Lecture Trusts.	Mr Tiburcio is an independent Non-Executive Director of Grupo Financiero Scotiabank Inverlat, S.A. de C.V. (a Mexican subsidiary of The Bank of Nova Scotia), Profuturo Afore S.A. de C.V., Transparencia Mexicana, and a member of the board of trustees of Instituto Tecnológico Autónomo de México and a non-independent Board Member of Tankroom S.A.P.I. de C.V.	Ms de la Vega is a director of a number of non-listed companies including Almacenes Distribuidores de la Frontera, S.A. de C.V., Maximus Inmobiliaria, S. de R.L. de C.V., Citibanamex, Coparmex, Dominos Pizza, Ciudad Juárez and Altec Purificación, S.A. de C.V. She is also a Director of ITESM (Tec de Monterrey) and EISAC.	Mr Rangel is the President of BCP Securities Mexico, a joint venture with BCP Securities LLC, and presently serves on the board of Canadian Utilities Limited (an ATCO company), Luma Energy LLC, and Polyforum Cultural Siqueiros, as well as President of the Board of Trustees of the Museum Franz Mayer and independent Non-Executive Director of Profuturo Afore, S.A. de C.V.
• International diplomatic experience. • Government relations in resource-rich countries. • International research collaboration. • Wide ranging managerial and Equality, Diversity and Inclusion (EDI) experience. Dame Judith's distinguished career as a British diplomat brings a range of international experience to her role. She has worked closely with and promoted the interests and profile of UK companies across a wide range of sectors, including the mining sector, in a number of countries including Mexico.	• International and Mexican audit and accountancy and Mexican tax experience. • Mexican and international board and audit committee experience. Mr Tiburcio was the Chairman and CEO of Mancera S.C. (the Mexican firm of Ernst & Young LLP) from January 2001 until his retirement in June 2013 having been a partner for more than 30 years. He has served as auditor and adviser to many prestigious Mexican companies and now sits on the boards and audit committees of important Mexican companies and institutions thus bringing Mexican tax and corporate governance knowledge as well as Mexican and international audit and accounting experience to the Board.	• Broad business leadership experience within Mexico and internationally. • Community and economic development programme leadership within Mexico. Ms de la Vega has held senior executive roles in a variety of Mexican businesses spanning a range of sectors and she has also been an investor in a number of those companies. She also serves on the boards of educational and cultural institutions and has a strong commitment to small enterprises working in health, economic and community development.	• Finance, international markets and banking. Mr Rangel was the Chief Executive Officer of Nacional Financiera S.N.C. and Banco Nacional de Comercio Exterior and a member of Mexico's cabinet under President Felipe Calderon. Mr Rangel held various executive positions with the Grupo Financiero Bancomer from 1991 until 2008, including Chairman of the Board. Mr Rangel has also been President of the Mexico Bank Association and President of the Mexican Business Council. Mr Rangel served on the Company's Board as an independent Non-Executive Director from April 2008 to January 2009.

All of the Directors listed above will seek election or re-election by shareholders at the forthcoming Annual General Meeting.

Executive Committee

Octavio Alvídrez
Chief Executive Officer

DATE OF APPOINTMENT
15 August 2012

COMMITTEE MEMBERSHIP
Mr Alvídrez is invited to attend Board, Audit Committee, HSECR Committee and Remuneration Committee meetings.

KEY STRENGTHS AND EXPERIENCE
- Mine management within Mexico.
- UK investor relations.

Mr Alvídrez has extensive experience within the mining industry having previously held the position of General Manager of the Madero mine operated by Peñoles, which is one of Mexico's largest mines. Mr Alvídrez joined the Peñoles Group in August 1988, since then he has held a number of senior operational and financial positions across Peñoles and Fresnillo.

Mr Alvídrez is the current President of The Silver Institute, a director of the Lowell Institute for Mineral Resources of the University of Arizona, a member of the Mexican Mining Chamber and a Vice-president of the Advisory Board of the School of Mines of the University of Guanajuato, Mexico.

Mario Arreguín
Chief Financial Officer

DATE OF APPOINTMENT
15 April 2008

COMMITTEE MEMBERSHIP
Mr Arreguín is invited to attend Board and Audit Committee meetings.

KEY STRENGTHS AND EXPERIENCE
- Accountancy and treasury.
- Investment banking.

Mr Arreguín was previously employed by Peñoles where he held the position of Chief Financial Officer for 11 years and Group Treasurer for six years prior to this. Mr Arreguín has a background in investment banking and project management.

Guillermo Gastélum
Vice President Of Exploration

DATE OF APPOINTMENT
1 January 2021

COMMITTEE MEMBERSHIP
Mr Gastélum is invited to attend Board meetings.

KEY STRENGTHS AND EXPERIENCE
- Senior mining exploration experience in Mexico.
- Geological engineering background.

Mr Gastélum has extensive experience in the Mexican mining sector, most recently as Deputy Director of Northern Exploration at Fresnillo. Prior to this, Mr Gastélum was Regional Manager of Exploration at Peñoles. He started his career with Peñoles 29 years ago. He was appointed as Vice President of Exploration of Peñoles in 2007, having previously served as Deputy Director of Exploration. Mr Gastélum's previous roles include Manager in Mexico of Amaxeold Inc. and Manager of Exploration of Nevada/Corona Gold.

Tomás Iturriaga
Chief Operating Officer

DATE OF APPOINTMENT
19 November 2020

COMMITTEE MEMBERSHIP
Mr Iturriaga is invited to attend Board meetings and on occasions to the Audit Committee.

KEY STRENGTHS AND EXPERIENCE
- Senior operational experience in Mexico and North America.
- Strong mining background.

Mr Iturriaga brings more than 20 years of professional experience and a significant track record in the mining sector. Since May 2018, Mr Iturriaga was Director of Health, Safety, Environment and Community Relations at Peñoles. Prior to joining Peñoles, Mr Iturriaga held several positions at Goldcorp, such as General Manager of Los Filos mine, Chief Operating Officer Mexico and Regional Vice-President and General Manager Mexico. He also held the position of Vice President North American Operations at Capstone Mining Corp in Canada and Vice President of Operations and Country Manager for Mexico of Endeavour Silver Corp.

UK Corporate Governance code compliance statement

As a company with a premium listing on the London Stock Exchange, Fresnillo is required under the FCA Listing Rules to comply with the Code Provisions of the Code (a copy of which can be found on the website of the Financial Reporting Council (www.frc.org.uk) or otherwise explain its reasons for non-compliance. The following statement is therefore made in respect of the year ended 31 December 2021.

Code Provisions 24 and *32* require that the Audit and Remuneration Committees consist of three or more independent Non-Executive Directors. Following the passing of Luis Robles, an independent Non-Executive Director on 19 November 2020, both the Audit and Remuneration Committees were technically not compliant. On 1 March 2021 Ms Georgina Kessel and Ms Guadalupe de la Vega, both independent Non-Executive Directors, were appointed to the Audit Committee and Remuneration Committee, respectively. From 1 March 2021 to 31 December 2021 both Committees had three members.

For the financial year ended 31 December 2021 other than as set out below, the Company has complied with the provisions of the Code, save in respect of:

- *Code Provision 9* provides that "the chair should be independent on appointment". Mr Alejandro Baillères, who was appointed as Chairman on 29 April 2021, following Mr Alberto Baillères stepping down from his position as Chairman on the same date, was appointed to the Board by Peñoles pursuant to the Relationship Agreement (see page 170); thus, at the time of his appointment, he was not independent. Having served as Deputy Chairman for more than three years and having received guidance from Mr Alberto Baillères for many years, the Board considers that Mr Alejandro Baillères possesses significant knowledge and experience of the Company to carry out the role of the Chairman. The Board considers that the continued oversight of the Company's strategic and operational integrity through its membership of the Peñoles Group enhances the quality of its corporate governance rather than detracts from it (as explained further on pages 164-165). As a consequence, the Board values and endorses Mr Alejandro Baillères's chairmanship of the Company. The size, composition and balance of skills on the Board, including the independence and diversity of the Board and the existence of a senior independent Director; and the adequacy of the succession plans were assessed as part of the Board effectiveness review during the year and were considered to be highly satisfactory.
- *Code Provision 32*, which provides that the Board should establish a Remuneration Committee of at least three independent Non-Executive Directors. The Chairman of the Company, Alejandro Baillères, who was not independent at the time of his appointment, is a member of the Remuneration Committee. The Board believes that Mr Alejandro Baillères's experience and knowledge of the Group and the Mexican market and his considerable contribution to the Remuneration Committee's deliberations justifies his membership of the Remuneration Committee. Mr Alejandro Baillères is not involved in matters concerning his own remuneration.
- *Code Provision 36*, which provides that remuneration schemes should promote long-term holdings by Executive Directors that support alignment with long-term shareholder interests. The Company's approach to executive remuneration is explained in the Directors' Remuneration Report on pages 188-203. The Company does not use share-based forms of remuneration because historically it has not been a common form of remuneration in Mexico. The annual bonus scheme sets targets which are aligned to the long-term strategic objectives so that these priorities are embedded within the day-to-day activities of our business

Information about compliance with the Code's Provisions may be found in the following sections of this Report:

1. BOARD LEADERSHIP AND PURPOSE:	2. DIVISION OF RESPONSIBILITIES:	3. COMPOSITION, SUCCESSION AND EVALUATION: including the Nominations Committee Report	4. AUDIT, RISK AND INTERNAL CONTROL: the Audit Committee Report	5. REMUNERATION: the Directors' Remuneration Report
Pages 168-170	Page 171	Pages 172-175	Pages 176-187	Pages 188-203

The following sections of this Report also explain how the principles of the Code were applied and provide cross-references to other sections of the report and/or the Company's website (www.fresnilloplc.com) where more detailed descriptions are available.

The following documents are available on the Company's website:

- Schedule of Matters reserved to the Board
- Statement of Responsibilities of the Chairman, Chief Executive Officer and Senior Independent Director
- Terms of Reference: Audit Committee; HSECR Committee, Nominations Committee; and Remuneration Committee
- Directors' Remuneration Policy

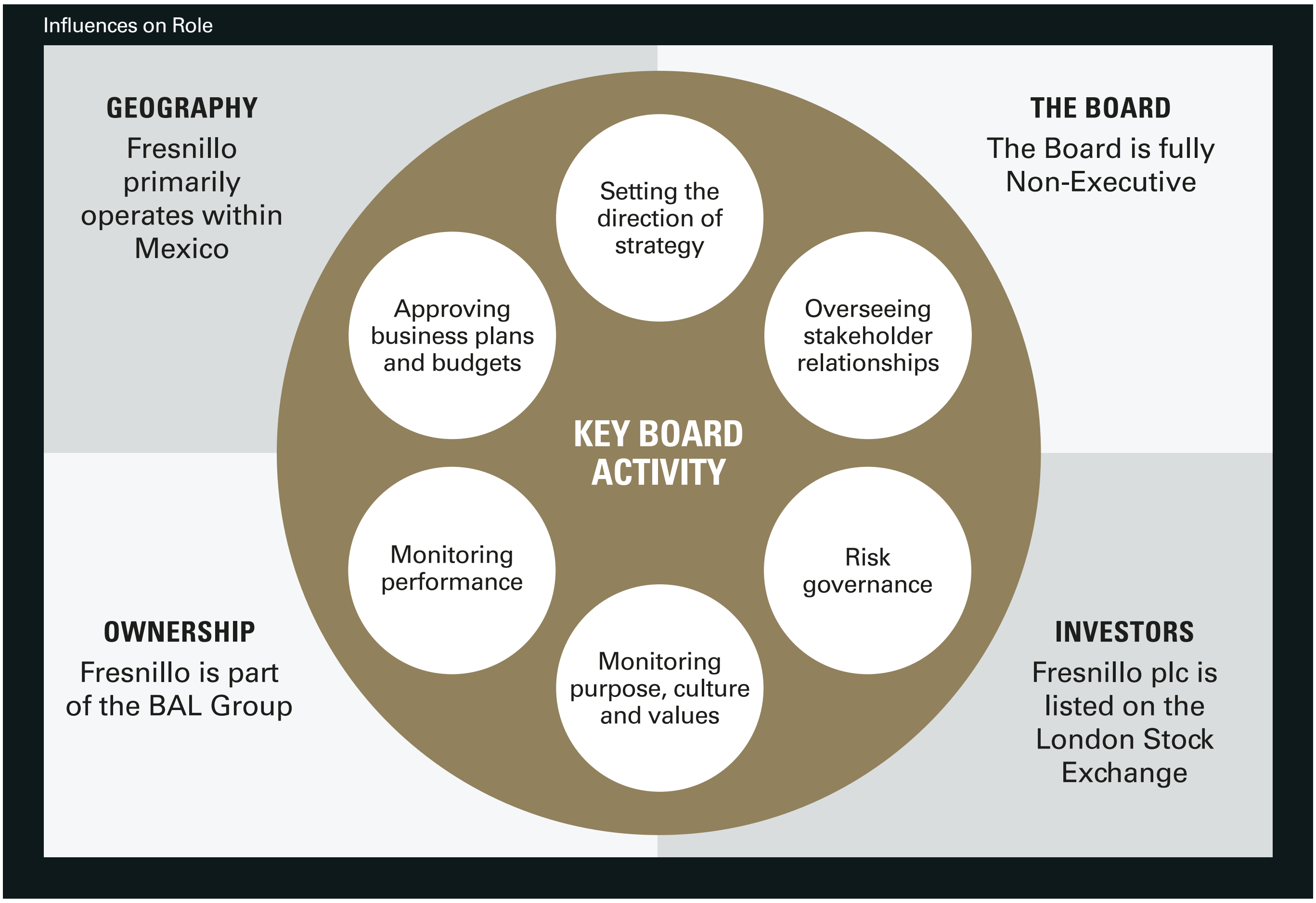
Fresnillo's approach to Governance

The Board's leadership role

While Fresnillo's approach to governance reflects many of the usual characteristics of a FTSE 100 company, it is also particularly influenced by four key factors:

- **Geography:** It primarily operates within Mexico.
- **Ownership:** It benefits from the common umbrella and shared resources with other companies within the BAL Group of companies.
- **Board:** Its fully Non-Executive Board of Directors supported by the executive team.
- **Investors:** Its listing on the Main Market of the London Stock Exchange.

The leadership role of Fresnillo plc Board



As a result of these contextual factors, the leadership provided to Fresnillo plc by the Board is essentially strategic and supervisory in nature. The leadership and management of the Company's day-to-day operations is the responsibility of the Executive Committee (comprising the Chief Executive Officer, Chief Financial Officer, Vice President of Exploration and the Chief Operating Officer). The non-independent Non-Executive members of the Board (Peñoles-appointed Directors) maintain regular contact with the Executive Committee to challenge and/or support as appropriate.

This creates two levels of oversight for the senior management team, initially from the Non-independent Non-Executive Directors, and then from the Board as a whole, including the independent Non-Executive Directors. Reports summarising the discussions which take place between the Non-independent Non-Executive Directors and the senior management team are regularly provided to the independent Non-Executive Directors to assist them in understanding the dialogue which takes place before formal Board proposals are submitted for their review.

The Board sets the corporate values underpinning the culture by which the Group will continue to operate. The Board also supervises the management of the Group's activities, including the implementation of both the Group's long-term plans and commercial strategy. It also provides the governance framework within which the Executive Committee operates. The Board has a formal schedule of matters reserved for its approval which includes major expenditure, investments, key policies and systems of internal control and risk management. Certain specific responsibilities are delegated to the Board Committees, being the Audit, Nominations, Health Safety Environment and Community Relations and Remuneration Committees, each chaired by a Board member, which operate within clearly defined terms of reference and report regularly to the Board.

Board activities in 2021

The Board has continued to ensure that the measures implemented at the start of the Covid-19 pandemic continue to be effective, ensuring a safe and healthy environment for Fresnillo's workforce and appropriate protection and support for the communities in which it operates. The Board was kept informed of these measures and progress continued to be monitored through the Chief Executive Officer's spoken updates at the regular Board meetings held during this year, as well as updates from members of the Executive Committee at Audit Committee and HSECR Committee meetings. The Board's usual programme of formal meetings remained unchanged during 2021 but all meetings were conducted via video-conferencing format.

New developments in the Board's approach to governance in 2021

THE BOARD	WORKFORCE ENGAGEMENT	CLIMATE CHANGE AND TCFD
Independent Non-Executive Directors Non-independent Non-Executive Directors (BAL appointed)	Designated Non-Executive Director, Mr Arturo Fernández, acts as the representative of the workforce in the Boardroom. Direct engagement is fed back to the Board at its meetings. Gives the Board an understanding of the views and concerns of the workforce. Acts as an additional mechanism for the workforce to raise concerns.	The Board's HSECR Committee evaluates climate related performance, risks and opportunities. The Board's Audit Committee considers the requirements of the TCFD and the Company's related disclosures.
Executive Committee	Feedback received influences management programmes and practices. Regular engagement through communications and surveys. Focus on 'I Care, We Care' programme.	Responsibility relating to the energy efficiency of the Company's operations, objectives for future performance and target setting. Quarterly reports are provided by the CEO, COO and Head of Sustainability to the HSECR.

Below are some of the matters that the Board focused on during the year:

Health, safety and wellbeing	• Covid-19 related response updates • Community relations initiatives updates
Strategy and planning	• Strategy transformation • Review and approval of revised Business Plan and 2021 Budget • Approval of 2022 Business Plan and Budget
Stakeholders including workforce	• Diversity, equity and inclusion training • Prevention of Harassment programme • Consideration of approach to Section 172 • Workforce engagement event
Sustainability and environmental matters	• Tailings dam reviews • Energy efficiency plans • Climate change strategy
Operational matters	• Juanicipio Update • Pyrites Plant (Phase II) Update • Exploration Strategy • Consideration of the Government's subcontracting reform (prohibiting non-Specialised outsourcing) • Implemented a new strategy to comply with Mexico's labour law reform
Finance and Risk	• Review of Risk Matrix • Consideration of emerging risks assessment • Confirmation of Principal Risks and Uncertainties
Governance	• 2021 Board and Committee Internal Effectiveness Reviews • Approval of appointment of Mr Alejandro Baillères as Chair and Mr Eduardo Cepeda as a Non-Executive Director and Mr Héctor Rangel as an independent Non-Executive Director (following the recommendation of the Nominations Committee) • Approval of changes to Board Committee membership • Approval of Executive Succession Plan (following recommendation of the Nominations Committee).

The Board's Section 172 Statement is shown on page 146.

About the Board Committees

BOARD COMPOSITION

Board composition: gender split	2021	2020[1]
Male	**8/12**	7/11
Female	**4/12**	4/11

Board composition: split of ethnic origin	2021	2020[1]
Latin America	**9/12**	9/11
Europe	**3/12**	2/11

Board composition: independence (excluding the Chairman)	2021	2020[1,2]
Independent	**7/11**	6/10
Non-independent	**4/11**	4/10

Notes:
1 As at 31 December 2020, there were eleven Directors on the Board following the passing of Luis Robles on 19 November 2020.
2 Excluding the Chairman, there were six independent and four Non-independent Directors at the end of the year. There were seven Independent Directors prior to the passing of Luis Robles.

Board and Committee meetings

The table below sets out attendance at the scheduled meetings in 2021.

Directors:	Board	Audit Committee	Remuneration Committee	Nominations Committee	HSECR Committee
Chairs					
Alberto Baillères[1]	1/2		2/2	1/2	
Alejandro Baillères[2]	4/4		1/1		
Senior Independent Director					
Charles Jacobs	4/4	2/2	2/2		
Non-Executive Directors					
Juan Bordes	4/4				
Arturo Fernández	4/4				4/4
Fernando Ruiz	4/4				4/4
Bárbara Garza Lagüera	4/4			2/2	
Georgina Kessel	4/4	4/4			4/4
Judith Macgregor	4/4				4/4
Alberto Tiburcio	4/4	5/5	1/1	2/2	
Guadalupe de la Vega	4/4		1/2		
Héctor Rangel[3]	2/2	3/3			
Eduardo Cepeda[4]	2/2				

Notes:
1 Alberto Baillères stepped down from his position as Chair on 28 April 2021.
2 Alejandro Baillères was appointed as Chair of the Board on 28 April 2021.
3 Héctor Rangel was appointed as a Non-Executive Director of the Board on 24 June 2021.
4 Eduardo Cepeda was appointed as a Non-Executive Director of the Board on 24 June 2021.

Directors' length of tenure

As at 31 December 2021	0 to 3 years	3 to 6 years	6 to 9 years	Over 9 years
Independent Directors	2	3	2	–
Non-independent Directors	1	–	–	4

Board Committee membership

Audit Committee

The members of the Audit Committee and their relevant experience is summarised as follows:

Committee Member	Financial and auditing experience	Sector and country experience
Alberto Tiburcio (appointed to the Committee on 4 May 2016 and appointed Chairman of the Committee on 30 May 2018)	Previously Chairman and CEO of EY (Mexico). Experience in national and international accounting and audit practice and corporate governance.	Various Mexican and international industries. Board and Audit Committee experience at various public companies.
Georgina Kessel (appointed to the Committee on 1 March 2021)	Public finance experience from her career in Government.	Has served on the Audit and Risk Committees of major companies in Mexico and Spain.
Héctor Rangel (appointed to the Committee on 24 June 2021)	Extensive corporate and investment banking expertise.	Serving as President, Chair and CEO at various Mexican banks.

The members of the Audit Committee are independent Non-Executive Directors thus complying with the requirements of the UK Corporate Governance Code.

Further information about the work of the Audit Committee during 2021 can be found in the Audit Committee Report on pages 176-187.

Nominations Committee

The members of the Nominations Committee are Alejandro Baillères, Barbara Garza Lagüera and Charles Jacobs. Alejandro Baillères and Charles Jacobs were appointed to the Committee on 29 April 2021. Barbara Garza Lagüera and Charles Jacobs are both independent Non-Executive Directors and therefore the majority of the members of the Nominations Committee are independent in compliance with the requirements of the UK Corporate Governance Code.

Further information about the work of the Nominations Committee during 2021 can be found in the Nominations Committee Report on pages 174-175.

Remuneration Committee

The members of the Remuneration Committee are Alberto Tiburcio, Alejandro Baillères and Guadalupe de la Vega. Guadalupe de la Vega was appointed as a member of the Committee on 1 March 2021 and Alberto Tiburcio and Alejandro Baillères were appointed as members of the Committee on 29 April 2021.

The UK Corporate Governance Code states that the Remuneration Committee should be made up of independent Non-Executive Directors. The membership of the Committee is made up of Non-Executive Directors who are able to bring the following perspectives to the working of the Remuneration Committee:

- An understanding of shareholder expectations.
- An understanding of the evolving remuneration expectations of investors on the London Stock Exchange.
- An understanding of the general approaches to remuneration within the Mexican market.

During the year Alberto Baillères stepped down as a member of the Committee and Alejandro Baillères was appointed as a member. Alberto and Alejandro were both non-independent at the time of their appointments to the Board (and therefore their membership of the Remuneration Committee during the year did not comply with Code Provision 32 of the UK Corporate Governance Code). In respect of the appointment of Alejandro Baillères in April 2021, the Board determined that his experience and knowledge of the Group and the Mexican market and his considerable contribution to the Remuneration Committee's deliberations justifies his membership of that Committee.

Further information about the work of the Remuneration Committee during 2021 can be found in the Remuneration Committee Report on pages 188-203.

HSECR Committee

The members of the HSECR Committee are Arturo Fernández, Judith Macgregor, Georgina Kessel and Fernando Ruiz.

A full report of the work of the HSECR Committee during 2021, can be found in the HSECR Committee Report on pages 70-71.

Terms of Reference

The terms of reference of all of the Board Committees were reviewed during the year. The terms of reference of the Audit, Nominations and Remuneration Committees were last updated in 2019 and early 2020 (to take account of the requirements of the new UK Corporate Governance Code). The terms of reference of the HSECR Committee were last updated in October 2020. No further changes were made to any of the Committee terms of reference during 2021.

Copies of all of the Committee terms of reference are available on the Company's website (http://www.fresnilloplc.com/who-we-are/corporate-governance/terms-of-reference/)

Board leadership and Purpose

Generation and preservation of company value

Fresnillo's business model and strategy is set out on pages 24-25 and 28-29 of the Strategic Report and describes the basis upon which the Company generates and preserves value over the long term. In February 2021, the Board reviewed the Company's strategy and proposed some adjustments based on three pillars: (i) enriching strategy; (ii) changing culture; and (iii) restructuring the organisation. This strategy review was aimed: (a) at better positioning the Company in the context of an ever-changing and more complex environment and (b) to help the Company achieve its goals, both on a business level and in terms of the wellbeing of the Company's employees, their families and the communities in which they operate, thereby continuing to contribute to Mexico's development. More information on this can be found on pages 2-155 of the Strategic Report. The Executive Committee members report on the implementation of strategy at each Board meeting, with particular reference to performance against the published strategic targets.

Purpose

Our Purpose is to contribute to the wellbeing of people, through the sustainable mining of silver and gold. The Purpose statement was approved by the Board in October 2019. The Company has continued to contribute to the wellbeing of people including employees, local communities, customers and the end-users of our products during 2021 by maintaining levels of production and investing in local health care, employment and education programmes. Further information on the Purpose is set out on pages 10-13.

The Board and culture

The Corporate Code of Conduct was last reviewed and approved by the Board in February 2020. The Code of Conduct sets down its cultural expectations for the activities of all Directors, executives, employees and related third parties (including contractors, suppliers and the community) in the conduct of the Company's business. It also helps to ensure a foundation of values and sets standards for behaviour that encourage an environment of ethics and responsibility for the benefit of the Company's stakeholders.

During the year, the Board has monitored workforce culture and behaviour in a number of ways:

- Regular reviews of whistleblowing reports and actions taken by management in response to issues raised via that medium (see pages 75-76 for a further summary of whistleblower hotline claims during the year).
- Receiving an update on the Prevention of Harassment programme, in particular the workshops that were held during the year for employees and unionised personnel.
- By monitoring progress with the diversity and inclusion programme and the development of an online training module on Diversity, equity and inclusion, with the support of the University of Arizona.
- Updates on the 'I Care, We Care' safety strategy (including elements designed to change behaviours and create a more mature and resilient safety culture). The Board receives and considers updates on health and safety performance at every Board meeting, in particular information analysing serious injuries and fatalities, Lost Time Injury Frequency Rate, Total Recordable Injury Frequency Rate and new cases of occupational disease. These metrics have been used to monitor the progress made in improving the health and safety culture.
- By monitoring updates on the outsourcing reform and progress on the Company's implemented actions as a consequence of this reform and assessing the likely impacts on corporate culture which may result from these changes.

Further information on culture and workforce engagement is set out on pages 150-155.

Whistleblower hotline

The whistleblower hotline can be used by anyone who wishes to raise concerns, in confidence, about the Company's operations. The hotline is used by employees, contractors and, occasionally, other stakeholders such as suppliers and local communities. The use of the Company's whistleblower arrangements is monitored quarterly by the Audit Committee (see the Audit Committee Report on page 181). The Audit Committee reviews updates on management responses to calls made to the whistleblower line and reports to the Board twice a year on the operation of the whistleblower hotline. The Board received such reports at its meetings in April 2021 (in relation to H2, 2020) and July 2021 (in relation to H1, 2021). In 2021, the Audit Committee and Board have monitored the reporting of incidences of harassment following the commencement of the anti-harassment protocol.

WORKFORCE ENGAGEMENT

Our workforce is the foundation that supports our business model. The Board believes that the wellbeing of our people and an ethical and inclusive culture are the drivers of higher levels of employee engagement and are essential to attract and retain talent.

Mr Arturo Fernández
Workforce Engagement
Non-Executive Director

The Board and its Committees receive information related to the workforce through a range of channels (see workforce engagement diagram), including direct engagement. Mr Fernández has been designated as the Non-Executive Director to act as a representative of the workforce in the boardroom. This Board-level engagement arrangement enables the Board to understand the views of the workforce on their experiences of working for the Company as well as providing an additional mechanism to raise concerns.

Covid-19 restrictions challenged the Company to reconsider its approach to workforce engagement. During 2021, the Company undertook two separate workforce engagement sessions led by Mr Fernández. The sessions were held online and enabled Mr Fernández to listen to the views of employees directly. These sessions involved representatives from all of our operations, functions and demography and included both unionised and non-unionised personnel. The meeting agendas considered relevant workforce issues while encouraging the raising of ideas and concerns. The topics covered included:

- Health & Safety and Covid-19
- Ethical culture, Inclusion and Gender Equality

The openness and candour expressed during these engagement sessions provided important insights such as: appreciation and recognition by the workforce of the Company's response to Covid-19; a sense of pride for working in the Company; the commitment of the workforce and the Company with regards to safety. Areas of concern discussed included diversity, equity and inclusion, security, infrastructure and simplification of administrative processes.

Feedback received from these workforce engagement sessions was discussed at the October 2021 Board meeting. The insights are hugely valuable for boardroom discussions and decision-making. Feedback was also very useful in informing management programmes and practices. Mr Fernández has shared with Company management the specific workforce concerns and is following these up to ensure that they are addressed appropriately. In the coming year, Mr Fernández will continue to hold these workforce engagement sessions, providing feedback to the Board on comments and concerns received and therefore, permitting the workforce sentiment to inform the boardroom process.

THIS BOARD-LEVEL ENGAGEMENT DEMONSTRATES OUR COMMITMENT TO UNDERSTANDING HOW OUR WORKFORCE VIEWS WORKING FOR THE COMPANY, AS WELL AS BEING AN ADDITIONAL MECHANISM FOR RAISING CONCERNS.

Workforce Engagement: Communication & Feedback

Board leadership and Purpose continued

Stakeholder engagement
The Executive Committee is responsible for the day-to-day stewardship of all stakeholder relationships and its members report to the Board on the key metrics and initiatives. The Board, either directly or through its Committees, engages or oversees engagement with the Company's stakeholders through a number of governance activities (which are described in more detail, along with further information about the Company's engagement with key stakeholders in the Stakeholder Table on pages 150-155).

On behalf of the Board, the HSECR Committee continued to monitor the outcomes (efficiency) of the Company's Covid-19 prevention strategy: cases, rapid testing, contact tracing and isolation. The Company also engaged extensively with the communities in which it operates, including communications about Covid-19 preventive measures, donating and raising awareness of the use of masks and training parents and teachers from local communities on protection from Covid-19. More information on engagement with our communities can be found on pages 109-112.

Investment in the workforce
The Company invests in its employees through various training and development, healthcare and wellbeing programmes. The Company has continued to invest in state-of-the-art equipment to monitor employees' and contractors' health, including infrared thermometers, thermographic cameras and Covid-19 rapid tests. The Company has also monitored daily the progress of the workforce in self-quarantine as well as offering psychological care and emotional support to affected members of the workforce. All personnel continued to receive full salaries and benefits during 2021. Further details are provided on pages 82-85.

Engagement with shareholders
The Board monitors the views of the Company's minority shareholders through reports on investor and analyst communications prepared by the Chief Financial Officer, which are included in the papers for each Board meeting. Such reports identify issues raised by investors during meetings with management during the previous quarter.

Ordinarily, the Chief Executive Officer and Chief Financial Officer meet with analysts, hold conference calls after quarterly production reports and engage with shareholders by participating in the major roadshows in London and other key financial centres, after preliminary and half-yearly results are announced. In 2021, as a result of the Covid-19 pandemic, such face-to-face meetings have not been possible and were replaced with video-conferencing calls. Due to the Covid-19 related restrictions in place at the time, a maximum of six individuals could attend the 2021 AGM. Shareholders were provided with an opportunity to submit questions to the Board via a dedicated email address ahead of the AGM. No questions were submitted. It is anticipated that the 2022 AGM will be held in the normal way and shareholders will be invited to attend.

The Head of Investor Relations in London is responsible for maintaining existing relations with analysts and major shareholders on a day-to-day basis, which is carried out by way of telephone calls and meetings in London. Contact with investors in Mexico is maintained through the Investor Relations office in Mexico City. The Senior Independent Director, who is based in London, is available to speak with shareholders concerning specific corporate governance questions as and when they arise.

The Board and climate
In relation to climate change and risk, the Board considers climate change during its discussions and when making decisions regarding the Group's strategy, risk management, investments, and stakeholders. On behalf of the Board, the HSECR Committee evaluates in greater detail, climate-related performance, risks and opportunities. Since 2020, climate change has been part of the agenda at all HSECR Committee meetings.

The HSECR Committee reviewed:
- The energy strategy and ambition of the Company's plans, factoring in the expectations of our stakeholders on setting ambitious targets and the current regulatory risks associated with renewable electricity in Mexico.
- The technology strategy to explore opportunities to reduce the carbon and water footprint of mineral processing.
- The approach of the Company to identify, evaluate and respond to the risks and opportunities of climate change in the business model.
- The Company's approach to adopting the TCFD recommendations.
- As a key development in 2021, the HSECR Committee reviewed the approach to partner with the scientific community to use climate models to better understand physical risks and socio-economic scenarios for transition risks.

The HSECR Committee periodically briefed the Board on climate change performance and the approach of the Company to adopting the TCFD recommendations. During the year the Board was also briefed by the Audit Committee on TCFD disclosure requirements and governance practices. More information on this can be found in the Sustainability Report on pages 88-100 and in the Audit Committee Report on page 181.

Conflicts of interest
The Group requires that Directors complete a 'Director's List' which sets out details of situations where each Director's interest may conflict with those of the Company (situational conflicts). Each Director has re-submitted their list as at 31 December 2021 for the Board to consider and authorise any new situational conflicts identified in the re-submitted lists. At the beginning of each Board meeting, the Company Secretary reminds the Directors of their duties under sections 175, 177 and 182 of the Companies Act which relate to the disclosure of any conflicts of interest prior to any matter that may be discussed by the Board. Further information about related party matters considered by the Board during the year are set out in the Audit Committee Report on page 186.

Relationship agreement
Peñoles has entered into a relationship agreement with the Company (the 'Relationship Agreement') to ensure that relationships between the Fresnillo Group and the Peñoles Group are conducted at arm's length and on normal commercial terms. Messrs Alejandro Baillères, Juan Bordes and Arturo Fernández have been appointed to the Board by Peñoles pursuant to the Relationship Agreement.

The Relationship Agreement complies with the independence provisions set out in Listing Rule 6.1.4DR for controlled companies. The independent Non-Executive Directors annually review the good standing of the Relationship Agreement (with the most recent review being undertaken in February 2022) and they are satisfied that the Company has complied with the independence provisions included in the Relationship Agreement during the financial year ended 31 December 2021. As far as the Company is aware, such provisions have been complied with during the financial year ended 31 December 2021 by Peñoles and/or any of its associates.

Peñoles has also undertaken not to exercise its voting rights to amend the Articles of Association in a way which would be inconsistent with the provisions of the agreement. It has also agreed to abstain from voting on any resolution to approve a 'related party transaction' (as defined in paragraph 11.1.5 R of the Listing Rules) involving any member of the Peñoles Group.

Director concerns
Directors have the right to raise concerns at Board meetings and can ask for those concerns to be recorded in the Board minutes. The Board has also established a procedure which enables Directors, in relevant circumstances, to obtain independent professional advice at the Company's expense.

Division of responsibilities

Roles

The composition of the Board is structured to ensure that no one individual can dominate its decision-making processes. The Board is led by the Chairman. The Board as a whole currently consists of five Non-independent Non-Executive Directors and seven independent Non-Executive Directors. One of the independent Non-Executive Directors is designated as the Senior Independent Director. The Executive Committee provides operational leadership to the Group and is headed by the Chief Executive Officer. The respective responsibilities of the Chairman, the Chief Executive Officer and the Senior Independent Director are set down in a written statement which was last updated in October 2019.

Chairman's independence

Mr Alejandro Baillères was appointed as the Chairman of the Company in April 2021, when his father Alberto Baillères stepped down from that role. Mr Alberto Baillères was beneficially interested in more than 50% of the share capital of the Company through his interest in Industrias Peñoles S.A.B. de C.V., the Company's controlling shareholder. Mr Alejandro Baillères is the Chairman of Peñoles and other companies within the BAL Group and was appointed to the Board by Peñoles pursuant to the Relationship Agreement (see page 170), thus at the time of his appointment, he was not independent. With Peñoles having a significant stake in the Company, the Board believes that the Chairman's non-independence is not a hindrance to his involvement on the Board but an asset to other shareholders especially as related party transactions are reviewed and approved by independent directors and the Audit Committee. The Board, therefore, believes that his involvement is a governance plus, since it assures the Chairman's alignment with all shareholders' interests. Having served as Deputy Chairman for more than three years and having received guidance from Mr Alberto Baillères for many years, the Board considers that Mr Alejandro Baillères possesses significant knowledge and experience of the Company which it believes underpins his effectiveness in carrying out the role of the Chairman. The Board also considers that the continued oversight of the Company's strategic and operational integrity through its membership of the Peñoles Group enhances the quality of its corporate governance. Given Mr Alejandro Baillères's experience and understanding of Mexican business and its regulatory context, this assessment gains further validity in the continuing political and social environment in Mexico. Notwithstanding the expectations of the 2018 UK Corporate Governance Code, the Board values and endorses Mr Alejandro Baillères's chairmanship of the Company and does not expect to change this assessment for the foreseeable future.

The Relationship Agreement continues to provide a foundation for a transparent governance system, which ensures that the Company benefits from Mr Alejandro Baillères's leadership and experience while being able to demonstrate to other shareholders that the Fresnillo Group is capable of carrying on its business independently of any companies with which he is connected. In particular, the Relationship Agreement ensures that transactions and relationships between the Fresnillo Group and its controlling shareholder are at arm's length and on competitive commercial terms. Further information regarding the Relationship Agreement can be found on pages 170 and 187.

Directors' independence

The Board considers the following Directors to be independent: Charles Jacobs, Barbara Garza Lagüera, Georgina Kessel, Dame Judith Macgregor, Héctor Rangel, Alberto Tiburcio and Guadalupe de la Vega. The Board, through the Nominations Committee has assessed each of these Directors by reference to the criteria set out in Provision 10 of the Code and the Board remains satisfied that they are each independent in character and judgement. In making this assessment for Mr Alberto Tiburcio, the Board notes that he was Chairman and Chief Executive Officer of Mancera S.C., the Mexican firm of EY, the Company's auditors, until June 2013 and that he was not involved in the provision of audit or any other services to the Company by Ernst & Young LLP prior to that date. Mr Tiburcio is an independent Non-Executive Director of Grupo Nacional Provincial, S.A.B. and Grupo Palacio de Hierro, S.A.B. de C.V., which are companies within the BAL Group. He is not involved in executive duties in any of those companies and has a similar obligation to be independent for those two companies as for Fresnillo. The Board does not consider that Mr Tiburcio's position as an independent Non-Executive Director of the Company is adversely impacted by those two appointments. The Board also considers that Mr Tiburcio's experience in Mexican and international business and his experience and knowledge of Mexican and international accounting and audit practice and corporate governance are particularly valuable to the Board and the Audit Committee.

Senior Independent Director

Charles Jacobs is the Senior Independent Director. In February 2021, Mr Jacobs convened a meeting of the independent Non-Executive Directors to evaluate the performance of the Chairman and to assess the good standing of the Relationship Agreement. The independent Non-Executive Directors were satisfied that there were no issues or concerns in respect of either matter. Mr Jacobs provided feedback to the Chairman on those discussions.

Time commitment and overboarding

All Directors pre-clear any proposed appointments to listed company boards with the Chairman, prior to committing to them, and such appointments are ratified by the Board at the next possible meeting. None of the Directors took on any significant new additional external appointments in the year.

The Non-Executive Directors are required, by their letters of appointment, to spend 14 days per annum on Company business. The Nominations Committee is satisfied that all of the Directors, but particularly the non-independent Non-Executive Directors, spend considerably more than this amount of time on Board and Committee activity.

The Nominations Committee annually reviews the time commitments to ensure that all Board members continue to be able to devote sufficient time and attention to the Company's business. Its philosophy in doing so is to consider the total workload of each Non-Executive Director and the particular value that each Director brings to the Board. In making this assessment, the Nominations Committee takes into account the following factors:

1. As a single-product company with operations primarily in just one country, and because of the relative commonality of the Company's activities, the Board does not consider that it needs more than four scheduled Board meetings a year, a factor which is reflected in the relatively low fees that the Company pays its Non-Executive Directors.
2. This relatively low number of meetings is further justified by the degree of governance oversight of the Company. This comes by virtue of it also being a member of the BAL Group. The calendar for Board and Committee meetings is scheduled to align with the other meetings of companies, including listed companies, within the BAL Group ownership structure. This ensures that Fresnillo plc Directors who are appointed to the boards of other companies within the BAL Group do not have any time conflicts with their other commitments on BAL Listed Entity boards.

The other listed company directorships of the Fresnillo plc Directors is set out on pages 158-161 of this report. The Board and Committee attendance record of each of the Directors during 2021 is set out on page 166 of this report.

Prior to their appointment to the Board, the other interests of Eduardo Cepeda and Héctor Rangel were considered, and it was noted by the Nominations Committee that they do not hold any other listed company directorships.

Company Secretary

The advice and services of the Company Secretary (whose appointment and removal are matters reserved for the Board) are also available to the Directors. The Company also regularly receives advice on UK corporate governance and legal developments from its UK legal and corporate governance advisers.

Composition, succession and evaluation

Performance evaluation

Board effectiveness review

The Board conducts an annual review of the effectiveness of the performance of the Board and its Committees. A combination of externally facilitated and internally run evaluations are carried out over a three-year cycle and form the Board Development Programme. The Board recognises that a continuous and constructive review of its performance is an important factor in achieving its objectives and realising its full potential.

The cycle of the Board's evaluations is summarised as follows:

YEAR 1
Externally facilitated Board evaluation using questionnaires and/or interviews

YEAR 2
Follow-up on action plan prepared in response to Year 1 evaluation using internally-facilitated questionnaires

YEAR 3
Focus on outstanding and emerging issues arising from the action plan using internally-facilitated questionnaires

BOARD EFFECTIVENESS REVIEW PROCESS IN 2021

MID-AUGUST
Surveys prepared and circulated to Directors to complete

END AUGUST
Completed surveys received by Lintstock LLP and analysed

MID-LATE SEPTEMBER
Draft reports prepared

EARLY OCTOBER
Draft reports reviewed by Chairman and approved for distribution

REPORT CIRCULATION AND REVIEWS

REPORTS
- Board
- Audit Committee
- Nominations Committee
- HSECR Committee
- Remuneration Committee

BOARD REPORT
Discussed at the Board meeting in October 2022

COMMITTEE REPORTS
Discussed at each Committee meeting following circulation of the respective Committee report

In 2021, Board members were invited to complete questionnaires, the results of which were collated by Lintstock LLP into a Board discussion document. At its meeting in October 2021, the Board discussed the results. The overall conclusion from the Board effectiveness reviews was that the performance of the Fresnillo Board of Directors is rated very highly and therefore the recommendations were characterised as points of potential further improvement rather than material changes of approach. Particular areas of Board governance which were commended in the report included: Board composition; stakeholder oversight; Board dynamics; Board support and Board committees; the management and focus of meetings; oversight of strategy and risk management and internal control.

There were five priorities for change that the Board was encouraged to focus on over the coming year:
- Prioritisation of mine visits.
- Focus on the importance of adapting to regulatory changes.
- Set out a clear, advanced agenda on the areas of strategic risk to be presented to the Board ahead of the quarterly planning.
- Provide brief monthly summaries on Company updates, keeping the Board informed and engaged.
- Oversee the proper operation of Baluarte Minero and its relationship.

Progress on follow-up from the 2020 review in 2021

Priority	Actions	Progress
1. Transitioning back towards a face-to-face business-as-usual working environment (post-pandemic).	Monitoring Government guidance on social distancing and working from home and ensuring that the workforce have enough protection and support once we return to a face-to-face working environment.	We were unable to progress this during 2021 due to the ongoing restrictions and levels of Covid-19 infections. We will continue to monitor guidance and hope to return to a face-to-face working environment during 2022.
2. Improvements to the information flows.	Board papers to be more concise while retaining comprehensive information about the matter being discussed. All papers submitted to the Board to include a summary that provides clarity on what is required of the Board.	The papers that the Board receives now comply with this recommendation. These are more concise and always include a summary. Detailed information is usually sent as attachments. The Board is satisfied with the general structure of the papers.
3. Focus on the plans supporting some elements of strategic implementation.	To focus on the Company's plan for international exploration and growth.	Potential Board agenda items concerning strategic implementation plans are considered before each Board meeting.
4. Keeping up the positive momentum that has been generated by the HSECR Committee over the past 18 months, continuing to bring a clear focus to all areas within its remit.	Continuing to integrate environmental and social goals into the Company's working practices and culture, including a deep dive into sustainability to consider approach and related objectives.	The HSECR Committee continues to meet before each Board session. The Committee also ensures on an ongoing basis (through Company management and the reports that it receives) that the focus on safety and sustainability, including the 'I Care, We Care' programme, is fully permeated throughout the organisation.

Priorities for change for 2022 from the 2021 review

Priority	Planned Actions
1. Prioritisation of mine visits.	Discussion about visits to mines have started taking place. Visits to mines will be resumed as soon as is advisable due to the pandemic status.
2. Focus on the importance of adapting to regulatory changes.	In 2022 a working meeting will be held between Board members and management, in which matters regarding risk management and strategy will be analysed.
3. Set out a clear, advanced agenda on the areas of strategic risk to be presented to the Board ahead of the quarterly planning.	Management has been instructed on this recommendation.
4. Provide brief summaries on what is happening monthly, which would make the Board better informed and engaged on a more timely basis.	Management has been requested to send to Board members a monthly summary of the prior month's production performance.
5. Oversee the proper operation of Baluarte Minero and its relationship.	In the scope of the Audit Committee.

Committee evaluation

The reports on each of the Board Committees prepared as part of the externally facilitated Board effectiveness review were circulated to the members of each of the committees in October 2021 and discussed by the Audit, HSECR and Remuneration Committees at their meetings in October 2021 and the Nominations Committee at its meeting in February 2022.

Director performance reviews

The independent Non-Executive Directors meet annually in order to evaluate the performance of the Chairman. These meetings were held in February 2021 and February 2022.

Non-Executive Directors occasionally meet the Chairman without executives being present; the performance of the Executive Committee is discussed during such meetings.

Board development and induction

Senior management present the Group's strategic initiatives to provide the Non-Executive Directors with more information about the broader context to the Company's activities. In addition, industry briefings on technical, market and sector issues are regularly distributed.

Directors are encouraged to visit the Company's mines to familiarise themselves with the Fresnillo Group's operations, to meet staff and visit community projects supported by the Group. Due to the ongoing Covid-19 pandemic, it was not possible for the Non-Executive Directors to make such visits in person in 2021. Visits to mines will be resumed as soon as is advisable.

Briefings by the Company's legal advisers are arranged for all new Directors. In September 2021, such a briefing was given to Héctor Rangel and Eduardo Cepeda to familiarise them with the duties and responsibilities of a Director of a UK listed company and the UK Corporate Governance Code. In addition, the Chairman discusses training or development needs with Board members from time to time.

Nominations Committee report

Dear Shareholder
I am pleased to introduce the Nominations Committee Report for the year ended 31 December 2021.

Board changes
At the 2021 Annual General Meeting, the appointments of Héctor Rangel and Eduardo Cepeda, were approved by shareholders. Héctor Rangel's appointment is a valuable addition to the Board, with his broad understanding of Mexican business and his extensive corporate and investment banking expertise, while Eduardo Cepeda's appointment enables us to benefit from his considerable experience in finance, international markets and banking. At the same time, Charlie Jacobs became a member of the Committee, bringing additional insight into the expectations of UK investors.

Earlier in the year, the Committee recommended to the Board the appointment of Ms Georgina Kessel as a member of the Audit Committee and Ms Guadalupe de la Vega as a member of the Remuneration Committee. Ms de la Vega brings valuable experience in Mexican business to the Remuneration Committee. Ms Kessel's appointment to the Audit Committee not only brings valuable financial experience but insight into energy and climate related risks which will be increasingly important in the Audit Committee's thinking in the coming years.

Board Diversity Policy progress
We continue to recognise and embrace the benefits of having a diverse Board; particularly the value that different perspectives and experience bring to the quality of Board debate and decision-making. We hold fast to the importance of making Board appointments on the basis of merit; but we also take seriously considerations such as background and experience, age, gender, and shareholder perspectives in our reviews of the composition of the Board. We believe that setting targets for the number of people from a particular background or gender is not an effective approach and therefore we have no specific quotas or targets. Nevertheless, our direction of travel, as far as diversity is concerned, has been a progressive one. Our Board composition meets the target set by the Hampton-Alexander Review. Since February 2020, the Board has included seven independent Non-Executive Directors, our largest ever number of independent Directors. This adds diversity of thought and input into our Board discussions.

It is pleasing to note also that in 2021 the Parker Review reported that Fresnillo plc has met its ethnicity target for FTSE 100 companies. Since our IPO in 2008, the Board has consisted of a mix of Mexican and British Directors which enables the Board to benefit from a sound understanding of both the UK and Mexican cultural contexts of the Company in its decision-making.

Company-wide gender diversity
As reported in last years' report, the Board approved the Company's adoption of the CLIMB framework in April 2020. The CLIMB framework (developed by McKinsey) has been a useful tool to categorise the Company's current or planned initiatives on diversity. In 2021, the Company conducted surveys and focus groups to better understand the challenges and opportunities of developing a diverse and inclusive culture and an implementation strategy is being developed in 2022. The strategy includes several initiatives designed to improve the leadership opportunities for women; develop a better human resources infrastructure; adopt and use metrics to improve management and monitor and promote the right culture and behaviours. Further information on the implementation of this programme is set out on pages 72-81 in the Sustainability Report.

Board evaluation
In 2021, the review of the effectiveness of the Board was carried out using a questionnaire-based approach. Board members were invited to complete the questionnaires, the results of which were collated by Lintstock LLP into a Board discussion document. A summary of the overall approach adopted and findings arising from this review is set out on pages 172-173 of the Corporate Governance Report. We were pleased that the overall conclusion from the reviews was that the performance of the Fresnillo Board of Directors and, indeed, the Nominations Committee, continues to be rated very highly.

I would be happy to speak with any shareholders who have questions about the work of the Committee.

Yours faithfully

Mr Alejando Baillères
Chairman of the Nominations Committee

Nominations Committee

Role
The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and its committees and succession planning for the Directors and other senior executives. Before making appointments of new Directors and members of the Executive Committee, the Nominations Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board and identifying and nominating suitable candidates for approval by the Board. Prior to making such recommendations, the Nominations Committee considers the other time commitments and significant external interests of such candidates to ensure that they are able to contribute effectively to the Board.

The Nominations Committee has approved Board Appointments and Diversity Policies which provide the framework for the Nominations Committee and the Board's approach to Board appointments. The Board has also approved a Group Diversity Policy. (Full versions of these Policies may be found on the Company's website (www.fresnilloplc.com)). A further explanation of the steps that the Company is taking to promote diversity across its businesses is set out in the Sustainability Report on pages 78-81.

Board Appointments Policy
The Nominations Committee and Board are strongly committed to the principle of equality of opportunity when making new appointments to the Board while ensuring that appointments are based on merit. The Nominations Committee continues to consider the composition of the Board with this commitment in mind.

The criteria for determining the composition of the Board and future Board appointments continue to be based on:
- Relationship Agreement requirements for appointments to the Board by Peñoles.
- The Company's leading position as a precious metals miner in Mexico.
- The Company's inclusion in the FTSE 100 Index.
- The specific functions on Board committees which independent Directors will be required to fulfil.
- The provisions set out in the current terms of reference of the Nominations Committee and the Board Diversity Policy.

The Nominations Committee does not use open advertising or retain any external consultants when making new appointments to the Board as it is not considered necessary considering the Company's contacts within Mexico and further afield.

Skill/experience	Description	Percentage of Board members
Commercial leadership	Sustainable commercial success in business at a senior executive level.	83
Strategy	Experience in enterprise-wide strategy development and implementation in industries with long cycles and developing and leading business transformation strategies.	83
Mexican business experience	Relevant experience and understanding of the Mexican political, cultural, regulatory and business environments.	92
Capital allocation and cost efficiency	Extensive direct experience in environments requiring capital allocation, cost efficiency and cash flow management disciplines, with proven long-term performance.	92
Health, safety, environment and community	Extensive experience with complex workplace health, safety, environmental and community risks, frameworks and issues.	75
Capital markets	Relevant experience and understanding of capital markets, institutional investor engagement and regulatory/governance expectations.	83
Mining and natural resources	Board-level experience and/or long-term knowledge gained through working with companies operating in the mining or natural resources sector	67
Financial expertise	Relevant experience in financial regulation and the capability to evaluate financial statements, financial controls and risk.	75
Public policy expertise	Extensive experience of public policy or regulatory matters, including fiscal and economic, ESG (in particular climate change) and community issues, social responsibility and transformation issues.	67
Workforce well being	Workforce learning and skills development, diversity and wellbeing	92

Executive succession planning
In April 2021, in line with its usual practice, the Nominations Committee reviewed a schedule of possible successors for all the positions on the Executive Committee (Chief Executive Officer, Chief Financial Officer, Vice President of Exploration and Chief Operating Officer). This review considered both short-term emergency and long-term planning scenarios.

Mr Guillermo Gastelum was appointed as Vice President of Exploration of the Company as of 1 January 2021.

Other Committee activity during 2021
The Nominations Committee also considered the following matters as part of its usual programme of activity:
- **Time commitment:** A review of the time commitment required from each Director and their other external appointments prior to making a recommendation to the Board supporting that all of the continuing Directors be proposed for re-election at the 2021 AGM. (Further analysis of the Nominations Committee's assessment is set out on page 171).
- **Committee membership and composition of the Board:** Assessment of the independence of the NEDs, board balance and diversity.
- **Committee Report:** Approval of the 2020 Nominations Committee Report prior to publication.
- **Committee evaluation:** A self-evaluation exercise was undertaken by the Nominations Committee in February 2021 (which concluded that the Nominations Committee is functioning well).

Audit Committee report

Dear Shareholder

It gives me great pleasure to introduce the Audit Committee Report for 2021. The last two years have been very difficult for humanity in general, and for governments and companies around the world because of the Covid-19 pandemic. Fresnillo was not exempt from its effects and, as we reported last year, promptly had to implement important decisions to continue operating the mines while, at the same time, taking additional safety measures to protect our people. The health and wellbeing of all of our stakeholders which underpinned our efforts to protect the Company's operational capability and financial strength, was at the centre of the strategy and at the heart of all decisions taken during these difficult times. With rigorous safety measures, our mines continued operating during 2021, while most of our Company's office-based employees kept working from home.

Because of these challenging circumstances, the Committee put additional emphasis on the processes and internal control procedures that had to be adjusted to allow the Company to continue operating in a safe environment for its people. We also had to pay close attention to those key areas of judgement and estimation in our reporting, such as impairment of long-term assets, going concern and viability assessments (all of which are further disclosed in this Annual Report). With the support of the Internal Audit, Internal Control and Risk Management areas, we concluded that the internal controls and processes were functioning appropriately and no significant weaknesses were identified. Close coordination and interaction with the external auditor were also essential and a key part of the Committee's work this year.

The matters of particular focus for the Committee that merit specific reference in this year's report are summarised below:

- **Proposed changes to regulations:** During the year, we continued to monitor the implications introduced by the 2018 UK Corporate Governance Code in our activities and we closely followed the ongoing discussions for the changes that might arise from the Government consultation paper *Restoring Trust in Audit and Corporate Governance* released in March of 2021. We discussed the possible implications of the recommendations and issued our response letter to the Department for Business Energy and Industrial Strategy (BEIS) on 7 July 2021 within the required time frame for responses. We also kept the Board informed of the impact the changes might have in the Company's governance and agreed a meeting with the Board members to present and discuss with them the more relevant changes once they are approved.

- **Labour law changes:** In April 2021, the Mexican Government amended a number of different laws, including the Labour Law, the result of which, in summary, prohibits subcontracting of personnel, either from companies outside the Group or companies within the same group, with some exceptions. Additional information about these changes and the further implications for Fresnillo is provided elsewhere in this Annual Report on pages 17-19, 40-42.

  As a result of these changes, it was necessary for the Company to hire approximately 677 people who previously provided services to the mines through subcontractor arrangements. In addition, the Company expects to hire other current subcontractors during 2022 to further reduce the reliance on outsourcing relationships. It was also necessary to transfer personnel within Fresnillo's subsidiaries and merge some companies within the Group to align the workforce with the core business of production companies. The Committee was kept informed of the different steps proposed by management to comply with the new regulation and challenged some of the assessments of the implications for the Company as a result of these new rules. This feedback along with that of other external advisers was taken into account in the final action plan which the Board approved in response to the new rules.

- **Tax contingencies:** Over the past few years, the Committee has closely monitored the tax contingencies, in particular, the differences generated in prior years regarding the tax treatment of certain investments in mining assets and in the intra-Group sales of mining concessions. These items were not explicitly determined by the Mexican tax law and consequently were subject to interpretation. The Committee has received regular reports from management on their discussions with the Servicio de Administración Tributaria ('SAT'), the Mexican tax authority, concerning these matters.

- **Fraud detection:** To respond to expected future regulatory changes, the Company has widened the evaluation of its fraud risk assessment process to reinforce the controls to prevent and detect material fraud. Although the Company has always maintained a firm commitment to prevent and detect fraud through well established practices and procedures, the Company is undertaking a detailed review of its key processes during the first half of 2022 in order to identify where further improvements could be made. The Committee has been working closely with the Internal Control and the Internal Audit areas in the additional assessing and testing which is expected to be concluded in the near future. We discussed with the external auditors their procedures in respect of fraud.

- **Climate-related Financial Disclosures:** This Annual Report includes additional disclosures consistent with the guidelines set out by the Taskforce on Climate-related Financial Disclosures. These disclosure requirements were discussed by the Committee and particular attention was put on them in the review of the Annual Report and the financial statements. The Committee has also considered the role and work of the HSECR Committee in monitoring climate-related risks and the mitigating actions being taken to manage those risks. The Committee is comfortable that the current disclosures reflect the Company's progress to date.

- **Centralisation of services:** As further explained on page 24, in December 2020, the Company and its Parent (Peñoles) announced an organisational change programme to implement a new shared services and innovation function named 'Baluarte Minero'. For this reason, during the first half of the year, Fresnillo transferred some its personnel to Peñoles (although the heads of these functions remained as executives within Fresnillo) and will from 2021 onwards pay Peñoles for services that were, in the past, provided in-house. This reorganisation was undertaken to achieve efficiencies and cost reductions over a reasonably quick period of time. The Committee assessed the implications that this reorganisation is expected to have on Fresnillo, taking into consideration the importance related party transactions have on the Company and was satisfied that this would result in additional benefits for the Company.

- **Reserves and Resources:** As we discussed last year, the Committee reviewed the observations raised by SRK Consulting UK Ltd (SRK) on process and procedures in relation to the preparation of the 2019 Reserves and Resources Statement. During 2020 and 2021, the Committee held timely and close discussions with management regarding the action plans and progress being made with the correction of the deficiencies observed by SRK and reported in person to the Audit Committee. In 2021, the audit of reserves and resources was split between SRK and AMC for reasons of efficiency and the timeliness of delivery of the Reserves and Resources Statement by SRK has continued to improve. Following the completion of AMC's audit, it has been possible to upgrade some of our probable reserves to proven reserves. In addition, the Company made significant progress in correcting the observations from prior years with the result that the Company is able to report its reserves and resources with greater accuracy and certainty.

- **Inventory:** Since 2019, there have been opportunities to re-estimate the inventory quantities in the leaching pads at Herradura mine as a result of technological advances in recovery methodologies. As a result, management has regularly reassessed its estimates of ore in the deposits to determine whether there should be any further financial adjustments. These assessments have continued throughout 2021 and, after discussions with management and knowing the results of the external auditor's review, the Committee has agreed with the inventory valuation at the end of 2021.

- **Cybersecurity:** IT security and data protection were also subjects that the Committee analysed regularly during the year to ensure that the programmes of activity identified in previous years continue to be implemented on schedule. In 2021, the Committee continued to receive updates on the Group's IT strategy, its linkage to the Group's overall business strategy and the financial implications of that strategy for the business plan. It also monitored the progress of the Peñoles and Fresnillo management teams in developing the cybersecurity framework for the Group. Further information about the Group's approach to IT is set out on page 137 of the Strategic Report. The Company continues to make progress in this important area, and this will be monitored further by the Committee during 2022.

In the second half of the year, Lintstock, an independent advisory firm, carried out an evaluation of the Board and its different committees, including the Audit Committee. The different evaluations are outlined elsewhere in this Annual Report (on page 172) and with respect to the Audit Committee, I am pleased to report that the results of the evaluation were very positive. Nevertheless, we continue to look for ways to improve the efficiency of our meetings and remain well-briefed on the subjects that we are required to consider as a Committee.

At the end of 2020 we reported with regret the passing of Luis Robles, who was an outstanding member of the Committee. Early in the year, we welcomed Georgina Kessel and more recently, Héctor Rangel, both of whom have significant financial experience and are making substantial contributions to the Committee, drawing on their long and outstanding professional backgrounds.

In closing, I would like to acknowledge with gratitude the effort and valuable contributions made by the members of the Committee and by the Company executives who work closely with it, and certainly, for the invaluable support and trust that we have always received from the Board.

I would be happy to speak with any shareholders who have questions about the work of the Committee.

Yours faithfully

Alberto Tiburcio
Chairman of the Audit Committee

Audit Committee report continued

Audit Committee activity in 2021

This report sets out the key activities of the Committee in discharging its duties during 2021. The Committee met five times during 2021 with all the meetings being held by videoconference. Notwithstanding this, the Committee was able to operate in accordance with its terms of reference and it was able to follow its usual pattern of work which is reported under the following headings:

REPORTING	ASSURANCE	RISK AND CONTROLS
• **Financial reporting:** Overseeing the Company's financial and narrative reporting to shareholders (including considering whether it was fair, balanced, and understandable) • **Stakeholder relationships and reporting:** Overseeing the Company's reporting on certain stakeholder issues • **Whistleblowing:** Overseeing on behalf of the Board, the whistleblower line and the work of the Honour Commission	• **External audit:** Overseeing the work of and the Company's relationship with the External Auditor • **Internal audit:** Overseeing the work and findings of Internal Audit	• **Risk:** Overseeing the operation of the Company's risk management framework • **Internal control:** Monitoring the Company's internal control environment • **Related parties:** Overseeing the financial aspects of the Company's commercial relationships with related parties

Details of the membership of the Committee and the Committee's effectiveness review are set out on pages 167 and 172-173 respectively of the Governance Section.

REPORTING

Financial reporting

The Company reports to shareholders on its financial performance twice a year. During the 12 months prior to the date of this report, the Committee reviewed the interim financial statements for the six months to 30 June 2021 and the full-year financial statements and Annual Report for the year to 31 December 2021. To aid the Committee members' understanding of the reported financial results during the year, the Chief Financial Officer updated the Committee on the Group's quarterly financial performance at each of its meetings in February, April, July and October.

The principal steps taken by the Committee during the past 12 months in relation to its review of the published financial statements were:

- Review of the 2021 interim financial statements and 2021 Interim Announcement and consideration of EY's comments on the drafts of these documents.
- Review of plan for preparing the financial statements and Annual Report for the year ending 31 December 2021.
- Review of the significant judgements and estimates that impact the financial statements (see below).
- Review of the financial statements and Annual Report for the year ending 31 December 2021 and consideration of EY's comments on these documents.

In addition, the Committee reviewed and recommended for approval, drafts of parent company interim accounts prepared for the periods ended 31 March 2021.

During 2021, with the exception of the interim review, EY did not provide any assurance work in relation to non-audit matters. The EY team provided a thematic briefing on audit matters for Georgina Kessel and Héctor Rangel as part of their induction on appointment to the Committee during the year.

Significant judgement areas

The Committee considered the principal areas of financial statement risk and judgements made in relation to both the interim and full year financial statements, prior to recommending those financial statements to the Board for approval. In many cases, these significant judgement areas were the same as those considered in previous years; however, as the mining cycle progresses these areas of judgement or estimation evolve, and new ones may need to be considered while others may become less important.

Process for the review of significant judgements

The Significant Judgement process may be summarised in the following way:

ANNUAL ASSESSMENT OF KEY FINANCIAL STATEMENT RISKS → IDENTIFICATION OF KEY VARIABLES TO CONSIDER → REVIEW OF SOURCES OF ASSURANCE → DISCUSSIONS WITH MANAGEMENT AND EY → COMMITTEE'S CONCLUSION ON ACCOUNTING TREATMENT, PRESENTATION AND DISCLOSURE

Significant areas of judgement in 2021

The significant judgement areas considered by the Committee in 2021 are set out below. In each case, the Audit Committee concluded that the accounting treatment and disclosure in the financial statements are appropriate.

RELATED PARTY TRANSACTIONS INCLUDING REVENUE RECOGNITION (SEE NOTE 26 TO THE FINANCIAL STATEMENTS)	
Assessment of risk	Fresnillo has a controlling shareholder and as a result has very strong ties both to Peñoles and the broader BAL group. There is a risk that related party relationships could be taken advantage of to manipulate earnings, otherwise distort the Company's financial position and/or transfer value to Peñoles or another BAL company inappropriately. Furthermore, related party transaction disclosure requirements allow investors to understand the nature and extent of the Company's transactions with related parties and there is a risk that disclosures in the financial statements could be inaccurate or incomplete.
Variables considered	Every year, the Committee scrutinises the probity of all major related party transactions to ensure that they are entered into transparently and fairly to all shareholders (see the section of this report headed 'Transactions with Related Parties'). The Committee also discussed the implications that the Baluarte Minero reorganisation is expected to have on Fresnillo, taking into consideration the importance related party transactions have in this Company.
Sources of assurance	The Committee considered management reports on the transactions with related parties during the year. In particular, it received confirmation from the Chief Executive Officer on the trading relationship with Met-Mex and the basis on which pricing is determined (using a methodology which was adopted in 2019) (see the Related Party transactions section on page 186). The Committee discussed EY's procedures to ensure that related party transactions are recognised accurately and correctly reported in the relevant disclosures in the Annual Report, as well as their related conclusions. Internal Audit routinely review agreements between the Company and Peñoles, the results of which are reported to the Committee as part of its annual Internal Audit Programme updates. In addition, PricewaterhouseCoopers 'PWC' conducts annual reviews of the price reasonableness of the intercompany transactions each year. In previous years, these reviews have not resulted in any adverse comments thus providing a basis of assurance for the usual approach; however, the PWC 2021 transfer pricing review will not be completed until after the date of approval of this report.

RE-ESTIMATION OF QUANTITIES IN INVENTORY (SEE NOTE 14 TO THE FINANCIAL STATEMENTS)	
Assessment of the risk	Inventory on leaching pads changes over time as new inventory is added or depleted and new techniques for extracting metal from inventories are developed. Consequently, the estimated future recovery of gold from that inventory may change from year-to-year. The re-estimation of the inventory quantities held in the leaching pads at Herradura has been evaluated each year since 2019. The Company has continued to assess the recoverability of gold from leaching pad inventories at Herradura and as result, no adjustment was required during 2021.
Variables considered	The Committee considered a presentation on the reassessment of inventory at Herradura at its July 2021 meeting and monitored the financial impact of this reassessment during the year. It noted management's response to enquiries from EY concerning information supporting the recovery rates from the pads. The data was reviewed again in February 2022, and it was agreed that no further adjustments to the estimated future recovery of gold in the pads were necessary.
Sources of assurance	The Audit Committee has discussed the answers given to EY by the operational management team in response to enquiries concerning this matter.

MINERAL RESERVES AND RESOURCES (SEE PAGES 286-291)	
Assessment of the risk	Reserves and resources are a primary driver of Fresnillo's market valuation and a significant input into calculations of depreciation and assessments of impairment. Such calculations are dependent on significant amounts of geological data from the Company's business units. Delays in gathering such data and inaccuracies in the estimation of reserves and resources would have broad implications for the amounts included in the financial statements.
Variables considered	The estimation of mineral reserves and resources requires significant judgement, not only in respect of mineral physically in place but also metal price and cost assumptions used to determine the cut-off grade for identifying economically viable ore bodies. There is also judgement in developing and maintaining the mine plans which estimate the timing and quantities of related production.
Sources of assurance	During 2021, the Committee continued to assess with SRK the observations made during the 2019 year-end audit concerning the Group's processes for the estimation of reserves and resources and discussed with management the resourcing of the internal teams supporting this process and other steps taken to improve the quality and timeliness of the provision of data to SRK. During 2021, the audit of reserves and resources was split between SRK and AMC to further expedite the timeliness of the audit process. The Committee reviewed progress with the remedial action plan prepared by management in 2019 and noted further progress had been made to deliver the reports from SRK on a more timely basis.

Audit Committee report continued

SILVERSTREAM CONTRACT (SEE NOTE 13 TO THE FINANCIAL STATEMENTS)	
Assessment of risk:	The Silverstream contract represents a large asset on the balance sheet which can, as a result of movements in variables discussed below, give rise to significant albeit non-cash, movements in the income statement.
Variables considered:	The Silverstream contract is a derivative financial instrument which must be reflected at fair value at each balance sheet date. The fair value is most sensitive to the timing and volume of forecast production derived from the reserves and resources and production profile of the Sabinas mine, estimated future silver price and the discount rate applied in the valuation.
Sources of assurance:	The Committee discussed with management and EY the inputs into the valuation at the balance sheet date and associated sensitivity analysis. It also reviewed management's suggested disclosures relating to the Silverstream contract. It discussed with EY their procedures and conclusions for their audit of the valuation.
RECOVERABLE AMOUNT OF LONG-TERM NON-FINANCIAL MINING ASSETS (SEE NOTE 12 TO THE FINANCIAL STATEMENTS)	
Assessment of risk:	The recoverable amount of long-term non-financial assets is influenced by the level of reserves and resources for each mine at any moment in time, the likelihood that the resources can be economically mined and the expected phasing of planned production (mine plan). Other key variables considered include the expected metals prices, costs and discount rates. The estimated valuation of the recoverable amount of long-term mining assets will change year-on-year in response to changes in these inputs. If the financial statements are not adjusted accordingly there is a risk of significant financial misstatement.
Variables considered:	The reserves and resources, prices, costs, discount rates and related mine plans for each Business Unit along with management's assessment of impairment indicators were considered.
Sources of assurance:	The Committee noted that the specialist third party reports on management's estimates of reserves and resources and management's estimates of recoverable value had been prepared and then assessed by EY, using specialists where necessary. The Committee also noted the reports from SRK on reserves and resources and scrutinised the process by which they were prepared to ensure that improvements made during the year had been properly implemented. Internal Audit also followed up on steps taken by management during the year. The Committee further evaluated EY's assessment of the management position on the mines most at risk and sensitivities performed by EY for alternative metals price and discount rate scenarios.
TAXATION AND PTU (SEE NOTE 10 TO THE FINANCIAL STATEMENTS)	
Assessment of risk:	The taxation of mining companies in Mexico has been the subject of much ongoing attention as reflected by a number of tax inspections that are ongoing or have been initiated by the tax authorities. Some aspects of Mexican tax legislation are open to interpretation. Governmental changes in Mexico also result in personnel and policy changes at the SAT, the Government tax authority. During the year, the outsourcing reforms have also extended the need to assess the impact of regulation on tax liabilities. Certain tax assets and liabilities are denominated in Mexican pesos and are revalued in US dollars during the period, resulting in foreign exchange gains or losses which need to be taken into account when assessing the tax charge for the period and the deferred taxes computation. In accordance with the Mexican legislation, local companies also pay employee profit sharing ('PTU') equivalent to approximately 10% of the taxable income of each fiscal year. Following changes to the basis for calculating PTU, following the introduction of the labour reforms during the year, there is an enhanced risk that deductions taken when calculating tax and PTU charges may be challenged, and that any resulting exposures to payable taxation and PTU may not have been provided for appropriately.
Variables considered:	The Committee reviewed the status and potential outcomes of tax audits commenced during the year and ongoing dialogue concerning a previous agreement reached with the SAT. Further information is set out in the Stakeholder Reporting (Government/Tax Authorities) section below. The Audit Committee also reviewed reconciling items applied to accounting profit in determining profit subject to taxation and PTU as set out in papers prepared by management.
Sources of assurance:	Throughout the year the Committee received updates on the status of tax inspections. Reviews of tax related matters were also undertaken by Internal Audit. The Committee reviewed management's supporting memoranda on the consolidation of tax and PTU and sought EY's views on the same. It ascertained the degree to which judgements and adjustments are supported by internal and/or external subject matter experts and ensured that they corresponded with information presented during the year prior to approving the relevant disclosures in the Annual Report.

Ensuring that the Annual Report is fair, balanced and understandable

The Committee supports the Board in ensuring that the Annual Report is fair, balanced, and understandable. The approach taken by the Board in relation to the Annual Report and financial statements for the year ended 31 December 2021 is described on page 187 of the Corporate Governance Report. Different sections of the Report were circulated to Board members during early February 2022 to provide time for comments to be passed back to management. In addition, Internal Audit undertook a review of the non-financial reporting (which is extracted from the Company's operational records). In support of this process, prior to deciding whether to recommend them to the Board for approval, the Committee also:

- reviewed the Annual Report and financial statements, taking into account comments made and reports issued by EY and comments discussed with management;
- reviewed with management the different disclosures relating to climate change throughout the Annual Report and, in particular, the TCFD reporting, including the statement of compliance;
- discussed the Annual Report and financial reporting with the Company's CFO; and
- discussed with Internal Audit points arising from their review of the principal non-financial numbers in the Annual Report.

Stakeholder reporting

The Committee plays a role in overseeing, on behalf of the Board, some key aspects of the Company's reporting concerning its relationships with key stakeholder groups.

Employees: The Committee reviewed the work of the Honour Commission in relation to matters raised via the whistleblower line (see following section).

Government/tax authorities: In particular, it closely monitors the Company's relationship with the SAT, with the status of any outstanding tax audits reviewed at most meetings. The Committee receives regular reports from the Head of Tax on her interactions with the SAT concerning current tax audits.

During 2021, the Committee reviewed the Company's Payments to Governments data, published in June; and the Company's UK Tax Strategy Statement, published in November.

Environment/Climate: During the year, the Committee began to evaluate the role that it should play in overseeing the governance of climate change and environmental risks. In particular, it was agreed that the Committee should work closely with the HSECR Committee to ensure that the governance of climate-related risks and monitoring of KPIs associated with climate-related risks is aligned between Fresnillo's operations and financial reporting.

Whistleblowing

The 'Fresnillo Plays Fair' whistleblower hotline allows stakeholders to anonymously report (via an independent third party) violations of the Group's Code of Conduct. The hotline is available to all stakeholders, including employees and third parties, so that any concerns about misconduct or impropriety may be raised and dealt with appropriately. All matters raised via the hotline are processed by an independent third party for review by the Honour Commission (which comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Compliance Officer, the Vice President of Exploration and the Head of Legal). A summary of the whistleblowing cases, which also includes the decisions of the Honour Commission in relation to each case, is reviewed by the Committee each quarter and the Chairman of the Committee gives a report to the Board every six months on the key trends and steps taken as a result of these reviews. Changes to the format of reporting to the Committee and the Board during the year has enabled the Board and Committee to evaluate better the reasons for the incidents reported, although the trends remain consistent year-on-year.

In 2021, there were a total of 157 reports (compared to 110 in 2020). In 2021, 153 (97%) of the reports were concluded in the year with the remainder, having been raised in the latter part of the year, still under investigation. Further details about the whistleblowing reports in 2021 are set out in the Sustainability Report on pages 74-76. During the year, the Committee was satisfied that all matters had been or continue to be properly investigated with appropriate action taken.

Audit Committee report continued

ASSURANCE

External audit

Relationship with EY

EY was reappointed as the Company's auditor at the 2021 AGM. EY was originally appointed in 2008 and their appointment was re-confirmed in 2016 following a rigorous external audit tender process in 2015/2016. The next tender process is expected to be held no later than 2025. The current lead partner, Steve Dobson, has been in place since 2020. During 2021, the members of the Committee met twice with representatives from EY without management present and once with management without representatives of EY present, to ensure that there are no issues in the relationship between management and the external auditor which it should address. There were none.

The Company was in compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 during the year.

External audit process

The key steps in the Committee's interactions with EY during the past 12 months were:
- The review of a report from EY providing their observations and opportunities arising from the 2020 audit process and management responses to those observations in April 2021.
- Discussion with EY of the findings from their review of the interim results for the period ended 30 June 2021.
- The review of the 2021 half-year representation letter given to EY.
- The review and approval of the external audit plan, fees and terms of audit engagement.
- The review of the results of the 'hard close audit' for the ten months to 31 October 2021.
- The review of the representation letter given to EY for the 2021 full-year audit.
- The review of EY's report following completion of the audit for the year ended 31 December 2021.

Covid-19: In 2021, EY's review of the half-year financial statements and the external audit of the full-year financial statements and 2021 Annual Report continued to be restricted by the Covid-19 pandemic which prevented travel from the UK to Mexico and significantly reduced physical access to the Company's facilities. EY revised their approach to the audit to take account of these physical restrictions.

Quality, objectiveness and independence of the external auditor: The Committee is mindful of its responsibility to ensure that the external auditor maintains its independence and objectivity and is appropriately qualified with sufficient resources and expertise to fulfil the role. The Committee specifically reviewed, and is satisfied with, the independence of EY as the external auditor based on disclosures provided by EY in accordance with UK Ethical Standards for the audit profession. The Committee discussed the quality, objectiveness, and independence of the EY team with the management team and was satisfied that there were no concerns in this regard.

Non-audit services policy: The Committee has adopted a policy for the provision of non-audit services to the Fresnillo Group by the external auditor (the 'Policy'). The Committee has maintained an ongoing dialogue with EY during the year concerning the services that it provides to the Company and the wider Peñoles Group to ensure that where such services are provided, they are in line with the Policy or discussed with the Committee on a timely basis.

The current policy permits the engagement of the external auditor to provide a narrow range of permitted services which are closely related to the audit and/or required by law or regulation. Any engagement of the external auditor to provide permitted services above US$5,000 is subject to the specific approval of the Committee. During 2021, EY provided audit-related assurance services in connection with the review of the interim financial statements (US$497,000). The ratio of fees paid for non-audit work in relation to audit work during the year was 0.28:1.00 (2020: 0.49:1.00)

Details of the fees paid to EY during the year are shown in note 27 to the financial statements.

Evaluation of the effectiveness of the external audit and the auditor

The Committee assesses the effectiveness of EY as its external auditor from two perspectives:
- Reviews of the work of EY's UK practice, as a firm, undertaken by the Financial Reporting Council's Audit Quality Review Team.
- Its own assessment of the effectiveness of the external audit process and the role played by both EY's UK and Mexican teams in the performance of the annual audit.

Audit Quality Review: The Committee reviewed the report of the FRC on its Audit Quality Review on EY as a firm and discussed with the EY Audit Partner whether any of the FRC's findings were relevant to the firm's audit of the Fresnillo financial statements. EY also shared the findings from their own internal quality review with the Chairman of the Committee. The conclusion from these reviews was that there were no major matters of concern to consider.

Audit Committee assessment of EY: Following the completion of the 2020 Annual Report, the Committee undertook a review of the performance and effectiveness of EY at its April meeting. As part of this process, the Chief Financial Officer and finance team were invited to provide their insights into their interaction with the EY teams during that process. The Committee concluded that EY was generally performing well with an overall consensus being that the working relationship was good.

The Committee regularly monitors the steps taken by EY to ensure that the balance of work between the UK and Mexico is efficient and effective. The implementation of commitments made by EY for improving audit efficiency at the time of their successful tender in 2016 continued to be monitored by the Committee during 2021.

Reappointment of the external auditor

In February 2022, taking account of the reviews of the effectiveness of the external auditor, the Committee recommended to the Board the reappointment of the external auditor, EY at the Company's 2022 Annual General Meeting. The reappointment of the auditor will be subject to a review of proposed fees for the 2022 audit in October 2022.

Internal audit

The 2021 Internal Audit Annual Plan was approved by the Audit Committee in October 2020, incorporating audits across all of Fresnillo's business units with a focus on strategic priorities and key risks. In 2021, due to the continuation of Covid-19 restrictions, the Internal Audit programme was executed through a combination of site visits and remote audit procedures. Internal audit continued to deploy technology and apply data analytics to achieve depth of audit coverage and gain deeper insights into Fresnillo's risk and control profile. Internal Audit completed a number of risk reviews along with process and controls assessments focusing on efficiency, productivity, cost management and regulatory compliance. Internal Audit verified the validity, accuracy and completeness of the non-financial information included in the 2020 Annual Report and reported the results to the Audit Committee.

Due to the continued importance of cybersecurity and the evolving technology landscape, Internal Audit carried out assessments aimed at validating the design and effectiveness of Fresnillo's cybersecurity processes and controls. In addition, due to the emergence of new regulations such as the Mexican Labour Law Reform, Internal Audit carried out a follow-up of Fresnillo's compliance risk management processes. The Audit Committee continues to review progress made in raising the level of cybersecurity maturity and actions taken by Management to ensure compliance with laws and regulations. Towards the end of each year, Internal Audit presents the proposed Internal Audit Annual Plan and resourcing requirements for the following year. The 2022 Internal Audit Plan was presented to the Committee and approved in October 2021. The plan was developed according to the International Standards for the Professional Practice of Internal Auditing, and included the following steps:

The Internal Audit plan for 2022 includes planned audits relating to strategic priorities and higher risk areas such as ESG, ongoing capital projects, compliance with community relations plans, compliance with laws and regulations (e.g. environmental laws, labour law, permitting requirements), reserves and resources, tailings dam management, health and safety, taxes, digital effectiveness, cybersecurity and IT-OT processes and multi-risk operational compliance processes at mines.

The Head of Internal Audit attended all Audit Committee meetings throughout the year. Members of the Audit Committee meet with the Head of Internal Audit twice a year without management present.

At each meeting during the year, the Audit Committee also monitored the progress made by management in addressing 'red flag' items (i.e. most serious control weaknesses) identified through Internal Audit work. The Audit Committee's focus is to ensure that the management responses to remediation are appropriate and that timely progress is made in reducing the number of red flags over time.

In addition, the Audit Committee monitored the quality of the dialogue between Internal Audit and the Executive Committee in reviewing Internal Audit findings and agreeing action plans with appropriate levels of operational buy-in to address the points raised. The Audit Committee met with the Chief Executive Officer and Chief Operating Officer several times during the year to review the outstanding Internal Audit points and is satisfied with the progress achieved through this dialogue.

Audit Committee report continued

RISK AND CONTROLS

Risk

The Committee monitors how the Company's risk management framework is operating. Operational responsibility for risk lies with line management (details of the risk management system are set out on pages 120-125). The Audit Committee discusses potential changes to the Group's risk profile through its regular reviews of the Risk Matrix and its consideration of any associated recommendations from management proposing changes to the Risk Matrix to take account of changing and emerging risk. The Company defines emerging risk as: *"a new manifestation of risk that cannot yet be fully assessed, risks that are known to some degree but are not likely to materialise or have an impact for several years or a risk that the company is not aware of but that could, due to emerging macro trends in the mid or long term future, have significant implications to achieve the organisation's strategic plan."*

The Emerging Risks were evaluated and reviewed by the Committee during the year. While the assessment of most of the emerging risks remained unchanged during the year, two new emerging risks are now being monitored (both connected to the Climate Change Principal Risk): (i) *Transition to a low-carbon future* and (ii) *Increasing societal and investor expectations in relation to climate change*.

The Principal Risks and Uncertainties are reviewed every six months prior to the publication of both the interim and full-year reports. During the year the Committee assessed movements in the profiles of the following risks prior to recommending the Principal Risks and Uncertainties reports to the Board for approval:

- **Potential Government actions:** Changes resulting from the labour reforms and complications in the relationship with contractors, among other developments;
- **Impact of metals prices and global macroeconomic developments:** The impact on the supply chain of critical inputs for operation resulting from macroeconomic developments during the year;
- **Security:** Increased high-impact crimes (homicide, kidnapping and extortion) in the regions where we have operations, mainly Zacatecas and Sonora; and
- **Projects:** Increasing delays and complications in obtaining permits and the lack of operating equipment due to supply chain disruptions.

Ethical risk

The Committee monitors ethical risk through regular reviews of progress with the Group's anti-bribery and corruption programme (including regular updates on the completion rates for the online training programmes). This demonstrates that the Group's corporate values and elements of the control culture in relation to ethics remain embedded throughout the organisation. To this end, during the year, the Committee received reports on the roll-out of training in relation to the disclosure of conflicts of interest; the annual assessment of the Code of Conduct; Step-up Culture; and Harassment.

The Company widened the evaluation of its fraud risk assessment process to reinforce the controls to prevent and detect material fraud. Although the Company has always maintained a firm commitment to prevent and detect fraud through well established practices and procedures, the Committee has been working closely with the Internal Control and the Internal Audit areas to identify opportunities for further assessment and testing. This is expected to be concluded in the first half of 2022. The external auditors are also expanding their procedures in this area.

Financial risk management

The Company's objectives and policies on financial risk management including information on the Company's exposures to market risk, such as foreign currency, commodity price, interest rate, inflation rate and equity price risks; credit risk and liquidity risk can be found in note 13 to the financial statements. During the year, the Committee reviewed the Company's Treasury Policy and concluded that no further changes were required.

Non-financial risk areas

The Committee regularly reviews and receives management updates on current issues and developments that could have potential to give rise to specific risks. In this, the Committee is guided by regular updates received from management on specific issues that it considers should be kept under review. Thus, during 2021, regular reports were received on legal matters (including land titles and litigation) and a review of the Group's compliance with mining licence conditions at each of its Business Units. Internal Audit's findings in relation to water consumption reports were also considered by the Committee. Where new potential areas of risk are considered by management as part of their regular reviews of the Risk Matrix, the Committee may request further bespoke updates from management to supplement its general review of risk and internal controls. No new areas of non-financial risk were identified during 2021.

Information technology

In 2021, the Committee continued to receive updates on the Group's IT strategy, its linkage to the Group's overall business strategy and the financial implications of that strategy for the business plan. It also monitored the progress of the Peñoles and Fresnillo management teams in developing the cybersecurity framework for the Group. Further information about the Group's approach to IT is set out on page 137 of the Strategic Report.

Going concern

The Directors must satisfy themselves as to the Group's ability to continue as a going concern for a minimum of 12 months from the approval of the financial statements. The Committee supported the Board in this assessment by considering whether the Company has adequate liquid resources to meet its obligations as they fall due. In February 2022, the Committee reviewed the Group's budget and cash flow forecasts for the period to December 2023, taking into account the Company's anticipated production profiles at each mine, budgeted capital and exploration expenditure and the sensitivity of the cash flow forecasts to movements in metals prices, including stress testing those forecasts to identify the levels to which metals prices must fall to put pressure on working capital levels.

The Committee also considered EY's report on this assessment and on the reasonableness of assumptions therein, including their consistency with assumptions and estimates used elsewhere in the preparation of the financial statements. The Committee also challenged management on the feasibility of the mitigating actions and the potential speed of their implementation. Following this assessment, the Committee satisfied itself that the going concern basis of preparation is appropriate and the financial statements appropriately reflect the conclusions on going concern. The Going Concern Statement is set out in the Strategic Report on page 145.

Viability assessment

The executive team has developed a comprehensive approach to the viability assessment which is then reported in the Viability Statement. The key steps of this approach are explained within the Viability Statement, which is set out in the Strategic Report on pages 143-144. In December 2021 the Committee received an update on the methodology that the executive team adopted in preparing the Viability Statement. In February 2022, it reviewed the output from that process, including consideration of observations reported by EY, and the proposed Viability Statement itself. It also considered the potential steps that could be taken to mitigate the cash flow impacts arising from the most negative scenarios (including delaying project capex or reducing exploration expenditure).

Internal control

The Committee assists the Board in monitoring the effectiveness of the Company's internal control environment. This monitoring includes oversight of all material controls including financial, operational, regulatory and compliance. To accomplish this, there is a governance and organisational structure in place where internal control is secured by three lines of defence: process owners (1st line); committees, controllers, risk management and other oversight bodies (second line); and, Internal Audit (third line). During the year, the Committee reviewed each of the quarterly internal control reports which were then circulated to the full Board for its review. At the end of the financial year, the Committee oversaw the annual process for monitoring the Group's system of internal controls. In this task, the Committee is directly supported by the work of the Internal Audit team.

The pandemic impacted the way in which the internal control reviews were carried out, making it impossible to conduct physical reviews of the operating processes at all the mines and main projects due to travel restrictions. However, it was possible to monitor and evaluate the effectiveness of internal control by using technology, evaluating electronic information and analysing data from the operations. Accordingly, as a result of these reviews, it was concluded that there were no material control weaknesses as a consequence of the pandemic.

At the beginning of the pandemic, numerous controls were implemented to address new risk factors. Where certain controls had to be suspended temporarily due to health and safety requirements, for example fingerprint entry controls, mitigating controls were implemented as appropriate.

Despite these operational restrictions and complexities caused by the pandemic, Fresnillo plc continued with the implementation of vitally important organisational programmes such as health, safety and initiatives for the monitoring and management of tailings dams.

Quarterly internal control reports

During 2021, the Committee continued to review each of the quarterly internal controls reports which were prepared and submitted to the Board at each of its regular meetings. This document specifically reports on developments in the Key Risk Indicators and the key internal control issues arising from the quarterly Internal Audit reports. From time to time, the Committee has proposed changes to those reports based on its own discussion of Internal Audit's findings.

Annual review of the system of internal controls

The Committee undertakes an annual review of the Group's system of internal controls in accordance with Provision 29 of the UK Corporate Governance Code. This review aims to improve the understanding of how the various sources of assurance (through the three lines of defence) interact in the review and execution of material controls by identifying and addressing any gaps in the control framework. Consequently, once a year, the Committee oversees the review of the Group's system of internal controls through an assessment, conducted by Internal Audit, of the various sources of assurance (over the execution of material internal controls). This is a comprehensive review incorporating operational management, financial management and executive management; along with the independent assessment of material risks and internal controls by Internal Audit within the third line of defence. This approach underpins assessment of the ongoing effectiveness of the Group's system of internal controls and the Committee provides oversight of this process.

Notable remediation actions arising from the control exceptions identified throughout the year were those related to: (i) improving the reporting system on water consumption, enhancing training for permitting, water usage controls and other operational activities, (ii) strengthening controls, training and oversight within mining processes to achieve operational efficiency and to optimise key inputs for operations; and, (iii) implementing a group level emerging technology adoption framework including cross-functional an d multidisciplinary pre-investment reviews.

As a follow-up to prior year deviations, some benefits have been achieved during 2021 for the system of internal controls from company-wide programmes. Progress has been made in embedding the corporate safety programme 'Me Cuido, Nos Cuidamos' (I Care, We Care) in alignment with International Council on Mining and Metals standards. The company made important improvements over the recommendations made by SRK relating to improving the governance of the reserves a resources estimation process as well.

The Chief Executive Officer, Chief Operating Officer and other senior managers were invited to meet with the Audit Committee to discuss their action plans and progress for remediating the issues identified.

On the recommendation of the Audit Committee, the Board agreed that the following statement be made about the review of the system of internal control in the 2021 Annual Report and Accounts.

The Board has, through the Executive Committee and the Audit Committee (at its February 2022 meeting), reviewed the effectiveness of the Group's system of internal controls. Following this review, the Board considers that the measures that have been or are planned to be implemented, particularly those specifically highlighted in this report, complement Fresnillo's risk management framework and are appropriate to the Group's circumstances. The Board is committed to the continued development of its internal control regime with a view to achieving and maintaining best practice levels of risk management and internal control for international mining companies listed on the London Stock Exchange.

Audit Committee report continued

RISK AND CONTROLS CONTINUED

Related parties

With the Company's parent company, Peñoles, owning just under 75% of the issued share capital of the Company (see page 206), it has and will continue to have a significant level of influence over the affairs and operations of Fresnillo. Being part of the same Group provides an opportunity to achieve synergistic operational, financial, and administrative improvements by combining the resourcing of common services that can be shared between Peñoles and Fresnillo. Although these arrangements are beneficial to Fresnillo, the Committee performs a role in overseeing these arrangements to ensure that they continue to operate impartially.

The principal arrangements entered into between the Company and related parties and reviewed by the Committee during the year were:

The Met-Mex agreement	As it does every year, the Audit Committee considered the reasonableness of proposed treatment and refining charges in respect of the Met-Mex arrangements for 2021. Management circulated a paper setting out the methodology to determine the charges, which takes industry benchmark charges and adjusts to reflect ore composition and transport costs. The same methodology used in 2021 was used as in 2019 and 2020. The Committee reviewed this paper and recommended approval of the proposed charges by the independent Directors at the Board meeting in October 2021. As part of its review of the Met-Mex arrangements, the Committee also confirmed with management that the transfer pricing assessments in respect of prior year transactions (which are undertaken for tax reasons by the Group's external adviser, PricewaterhouseCoopers ('PWC')), had been completed with no issues noted. A similar assessment in respect of the 2021 transactions will be received in due course.
Other agreements	There are other dealings with related parties in the ordinary course of business (e.g. insurance brokerage) which, although not requiring approval by independent Directors, will from time-to-time be reviewed by the Committee to ensure that the arrangements are on a reasonable arm's-length basis. During the year, the Audit Committee reviewed the annual insurance renewal for which GNP, a related party, acted as broker.

The Shared Services Agreement is an agreement between the Company and Peñoles under which 24 categories of services are provided to the Company by Peñoles. The Shared Services Agreement was renewed for five years with effect from 1 January 2018. Internal Audit conducts reviews of approximately one third of the services provided each year to ensure that these services are provided in accordance with the agreed KPIs. As a result, all services are reviewed by Internal Audit over a three-year cycle. Internal Audit reports to the Committee on its review of the Shared Services Agreement.

As further explained elsewhere in this Annual Report (on page 24), during the first half of the year, the Company and Peñoles decided to centralise certain specialised services into a single unit within Peñoles, known as "Baluarte Minero". As part of this reorganisation, Fresnillo transferred some personnel to Baluarte and will pay Peñoles for their services. This reorganisation was undertaken to achieve efficiencies and cost reductions over a reasonably quick period of time. The Committee discussed the implications that this reorganisation is expected to have on Fresnillo, taking into consideration the importance that related party transactions have in this Company and the importance of ensuring that they are in the interests of Fresnillo. This is not expected to generate additional costs in Fresnillo.

The following diagram summarises the approach taken to identify and manage related party transactions under the Relationship Agreement (see page 170).

PROCESS	HOW THIS IS MANAGED	RESPONSIBILITY
Monitoring of Directors' interests	If a Director has an interest in a company that could potentially enter into transactions with a Fresnillo plc Group company, the Board will normally consider that interest under its arrangements for authorising conflicts of interest under s175, Companies Act 2006.	Directors

PROCESS	HOW THIS IS MANAGED	RESPONSIBILITY
Contract negotiation and verification	The best possible commercial terms are negotiated by management and, where possible, they will seek to verify them against international benchmarking reports and/or independent valuation or assessment.	Fresnillo Executive Committee and management
Financial scrutiny	Review of the key financial terms of any major transaction which are verified where possible as to price and quality by external consultants or independent benchmarking.	Audit Committee
Independent Director approval	Under the Relationship Agreement and the Listing Rules, the independent Non-Executive Directors must approve any transaction with the Peñoles Group or its associates without the Non-independent Directors voting.	Independent Non-Executive Directors

Ensuring that the Annual Report is fair, balanced and understandable

In relation to the Annual Report and financial statements for the year ended 31 December 2021, there are a number of steps that the Board undertook to ensure that the Annual Report is fair, balanced and understandable. An explanation of the process adopted in preparing the Annual Report and analysis of the basis upon which each requirement for it to be 'Fair', 'Balanced' and 'Understandable' had been met was summarised in a paper which the Board discussed at its meeting on 1 March 2022. The key features of this process were:

- The narrative sections of the Annual Report were drafted by the members of the team with specific responsibility for the areas referred to in the sections that they prepare. The individuals involved included the Head of Investor Relations, the Head of Risk, the Head of Sustainability, the Compliance Officer and Head of Legal, Company Secretary and Mine Managers.
- As narrative sections of the Annual Report were prepared, copies were circulated to Board members for review and comment. Such comments were incorporated into updated versions of the Annual Report.
- About a month prior to the Annual Report being approved by the Board, members of the Audit Committee and other Directors reviewed a current draft enabling them to assess whether the information was consistent with their understanding of the Company's business and the nature and content of discussions at the Board during the year. Comments were received from the Directors on most areas of the Annual Report, and these were incorporated into subsequent drafts of the Annual Report. The sections of the Annual Report which were particularly commented on included: the Operations reporting, the Sustainability Report and climate disclosures in particular, the presentation of information on diversity and inclusion and the presentation of health and safety information.
- Suggested changes put forward by the Directors, based on knowledge obtained through Board and Audit Committee papers and discussion and other interactions with management were taken into account by management in preparing the final version of the Annual Report.
- The disclosures relating to climate change, in particular the TCFD statements, were reviewed by members of the Board to ensure that they were consistent with the approach and discussions relating to climate-related change at Board and Committee (particularly the Audit Committee and HSECR Committee) levels.
- At the same time, Internal Audit undertook a review exercise of the principal non-financial numbers in the Annual Report which are extracted from the Company's operational records and their findings were appropriately reflected.
- The Audit Committee also reviewed the Annual Report and financial statements, taking into account comments made and reports issued by EY and decided to recommend them to the Board for approval.

As a result of the above procedures, the Board considers that, taken as a whole, the Annual Report is fair, balanced and understandable.

The Corporate Governance Report which is set out on pages 156-187 has been approved by the Board of Directors of Fresnillo plc

Signed on behalf of the Board

Alberto Tiburcio
Independent Non-Executive Director
7 March 2022

Remuneration at a Glance

Remuneration Policy in summary

Objective of the Remuneration policy

What does the policy seek to achieve?

The Group's Remuneration Policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors and members of the Executive Committee. The retention of key management and the alignment of management incentives to the Group's Purpose are essential objectives of this policy.

Components of Directors' remuneration

How is executive remuneration structured?

Component	SALARY	BONUS	BENEFITS	PENSION
Rationale	Setting base salary levels for Executive Directors and members of the Executive Committee at an appropriate level is key to managerial retention in Mexico. Salaries are positioned within a range of possible salaries according to experience and length of service. Ordinarily, subject to performance, the same percentage will be applied to salary increases across the Company for senior management and other employees alike.	The annual bonus rewards the achievement of financial and strategic business targets and the delivery of personal objectives. Annual bonus is capped at six months' salary and is paid on the basis of metrics set out in the Remuneration Policy.	Benefits are provided in line with the Group's policy on employee benefits.	The Group operates a defined contribution scheme for all employees. Executive Directors and key management are entitled to membership of the defined contribution scheme.

		Additional features of Fresnillo's Remuneration Policy	
Component LONG-TERM INCENTIVES	SHARE-BASED REMUNERATION	**Component** SHAREHOLDING GUIDELINES	RECOVERY OF BONUS
Rationale The annual bonus scheme sets targets which are aligned to the Company's long-term strategic objectives so that these priorities are embedded within the day-to-day activities of our business. The Company does not operate a long-term incentive plan.	The Company does not use share-based forms of remuneration because they have not been a common form of remuneration in Mexico.	**Rationale** In the absence of share-based incentive schemes, the Company does not adopt shareholding guidelines for executives.	The absence of long-term incentives and the operation of Mexican law makes it difficult to adopt clawback and malus arrangements. There is however scope within the bonus scheme for bonus awards to be adjusted downward at the discretion of the Remuneration Committee.

Objective of the annual bonus

What does the annual bonus seek to achieve?

The annual bonus is set for and based on performance over a single-year period but the KPIs and targets are also designed to ensure that both short-term objectives and the long-term development of the Fresnillo Group are given broadly equal priority within variable remuneration.

Alignment of the Remuneration Policy to Purpose and Strategy

Our Purpose is to contribute to the wellbeing of people, through the sustainable mining of gold and silver

Strategic Priorities

1 EXPLORE	2 DEVELOP	3 OPERATE	4 SUSTAIN
Extend and maintain a robust growth pipeline	Deliver profitable growth, optimise cash flows and returns	Maximise the potential of our operations	Advance and enhance the sustainability of our business

Relevant Bonus Metrics

EXPLORE
- Replenishment and expansion of reserves and resources
- Exploration projects progress

DEVELOP
- Development projects progress
- Contractors' performance
- EBITDA

OPERATE
- Production – increase in ounces produced
- Synergies and teamwork
- Management of contractors

SUSTAIN

Employees/Contractors
- Safety (various metrics)
- Labour relations

Communities
- Project-based metrics

Environment
- Environmental risk management

Shareholders
- EBITDA

Components of the annual bonus in 2021

What was achieved?

Performance		2021	2020	Change (%)
1 EXPLORE	**Total silver reserves** (moz)	419.8	457.4	-8%
	Total gold reserves (moz)	7.8	8.4	-7%
2 DEVELOP	**EBITDA** (US$m)	1,206.3	1,169.1	3%
	Profit for the year (US$m)	439	375.6	17%
3 OPERATE	**Silver production** (moz)	53.1	53.0	0%
	Gold production (koz)	751.2	769.6	-2%
4 SUSTAIN	**Total environmental incidents**	0	0	0%
	Fatalities	1	1	0%
CEO's remuneration	**Total salary (US$ thousands)**	869	736	18%
	Bonus (US$ thousands)	0	119	-100%

Directors' Remuneration report

Chairman's Annual Statement

Dear Shareholder
I am delighted to introduce the first Directors' Remuneration Report since my appointment as Chair of the Remuneration Committee at the AGM. I would like to begin by thanking my predecessor Charlie Jacobs for his excellent contribution to the work of the Committee as Chairman over the past few years. I am grateful to Charlie for the support he has provided to me as I have taken over this role.

Our primary objective this year has been to ensure that our approach to executive remuneration has been proportionate given the performance of the Company as it has emerged from the consequences of the Covid pandemic.

Our application of the Remuneration Policy in 2021
During the year, we have applied the Remuneration Policy to executive remuneration without needing to exercise any form of discretion other than those elements of the executive bonus plan which require an element of judgement in determining outcomes for the year. Our focus has turned to the renewal of the Directors Remuneration Policy at the 2022 Annual General Meeting.

Salaries and bonus
Using the benchmark information provided by our advisers, we agreed that the level of salary increase for our Executive Directors and other senior executives should be aligned to the level of increase for all employees. This year was no exception and the CEO's pay was increased in line with the rest of the workforce.

The Committee decided that the Chief Executive Officer should not receive a bonus under the Annual Bonus Plan because his points total did not meet the minimum level at which bonuses are paid.

Shareholder approval and new Policy
The Committee was pleased to note that shareholders continued to support the Company's approach to executive remuneration with over 96% of the independent shareholders who voted, endorsing our 2020 Annual Remuneration Report.

Given this level of support, we have not been inclined to make any substantial changes to the Directors' Remuneration Policy when it is proposed to shareholders for approval at the 2022 AGM. Nevertheless, we discussed the current policy with our advisers and considered its appropriateness given our Company's context. We have concluded that some minor amendments would be beneficial but, structurally, the policy that we will put to shareholders for approval at the AGM will be substantially the same as the current one.

Thus, we propose to make some minor changes to the policy – the rationale for the main changes is explained below:

Remuneration Element	Proposed changes to the Policy	Rationale for change
Annual Bonus	Where an annual bonus payment is not, in the opinion of the Remuneration Committee, commensurate with the wider stakeholder experience a downward adjustment may be considered.	To take account of stakeholder experiences.
Pension Contributions	Pension contributions paid to Executives will be aligned with the majority of the workforce.	To comply with the UK Corporate Governance Code.
Recruitment	Our policy on recruitment will allow payment of discretionary buy-out payments in exceptional circumstances.	To future proof our policy.

Use of discretion by the Remuneration Committee
During the year, the Remuneration Committee was satisfied that the financial and operational outcomes for the year resulted in a bonus outcome which was a fair reflection of the performance of the business during the year. Consequently, the Committee did not consider it necessary to exercise any discretion to amend the basis on which bonus payments were made during the year.

Committee discussions during 2021
During the year, the Remuneration Committee met three times and its discussions and decisions included the following:
- Review of the performance of the Chief Executive Officer and members of the Executive Committee compared to the KPIs set for 2021 and approval of annual bonus awards for 2021 based on achievement of KPI targets.
- Review of KPI targets for the Chief Executive Officer and members of the Executive Committee for 2021.
- Review of the Non-Executive Directors' fees.
- Discussion of the review of the Committee undertaken by Lintstock.
- Review and revision of the terms of reference of the Committee in response to UK regulatory developments.

The Remuneration Committee continues to believe that its approach to executive remuneration incentivises the right priorities for our executive team. I am always happy to discuss our approach to remuneration with shareholders and I hope that I will be able to attend the 2022 AGM to answer questions on this report.

I would be happy to speak with any shareholders who have questions about the work of the Committee.

Yours faithfully

Alberto Tiburcio
Chairman of the Remuneration Committee

Annual Report on Remuneration 2021

Introduction

This Report sets out information about the remuneration of the Directors and Chief Executive Officer of the Company for the year ended 31 December 2021. In accordance with the Regulations, the information provided in the section entitled 'Directors' Remuneration – 1 January 2021 to 31 December 2021' and accompanying notes, has been audited by Ernst & Young LLP.

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's Remuneration Policy for Executive Directors and the Chief Executive Officer and other members of the Executive Committee, and for determining specific remuneration packages for senior management, including pension arrangements and any compensation packages, as well as remuneration of the Chairman within agreed terms of reference.

Audited information – Directors' Remuneration – 1 January 2021 to 31 December 2021

Single total figure of remuneration

The detailed emoluments received by the Executive and Non-Executive Directors and the Chief Executive Officer during the year ended 31 December 2021 are detailed below:

	2021							2020						
US$ thousands	Salary/ Fees	Benefits	Bonus	Pension	Total fixed pay	Total variable pay	Total	Salary/ Fees	Benefits	Bonus	Pension	Total fixed pay	Total variable pay	Total
Chairman														
Alberto Baillères[1]	11	0	0	0	**11**	**0**	**11**	38	0	0	0	**38**	**0**	**38**
Alejandro Baillères	35	0	0	0	**35**	**0**	**35**	38	0	0	0	**38**	**0**	**38**
Non-Executive Directors														
Juan Bordes	35	0	0	0	**35**	**0**	**35**	38	0	0	0	**38**	**0**	**38**
Arturo Fernández	35	0	0	0	**35**	**0**	**35**	38	0	0	0	**38**	**0**	**38**
Bárbara Garza Lagüera	35	0	0	0	**35**	**0**	**35**	38	0	0	0	**38**	**0**	**38**
Charles Jacobs	92	0	0	0	**92**	**0**	**92**	104	0	0	0	**104**	**0**	**104**
Georgina Kessel	39	0	0	0	**39**	**0**	**39**	38	0	0	0	**38**	**0**	**38**
Judith Macgregor	90	0	0	0	**90**	**0**	**90**	98	0	0	0	**98**	**0**	**98**
Fernando Ruiz	35	0	0	0	**35**	**0**	**35**	38	0	0	0	**38**	**0**	**38**
Alberto Tiburcio	50	0	0	0	**50**	**0**	**50**	55	0	0	0	**55**	**0**	**55**
Guadalupe de la Vega[2]	35	0	0	0	**35**	**0**	**35**	21	0	0	0	**21**	**0**	**21**
Eduardo Cepeda[3]	18	0	0	0	**18**	**0**	**18**	0	0	0	0	**0**	**0**	**0**
Héctor Rangel[3]	21	0	0	0	**21**	**0**	**21**	0	0	0	0	**0**	**0**	**0**
Former Directors														
Luis Robles[4]	0	0	0	0	**0**	**0**	**37**	37	0	0	0	**37**	**0**	**37**
Jaime Lomelín[4]	0	0	0	0	**0**	**0**	**7**	7	0	0	0	**7**	**0**	**7**
Total	**531**	**0**	**0**	**0**	**531**	**0**	**531**	**588**	**0**	**0**	**0**	**588**	**0**	**588**
Chief Executive Officer														
Octavio Alvídrez[5]	869	96	0	10	**975**	**0**	**975**	736	88	119	(4)	**820**	**119**	**939**
Grand Total	**1,400**	**96**	**0**	**10**	**1,506**	**0**	**1,506**	**1,324**	**88**	**119**	**(4)**	**1,408**	**119**	**1,527**

Notes
1 Alberto Baillères resigned from the Board on 21 April 2021
2 Guadalupe de la Vega was appointed to the Board on 30 May 2020.
3 Eduardo Cepeda and Héctor Rangel were appointed to the Board on 24 June 2021.
4 Jaime Lomelín resigned from the Board on 26 February 2020 and Luis Robles passed away on 19 November 2020.
5 Details of benefits and the bonus paid to Mr Alvídrez are set out in the tables below.
6 The Company does not operate a long-term incentive plan or any share-based incentives.

Benefits

The Chief Executive Officer participates in the Company-wide benefits scheme. The benefits provided to Mr Alvídrez during the year consisted of:

US$	2021	2020		2021	2020
Life insurance premiums	**45,722**	40,865	Medical insurance premiums	**4,095**	4,109
Chauffeur	**35,211**	29,917	Club memberships	**2,888**	1,799
Subsistence/meal benefits	**3,178**	5,314	Social security	**1,549**	1,387
Car	**3,420**	4,646			

Directors' Remuneration report continued

Pension

The pension entitlement of the Chief Executive Officer is as follows:

US$ thousands	Defined Contribution Scheme ('DCS')	Defined Benefit Scheme ('DBS')
Rights as at 31 December 2021	1,011	944
Additional benefit in the event that the Chief Executive Officer retires early.	In the event of early retirement, Mr Alvídrez is entitled to receive his accumulated contributions (both member and Company) to the DCS.	Mr Alvídrez is not currently entitled to any additional benefit on early retirement in the DBS.

	Accumulated accrued benefits (as at 31 December)		Increase in accrued benefits during the year (see note)		Increase, before inflation and the effect of foreign exchange, in accrued benefits during the year	
US$ thousands	**2021**	2020	**2021**	2020	**2021**	2020
Octavio Alvídrez	**1,954**	1,795	**159**	1	**125**	76

Note: The increase in accrued benefits during the year includes a revaluation effect of -US$30k (2020: -US$97k) and inflation of +US$64k (2020: +US$23k).

Shares held by Directors

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 1 January 2021 and at 31 December 2021 was:

Director	1 January 2021	31 December 2021
Alberto Baillères[1]	552,595,191	N/A
Alejandro Baillères[2]	–	–
Juan Bordes	15,000	15,000
Arturo Fernández	–	–
Bárbara Garza Lagüera	–	–
Charles Jacobs	1,600	1,600
Georgina Kessel	–	–
Dame Judith Macgregor	–	–
Fernando Ruiz	30,000	30,000
Alberto Tiburcio	–	–
Guadalupe de la Vega	–	–
Eduardo Cepeda[3]	N/A	–
Héctor Rangel[3]	N/A	–

Notes

1 Alberto Baillères held an indirect interest in the Company. Mr Baillères and companies controlled by Mr Baillères hold the majority interest in the issued share capital (and voting rights) of Peñoles. Peñoles holds 552,595,191 Ordinary Shares (74.99%) of the issued share capital) in the Company. Fresnillo plc and Peñoles are part of the consortium known as Grupo BAL which was controlled and directly or indirectly majority-owned by Mr Baillères. Mr Alberto Baillères resigned from the Board on 21 April 2021.

2 Alejandro Baillères is son of Alberto Baillères who was beneficially interested in more than 50% of the share capital of the Company through his interest in Industrias Peñoles S.A.B. de C.V.

3 Eduardo Cepeda and Héctor Rangel were appointed to the Board on 24 June 2021.

Our stakeholders and remuneration

The Committee seeks to ensure that its approach to executive remuneration matters is aligned with the interests of all of its key stakeholders. In particular, the current Policy seeks to take account of the interests of our key stakeholders in the following ways:

Shareholders

- Feedback from major shareholders and proxy voting agencies provided prior to the AGM is considered by the Remuneration Committee in the course of its discussions during the following year.

Workforce

- Salary reviews for the members of the Executive Committee are decided after taking account of the average salary increases discussed and agreed with the unions.
- Metrics that promote good employment practices, e.g. appropriate management of health and safety and the relations with unionised employees and contractors, are included in the targets for the Annual Bonus Plan.

Communities and environment

- Metrics that promote good community relations and sound environmental stewardship are included in the targets for the Annual Bonus Plan.

Salary
Factors considered in setting salary and workforce engagement on remuneration

Policy on the consideration of wider employment conditions and remuneration
When setting pay and benefits for Executive Directors and members of the Executive Committee, the Remuneration Committee takes account of pay and conditions across the Group. It will consider the overall pay increase percentage negotiated each year with employee representatives as its starting point taking account of inflation and other information supporting the annual pay award for employees.

Benchmarking information on pay and employment conditions provided by Mercer, Hay Group and Data Compensation was used across the Group in determining salaries for all employee grades including senior management. These reports benchmarked salaries by reference to peer groups in mining, large companies in Mexico and internationally.

The Company negotiates salary increases with the unions annually, to take effect from 1 April each year. The agreed rates may also use as the point of reference in setting the annual salary review for the Chief Executive Officer, members of the Executive Committee and non-unionised employees. In 2021, it was agreed that the Chief Executive Officer would receive a salary increase of 4% in 2021 in line with other employees. Consequently, the salary payable under Mr Alvídrez' service agreement is MX$1,061,436 per month, which excludes payments for holidays, Company-paid savings contributions and other cash benefits.

Policy on the alignment of executive remuneration and the market
A formal review of the Executive Director and Executive Committee members' remuneration is conducted by Willis Towers Watson and will be undertaken at least once every three years. This enables the Remuneration Committee to validate the Company's policy towards remuneration and ensure that it is globally as well as locally competitive. The analysis evaluates the elements of base salary, short-term compensation (guaranteed payments and short-term bonus) and long-term compensation (primarily stock programmes) separately. With assistance from Willis Towers Watson, the Remuneration Committee has established a peer group which will be used to benchmark any Executive Director's and any Executive Committee member's remuneration (the 'Peer Group') to ensure that it remains within the parameters set out in the policy.

The Peer Group will be reviewed at least every three years, and updated where necessary, to ensure that it remains an appropriate comparator group of companies.

Benchmarking
The Remuneration Committee has agreed that the Chief Executive's salary should be set within a range of 25-75% of the Peer Group for base salary. The Peer Group currently consists of the following companies.

Policy benchmarking Peer Group

Region	Peer Group Companies
Mexico	Grupo Mexico Leagold Mining
USA/Canada	Agnico Eagle Mines Ltd Centerra Gold Hecla Mining Co. IAM Gold Newmont Goldcorp Pan American Silver Corp. Yamana Gold Inc.
Europe	Hochschild Mining Antofagasta

Variable remuneration

Policy on annual bonus plan and variable remuneration
It is the Company's policy not to use its equity to incentivise long-term performance. The Company's core strategy is one of long-term sustainable growth. Sustainable growth in mining requires the steady and safe expansion of the Group's operations through the discovery of new resources and construction, maintenance and/or expansion of new mines. No distinction is therefore made between short and long-term incentives.

Factors considered in setting the bonus
The Annual Bonus Plan includes metrics and targets which are aligned to at least one of the four main themes of the Group's strategy (see Remuneration-at-a-glance section on pages 188-189).

The Remuneration Committee has set a cap on each of the KPIs (other than the Safety KPI) such that the points awarded on any KPI (other than Safety) cannot exceed 135% of the target set for that KPI at the beginning of the year.

Directors' Remuneration report continued

Annual bonus

Mr Alvídrez achieved 81.0 points under the bonus scheme for the year ended 31 December 2021 (2020: 101.7 points) and therefore did not receive a bonus for 2021.

The objectives, the measures associated with each objective, and the relative weighting between objectives, as applied to Mr Alvídrez' annual bonus payment, are detailed in the following table:

Objective	Measure	Weighting points[1]	2021 target	2021 result	Points awarded
Financial[1,2]	(Adjusted EBITDA for the year/Budgeted EBITDA) x 100	20	**1,061**	**999 (-5.9%)**	14.1
Production[3]	Increase in silver equivalent ounces produced compared to the prior year production level	20	**123.9**	**121.3 (-2.1%)**	17.9
Exploration[1,4]	(Increase of Total Resources[4] (Total Resources for the year – Total Resources prior year) x 100	5	**0.90**	**-0.21 (-122.9%)**	0.0
	Upgrade form Inferred to Measured & Indicated (MI) Resources (MI Resources for the year – MI Resources prior year) x 100[5]	5	**0.90**	**-0.68 (-175.2%)**	0.0
	Reserves replenishment (Reserves at year end/Reserves prior year) x100	4	**100%**	**93.0% (-7.1%)**	3.7
Exploration projects progress[6]	Progress compared to project plan for four key exploration projects (to be reviewed each year) (Target = 90% progress: Maximum = 100% progress, proportional decrease to nil points from 90% to zero%)	8	**90.0%** **90.0%** **90.0%** **90.0**	**89.0%** **72.0%** **64.0%** **109.0%**	2.96 1.60 1.42 1.10
Projects	Progress compared to project plan for three key development projects (to be reviewed each year)[6] (Target = 100% progress: Maximum = 100% progress, proportional decrease to nil points from 92% to zero%)	12	**100%** **100%** **100%**	**92.0%** **0.61%** **86.0%**	5.0 1.99 3.74
Human resources	Performance of contractors: Management of contractors – progress with stripping programmes (Target = 100% progress: Maximum = 110% progress, proportional decrease to nil points from 100% to zero%)	3 (Underground)	**100.0%**	**94.0%**	2.81
		2 (Open Pit)	**100.0%**	**104.0%**	2.09
	Unionised labour relations (Discretionary award)	2	**90.0%**	**90.0%**	2.0
	Management of contractors programme (Target = 90% progress on planned work: Maximum = 100% progress, proportional decrease to nil points from 90% to zero%)	1	**90.0%**	**90.0%**	1.0
Safety	Fatal accidents[7]	0	**0**	**1**	0.0
	Sustainability area plan[8] progress in implementing the safety plan for the year[8] (Target = 95% progress: Maximum = 100% progress, proportional decrease to nil points from 95% to zero%)	3	**95.0%**	**95.0% (0.0%)**	3.0
	Reduction in the Lost Time Incidence Ratio[9] compared to previous year (Including contractors)	3.5	**6.7**	**5.76 (14.0%)**	4.0
	Reduce the Incidence Frequency Rate[9] compared to previous year (Including contractors)	3.5	**13.9**	**10.42 (-25.0%)**	4.4
Communities	Perception poll outcomes Effectiveness metrics	3 3	**4** **0.78**	**4** **0.78**	3.0 2.98
Synergies and teamwork	Increase Collective Teamwork[10] Discretionary target to be agreed by the Chairman and Deputy Chairman	2	**95**	**100**	2.2
Total		**100**			**81.0**
Adjustments[11]	Safety[7]	0	**0**	**0**	0.0
	Environmental[11]	0	**0**	**0**	0.0
Total		**100**			**81.0**

Explanatory notes:

1 The Performance Evaluation's items, weights and targets (Budget) will be determined in a yearly basis according to the Strategic Plan.

2 Metal Prices, Silverstream and Devaluation effects will be eliminated.
Budgeted Metal Prices: Gold – 1,800 US$/Oz; Silver – 22.0 US$/Oz; Lead – 0.85 US$/Lb; Zinc – 1.13 US$/Lb.
Budgeted Exchange Rate: 20.30 MXP/US$
Increase of 1.0 point per each 1% Increase in EBITDA up to 5.0 points. Decrease of 1 point in case of a 1% decline in EBITDA. Decrease of 3 points in case of a 2% decline in EBITDA. Decrease of 4 points in case of a 3% decline in EBITDA. Decrease of 8 points in case of a 4% decline in EBITDA. Decrease of 16 points in case of a 5% decline in EBITDA. Decrease of 20 points (total score) in case of a decline in EBITDA of 6% onwards.

3 Total Production in Silver Equivalent Ounces. Silver production + Gold production X 70 + Lead and Zinc production converted into Silver equivalent ounces at prevailing price and NSR terms. Same conversion rate will be used for real production and target.
Total Production = 57.6 moz Silver + 0.727 moz Gold X 70 + 58,442 Lead Tonnes X.000093 + 95,653 Zinc Tonnes X.000104.
123.9 moz AgEq = 57.6 moz Silver + 50.9 moz AgEq from Gold + 5.4 moz AgEq from Lead + 9.9 moz Ag Eq from Zinc.
Increase of 1.0 point per each 1% increase in production up to 5.0 points. Decrease of 1.0 point in case of a 1% decline in production. Decrease of 2 points in the case of a 2% decline in production. Decrease of 4 points in case of a 3% decline in production. Decrease of 8 points in case of a 4% decline in production. Decrease of 16 points in case of a 5% decline in production. Decrease of 20 points (total score) in case of a decline in production of 6% or more.

4 Proportional increase in points per increase in Resources above target. A proportional decrease in points will be applied in case of an decrease in Resources below target. Weighted Average Resources according to Quality.
5 Increase of 2.0 point per each 1% of Resources increase above target. A decrease of 2 points per each 1% below target will be applied. Weighted Average Resources according to Quality.
6 Relevant ongoing projects which progress will be ensured compared to plan.
7 10 points Is case of zero fatal accidents (premium of 10 points over the weight). 0 points in case of one accident.
The Total Score will be reduced by 1% in the case of two fatal accidents. From the remaining Total Score, an additional 2% will be reduced in the case of three fatal accidents. In the case of four fatal accidents, and additional 3% will be reduced from the remaining Total Score and so on consecutively. Includes own workers and contractors.
8 Progress on the programme set by the sustainable development area. Chairman and Deputy Chairman will set the score.
9 Decrease of the previous year corresponding rate.
10 Foster teamwork and relationship improvement with Group companies. Chairman and Deputy Chairman will set the score.
11 The Total Score is reduced by 2% in the case of an Environmental Incident. From the remaining Total Score, and additional 3% will be reduced in the case of two incidents. In the case of three incidents, and additional 4% will be reduced from the remaining Total Score and so on consecutively.

Reconciliation of adjusted net profit targets and outcomes to the financial statements

US$ million	2021	2020
Profit for year as shown in financial statements	**439**	375.6
Interest, tax, depreciation and amortisation	**766.9**	864.5
Adjustments:		
Changes due to currency fluctuations	**(0.04)**	(66.6)
Changes due to year-on-year movements in metals prices (including the effects of metals hedging)	**(207.66)**	(367.3)
Changes due to the movement in the valuation of the Silverstream contract	**0.42**	(71.0)
Adjusted EBITDA total for bonus purposes	**998.6**	735.2

The Chief Executive Officer is prohibited from participating in the PTU scheme and may receive a bonus not greater than six months' pay. All other Mexican employees are eligible for PTU payments annually. Beginning with the PTU payable in respect of 2021, payments are capped at the higher of three month's salary or the average PTU received in the last three years.

2022 bonus targets

The Remuneration Committee agreed that 2022 indicators, weightings and measures should be the same as for 2021 with the exception that the Orisyvo project will be added to the Rodeo project in the Projects section. The 2022 targets, performance against those targets and the basis of calculation of bonus points awarded will be disclosed in next year's report.

Pension entitlement

Policy on pensions

The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007). Membership of the latter scheme is voluntary, members earning a salary of no more than 25 times the minimum wage in force from time to time may make contributions of 5% to the scheme.

On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5 to 8% of salary to this plan. Members may elect to match percentages between 5% to 8% of salary. Executive Directors may participate in the Group's pension schemes on the same basis as any other employee.

Mr Alvídrez is a member of the defined benefit scheme in relation to services with the Company prior to 1 July 2007. He is also a member of the defined contribution scheme. He is expected to retire at his normal retirement age of 60 years.

Chairman and Non-Executive Directors

Policy on Chairman and Non-Executive Directors

The remuneration of the Chairman of the Company and the Non-Executive Directors consists of fees that are paid quarterly in arrears. The Chairman and Non-Executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement. The Chairman of the Company does not receive any fees for acting as Chairman other than his fees as a Non-Executive Director.

The fees payable to Non-Executive Directors are calculated on the following bases:

- A base fee of £35,000 per annum is paid to each non-UK-based Non-Executive Director to reflect the time commitment and level of involvement they are required to make in the activities of the Board as a whole.
- There are no set fees for membership of any Board committees or for the chairmanship of the Board, other than as follows.
  - The UK-based Non-Executive Directors receive a higher fee, currently £90,000 per annum, to reflect the additional time commitment that they make in order to travel to Board meetings in Mexico and for responsibilities as Committee members and, where appropriate, as Senior Independent Director and/or Chairman of any Committee.
  - The Chairman of the Audit Committee will receive an additional fee of £15,000 per annum.
  - Members of the Audit Committee will receive an additional fee of £5,000 per annum.

Directors' Remuneration report continued

Chairman and Non-Executive Directors continued

The key terms of the Non-Executive Directors' letters of appointment for the directors serving at the end of the year are as follows:

Director	Date of original letter of appointment	Notice period from Director to the Company	Duration of term[1]	Fees p.a.
Alejandro Baillères	16 April 2012	3 months	1 year	£35,000
Juan Bordes	15 April 2008	3 months	1 year	£35,000
Arturo Fernández	15 April 2008	3 months	1 year	£35,000
Fernando Ruiz	15 April 2008	3 months	1 year	£35,000
Bárbara Garza Lagüera	11 April 2014	3 months	1 year	£35,000
Charles Jacobs	11 April 2014	3 months	1 year	£90,000
Alberto Tiburcio	4 May 2016	3 months	1 year	£50,000
Dame Judith Macgregor	22 May 2017	3 months	1 year	£90,000
Georgina Kessel	7 May 2018	3 months	1 year	£40,000
Guadalupe de la Vega	30 May 2020	3 months	1 year	£35,000
Eduardo Cepeda	24 June 2021	3 months	1 year	£35,000
Héctor Rangel	28 June 2021	3 months	1 year	£40,000

Notes

1 Unexpired term: the Non-Executive Directors all have rolling contracts which are subject to the annual re-election at the Annual General Meeting. The current term expires on 17 May 2022, being the date of the next Annual General Meeting but the appointment will continue after that date provided that each Director is re-elected at the AGM.

2 Copies of the Directors' letters of appointment and service agreements are available for inspection at the Company's registered office.

Shareholders and remuneration

Policy on engagement with shareholders on remuneration

The composition of the Remuneration Committee has been designed to ensure that the views of the controlling shareholder (through the membership of the Chairman of the Board on the Committee) and the independent shareholders (through the membership of a UK-based Director on the Committee) can be represented. The Remuneration Committee has considered the views of organisations such as Institutional Shareholder Services ('ISS') and the Investment Association both generally and as reported to the Company in relation to its own executive remuneration practices prior to each Annual General Meeting, when considering the Remuneration Policy and its application.

AGM voting on the Remuneration Report

The Remuneration Committee's approach to executive remuneration has received strong support from shareholders at every Annual General Meeting since the Company's listing on the London Stock Exchange in 2008. More than 95% of independent share votes cast on the advisory vote at each AGM have been in favour of the Directors' Remuneration Report.

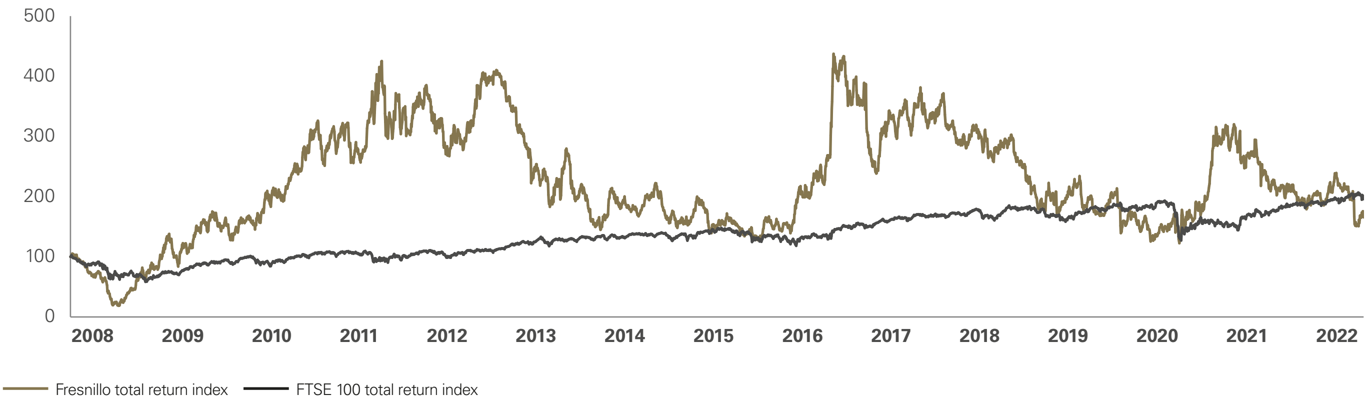
	All shares voted		Independent shares voted		No. of votes withheld
Year	For	Against	For	Against	
2011	99.98%	0.02%	99.88%	0.12%	5,125
2012	99.91%	0.09%	99.54%	0.46%	1,814,818
2013	99.97%	0.03%	99.82%	0.18%	115,987
2014: Remuneration Policy	99.72%	0.28%	98.69%	1.31%	532,589
2014: Remuneration Report	100.00%	0.00%	99.99%	0.01%	531,072
2015: Remuneration Report	99.91%	0.09%	99.55%	0.45%	814,989
2016: Remuneration Report	99.89%	0.11%	99.48%	0.52%	44,391
2017: Remuneration Policy	99.87%	0.13%	99.42%	0.58%	43,901
2017: Remuneration Report	99.86%	0.14%	99.34%	0.66%	43,901
2018 Remuneration Policy	99.45%	0.55%	97.32%	2.68%	9,907
2018: Remuneration Report	99.79%	0.21%	98.99%	1.01%	12,203
2019: Remuneration Policy	99.45%	0.55%	95.72%	4.28%	269,961
2019: Remuneration Report	99.41%	0.59%	96.99%	3.01%	15,761
2020: Remuneration Report	99.56%	0.44%	97.75%	2.25%	11,231
2021: Remuneration Report	99.33%	0.67%	96.08%	3.92%	1,369,347

Note: Prior to 2014, there was only one vote on the Directors Remuneration Report at each Annual General Meeting.

Advisers to the Remuneration Committee
Remuneration consultants (Mercer, Hay Group and Data Compensation) are engaged by Group companies to provide benchmarking information on remuneration across the Fresnillo Group but not to provide guidance on the structure of remuneration. Such information is taken into account when considering Executive Committee remuneration. Willis Towers Watson advises the Remuneration Committee on executive remuneration matters from time to time. During 2021 the Group paid Willis Towers Watson US$ nil (2020: US$nil). All of the consultants that the Group uses are independent of the Company and each of the Directors. No remuneration consultants are directly engaged by the Remuneration Committee itself.

The Company Secretary ensures that the Remuneration Committee fulfils its duties under its terms of reference and arranges regular updates to the Remuneration Committee on relevant regulatory developments in the UK. The Group Human Resources Department provides information on Mexican market trends and compensation structures for the broader employee population in the Fresnillo Group.

Additional information on remuneration
Share price performance
As required by the Regulations, the following graph sets out the performance of the Company's share price since its listing compared to the FTSE 100 Index. As the Company was a constituent of the FTSE 100 Index for most of the year, this is deemed to be the most appropriate index for comparative purposes for the year ended 31 December 2021.



Chief Executive Officer's service agreement
During the year, Mr Alvídrez served as Chief Executive Officer but was not a member of the Board. Mr Alvídrez is employed under a contract of employment with Servicios Administrativos Fresnillo S.A. de C.V., a subsidiary of Fresnillo plc. Mr Alvídrez's contract commenced on 15 August 2012 and is governed by Mexican federal labour law. Mr Alvídrez' service agreement does not have a fixed term and may be terminated in writing by either party. There is no provision in Mr Alvídrez's service agreement entitling him to additional compensation for termination other than those required by Mexican labour laws for termination without cause. No benefits are payable on termination.

Under his service agreement, Mr Alvídrez is entitled to 26 working days' paid holiday per year. He is not entitled to profit-sharing ('PTU'). Mr Alvídrez is also entitled to life insurance, the use of a chauffeur and company car, the payment of medical insurance premiums covering limited expenses and check-ups, meals and subsistence payments and club subscriptions.

Total Remuneration of the Chief Executive Officer
The total remuneration of the Chief Executive Officer for the past nine years, in US dollars, has been as follows:

Year ending 31 December	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Total remuneration US$ thousands									
Octavio Alvídrez	1,116	1,217	1,166	1,111	1,072	886	1,164	939	**975**
Percentage change on previous year	(41.5%)	9.1%	(4.2%)	(4.7%)	(3.5%)	(10.7%)	31.4%	(19.3%)	**3.8%**
Proportion of maximum bonus paid to CEO in year									
Octavio Alvídrez	33.33%	33.33%	33.33%	66.66%	33.33%	Nil%	Nil%	20.83%	**Nil%**

Directors' Remuneration report continued

Changes in Directors' remuneration 2020-2021

The changes in Directors' total remuneration between 2019 and 2021 and a comparison with changes in average employee over that period are as follows:

		Salary/Fees		Bonus		Benefits	
Year-on-year change (%)		**2020-21**	2019-20	**2020-21**	2019-20	**2020-21**	2019-20
Directors	Alejandro Baillères	**(8.26%)**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Juan Bordes	**(8.26%)**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Arturo Fernández	**(8.26%)**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Bárbara Garza Lagüera	**(8.26%)**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Charles Jacobs	**(11.53%)**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Georgina Kessel	**2.27%**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Judith Macgregor	**(8.26%)**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Fernando Ruiz	**(8.26%)**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Alberto Tiburcio	**(8.26%)**	(14.65%)	**N/A**	N/A	**N/A**	N/A
	Guadalupe de la Vega[3]	**67.51%**	N/A	**N/A**	N/A	**N/A**	N/A
	Eduardo Cepeda[3]	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
	Héctor Rangel[3]	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Chief Executive Officer	Octavio Alvídrez	**18.07%**	(15.44%)	**(Note 2)**	(Note 2)	**9.09%**	(8.30%)
Average Employee Remuneration		**7.06%**	(3.76%)	**2.78%**	(10.18%)	**6.82%**	(7.28%)

Notes

1. Average Employee Remuneration is calculated by dividing the relevant Personnel Costs (as disclosed in note 7 to the consolidated financial statements on pages 241-242 by the average number of employees (as disclosed in note 7(b)) to the consolidated financial statements on page 242). PTU is excluded in order to make a like-for-like comparison with the Chief Executive Officer who does not receive PTU.
2. The Chief Executive Officer's salary, bonus and benefit amounts are excluded from the calculation of Average Employee Remuneration. No bonus was paid to the Chief Executive Officer for 2019 but a bonus of 2.5 months was paid for 2020, and no bonus was paid to the Chief Executive Officer for 2021, thus it is not possible to present the change as a meaningful percentage.
3. Guadalupe de la Vega was appointed to the Board on 29 May 2022. Eduardo Cepeda and Héctor Rangel were both appointed to the Board on 24 June 2021.
4. Calculated using the data from the single figure table in the annual report on remuneration (page 191) in US dollars. The Non-Executive Directors are paid fees in UK sterling and therefore will be subject to year-on-year changes in exchange rates.
5. The Non-Executive Directors do not receive bonuses or benefits from the Company.

Relative importance of the spend on pay

	2021	2020	% change
Staff costs (US$ thousands)[1]	**146,208**	122,345	19.5
Distributions to shareholders (US$ thousands)	**246,122**	104,639	135.2

1 Staff costs are taken without PTU in order to make a like-for-like comparison with the Chief Executive Officer, who does not receive PTU.

Payments to new or departing Directors

During the year, the Company has not recruited any Executive Directors; nor has it made any payments to past Directors or made any payments to Directors for loss of office.

This Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Alberto Tiburcio
Chairman of the Remuneration Committee
7 March 2022

Proposed Directors' Remuneration Policy for 2022

Introduction

This part of the Directors' Remuneration Report sets out the proposed new remuneration policy of the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'). The policy has been developed taking into account the principles of the UK Corporate Governance Code ('the Code'), the guidelines published by institutional advisory bodies and the views of our major shareholders. The Remuneration Committee has assessed the criteria recommended by Code Provision 40 of the Code. It believes that the Company's remuneration policy has always been inherently clear, simple, designed to avoid excessive rewards, predictable, proportionate and aligned with the Company's culture. No material changes to the existing remuneration policy are being proposed. The subtle changes to the existing remuneration policy highlighted in the letter from the Chair of the Remuneration Committee, seek to create even closer alignment between remuneration and the Company's Purpose, values and strategy. The new policy will be applied for the financial years ending 31 December 2022 onwards. It will be put to a vote at the 2022 Annual General Meeting and if approved, the effective date of the policy will be the date of the 2022 Annual General Meeting of the Company, 17 May 2022. A copy of our existing remuneration policy (approved by shareholders at the 2019 AGM) can be found here: http://www.fresnilloplc.com/media/483494/Fresnillo-plc-Directors-Remuneration-Policy-Approved-May-2019.pdf.

As required by UK law, the Company's approved remuneration policy is binding in relation to Directors. The Company currently has no Executive Directors who would be bound by the remuneration policy. However, the Company will (as it has previously done) treat the Chief Executive Officer as if he were an Executive Director for the purposes of the remuneration policy and for reporting on his remuneration.

Details of the remuneration paid to the Chief Executive Officer for the year ended 31 December 2021 can be found in this year's Annual Report on Remuneration at page 191:

Remuneration policy

The Group's remuneration policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors and members of the Executive Committee. The retention of key management and the alignment of management incentives and the creation of shareholder value are key objectives of this policy.

Setting base salaries for Executive Directors and members of the Executive Committee at an appropriate level is a key to managerial retention in Mexico. Therefore, the Remuneration Committee seeks to ensure that salaries are market competitive both within the Mexican context and internationally for comparable companies. Total compensation is set within a range around the median level for the Company's peer group within Mexico and internationally, total remuneration is benchmarked triennially to ensure that the whole remuneration package is maintained at this level over the long term. Salaries are positioned within the range according to experience and service.

The table below sets out the key elements of Executive Directors' pay set out in the remuneration policy (the 'Policy Table'):

Base salary	
Provides the core reward for the role	
Operation	Normally reviewed annually and fixed for 12 months starting on 1 April each year. Each review will take into account: • Role, experience and performance. • Average workforce salary adjustments. • Mexican economic factors. • Comparison with the Company's peer group in Mexico and internationally. • The effect an increase will have on the overall levels of the Executive Director's remuneration. When benchmarking salaries, the Remuneration Committee will normally benchmark by reference to companies of similar size and complexity to the Company in Mexico and internationally. Details of the peer group used will be disclosed in the Annual Report on Remuneration.
Maximum value	Subject to the review process described above, the maximum value of an Executive Director's base salary will be determined by the Remuneration Committee in its absolute discretion and ordinarily it will be increased in line with increases applied across the whole workforce. In exceptional circumstances, an Executive Director's salary may be increased by up to, but never more than, 10% above the average pay increase for the whole workforce of the Company in any financial year. The rationale for any such increase will be fully explained in the Annual Report on Remuneration.
Performance metric	The Remuneration Committee considers individual salaries at the appropriate review meeting each year by reference to the factors noted under the 'Operation' heading in this Policy Table.
Discretion	The Remuneration Committee will establish the Company's comparator peer group in Mexico and internationally as part of a triennial review which it will undertake in April 2022. The peer group will be reviewed again in April 2025. The Committee will report on the outcome of these reviews within the relevant Annual Report on Remuneration.

Directors' Remuneration report continued

Proposed Directors' Remuneration Policy for 2022 continued

Annual bonus	
Rewards the achievement of both short and long-term financial and strategic business targets and delivery of personal objectives	
Operation	Targets are renewed annually and relate to the strategic aims of the business as a whole. A scoring system is used for the plan. Each objective set for the executive at the beginning of the year is allocated a points-rating which represents a median performance target for that objective. Upper and lower thresholds are set to allow for outstanding performance and to ensure that underperformance is not rewarded. For each member of the Executive Committee (including the Chief Executive Officer, the Chief Financial Officer, the Vice President of Exploration and the Chief Operating Officer), a bonus is only payable if the aggregate performance equals or exceeds 100 points. Bonus payments for aggregate performance against target at or above 100 points are paid on a prorated basis between two months' salary for the achievement of 100 points and six months' salary for the achievement of 115 points or more, as follows: **Number of points:** — **Months' salary paid** 100.0 — Two months' salary. 100.01-115.00 — Prorated on a linear basis between two months' salary and six months' salary. 115.01+ — Six months' salary.
Maximum value	The maximum percentage of salary payable as an annual bonus to an Executive Director is 50% (six months' salary) and is paid where the Executive Director achieves 115.01 points or more under the Annual Bonus Plan (the target is 100 points).
Performance metric	The KPI targets set out in the previous table will apply and are intended to focus on risks that are within the control and influence of management. Thus, the management of safety, security, project, human resource, exploration teamwork, synergies, community and environmental risks are all currently implicitly covered within the KPIs. The KPIs and targets, which are set by reference to the reserves and resources and financial metrics at the previous year end and/or set in the budget for the forthcoming financial year are also designed to ensure that both short-term objectives and the long-term development of the Fresnillo Group are given equal priority. The achievement of project milestones will be used to measure project management performance and the Committee's discretion will be applied for subjective metrics such as teamwork. Details of the measures, targets and performance which are tested on an annual basis will be provided in the relevant Annual Report on Remuneration. The Remuneration Committee considers that the KPIs, upon which bonuses are based, may need to evolve from year-to-year in line with the strategy and therefore it retains the discretion to make appropriate adjustments to the KPIs themselves, the bonus bands within the overall maximum and the individual KPI weightings from year to year.
Discretion	The Remuneration Committee retains the discretion to adjust bonus payments in the following circumstances: (i) A downward adjustment where the KPI outcomes would result, in the opinion of the Remuneration Committee, in a bonus payment which cannot be justified by the Company's financial or operational performance during the year (or in respect of previous years). In this case a downward adjustment would be applied. (ii) Where factors outside the control of Executive Directors e.g., force majeure circumstances have significantly depressed the level of points awarded. In deciding whether adjustment is merited, the Remuneration Committee will consider the appropriateness of the Executive Director's response to those circumstances; in this situation a modest upward adjustment may be considered. (iii) Poor executive response to adverse health, safety or environmental performance during the year, in which case a downward adjustment would be considered. (iv) Where the bonus payment is not, in the opinion of the Remuneration Committee, commensurate with the wider stakeholder experience (especially those of employees in relation to remuneration outcomes for the year and/or shareholders in relation to dividend payments), a downward adjustment may be considered. The use of any such discretions will be fully explained in the relevant Annual Report on Remuneration. Note: Any adjustment in individual KPI weightings will not result in their achievement being any less difficult to satisfy.

Benefits	
Help recruit and retain employees	
Operation	Executive Directors may (at the Company's discretion) be offered life insurance, meal and subsistence benefits, the payment of premiums for medical insurance covering expenses and check-ups (for themselves and their family members) death in service benefits and remote working expenses (as applicable). Benefits may be changed if the Company's policy on benefits changes.
Maximum value	The maximum value of any benefits provided will be determined by the Company policy on benefits that is applicable from time to time.
Performance metric	None.
Discretion	The Remuneration Committee may consider changes to the benefits made available to Executive Directors in line with any changes in the Company's policy for benefits provided to all employees.
Pension	
Rewards continued employment and sustained contribution	
Operation	The Group operates a defined contribution scheme. Executive Directors are entitled to membership of the defined contribution scheme.
Maximum value	The maximum Company contribution for any employee (including Executive Directors) may not exceed 13% of salary. Company contributions made for Executive Directors will be aligned with Company contributions provided to the majority of the workforce from time to time.
Performance metric	None.
Discretion	The Remuneration Committee may consider changes to the pension contributions made for Executive Directors, including increases, in line with any changes in the Company's policy for pension contributions provided to all employees.

Alignment of executive remuneration and the market

In setting the fixed remuneration of Executive Directors and the members of the Executive Committee, information relating to the mining company comparators is provided by various consultants. Information relating to the Mexican economic metrics is collated by management for the Remuneration Committee to consider.

Reviews of the Executive Director and Executive Committee members' remuneration is conducted by Willis Towers Watson from time to time at the request of the Remuneration Committee. These enable the Remuneration Committee to validate the Company's policy towards remuneration and ensure that it is globally as well as locally competitive. The analysis evaluates the elements of base salary, short-term compensation (guaranteed payments and short-term bonus) and long-term compensation (primarily stock programmes) separately. With assistance from Willis Towers Watson, the Remuneration Committee has established a peer group which will be used to benchmark any Executive Director's and any Executive Committee member's remuneration (the 'Peer Group') to ensure that it remains within the parameters set out in this policy (see page 193 of the Annual Report on Remuneration). The Peer Group will be updated where necessary, to ensure that it remains an appropriate comparator group of companies.

The consideration of wider employment conditions and remuneration

When setting pay and benefits for Executive Directors and members of the Executive Committee, the Remuneration Committee takes account of pay and conditions across the Group. It will consider the overall pay increase percentage negotiated each year, with employee representatives as its starting point taking account of inflation and other information supporting the annual pay award for employees. Subject to the 10% limit in the Policy Table, the Remuneration Committee may agree pay increases above or below the agreed percentage in exceptional circumstances, where in its discretion it considers such variance to the norm to be justified. Other than the Willis Towers Watson report specifically commissioned by the Remuneration Committee, the same benchmark reports are used in the evaluation of executive and employee remuneration, thus providing a common approach to both.

Below Board level, a statutory profit-sharing arrangement ('PTU') is operated which in some years has enabled employees to receive significant levels of bonus in line with the increased profitability of the relevant employing company. The Chief Executive Officer does not participate in a PTU scheme within the Fresnillo Group. Members of the senior management group below Board level are employed by Servicios Administrativos Fresnillo S.A. de C.V. or Operaciones Fresnillo, S.A. de C.V., which pay annual PTU payments. However, such payments are modest.

The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007). Membership of the latter scheme is voluntary, members earning a salary of no more than 25 times the minimum wage in force from time to time may make contributions of 5% to the scheme.

On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5-8% of salary to this plan. Members may elect to match percentages between 5% to 8% of salary.

Executive Directors may participate the Group's pension schemes on the same basis as any other employee.

The Remuneration Committee does not consult with employees in setting Directors' remuneration. Engagement with employees as a stakeholder group is primarily the responsibility of the Board; however, where appropriate, the Remuneration Committee will consider any relevant feedback from employees to the Board in relation to remuneration matters when discharging its responsibilities under this Policy.

Directors' Remuneration report continued

Proposed Directors' Remuneration Policy for 2022 continued

Engagement with shareholders on remuneration

The composition of the Remuneration Committee has been designed to ensure that the views of the controlling shareholder (through the membership of the Chairman of the Board on the Committee) and the independent shareholders (through the membership of a UK-based Director on the Committee) can be represented. The Remuneration Committee has considered the views of organisations such as Institutional Shareholder Services ('ISS') and the Investment Association both generally and as reported to the Company in relation to its own executive remuneration practices prior to each Annual General Meeting, when considering the Remuneration Policy and its application. Following the Company's AGM in 2022, details of votes cast for and against the resolutions to approve the new remuneration policy and Annual Report on Remuneration for the year ended 31 December 2021, will be announced to the market.

Policy on recruitment

The Remuneration Committee will consider the remuneration of new Executive Directors by reference to the Policy Table set out above. The Remuneration Committee will not, as a matter of standard practice, pay sign-on payments, or compensate new Directors for any variable remuneration forfeited from any employment prior to joining the Board. However, it may choose to do so in exceptional circumstances, when it considers this to be in the best interests of the Company (and therefore shareholders), in which case any buy-out payments will not exceed the remuneration relinquished and will mirror (as far as possible) the delivery mechanism, time horizons and performance requirements attached to that remuneration. Where possible this will be facilitated through the Company's existing Annual Bonus Plan, as set out in the Policy Table above, but if not, the Remuneration Committee may use the provisions of 9.4.2 of the Listing Rules.

For the avoidance of doubt, the value of any 'sign-on' and/or 'buy-out' payments will not count towards the limits on Annual Bonus in the Policy Table above. Any such payments will be fully explained in the next Annual Report on Remuneration both as to the reason for payment and the rationale for the quantum.

Salary will be set so as to be market competitive both within the Mexican context and internationally for comparable companies and taking account of the experience and seniority of the appointee coming into the new role. The Remuneration Committee is likely to set base salaries below median on appointment while retaining discretion to award increases during the first and, possibly, subsequent years to bring salaries into the normal range expected for Executive Directors, in line with the Company's stated policy. Such increases will not exceed the maximum level set out in the Policy Table. New Executive Directors will receive benefits and pensions in line with the Company's existing policy and will be able to participate in the Annual Bonus Plan on a pro rata basis for the portion of the financial year for which they are in post. The maximum level of variable pay for new recruits will be the same as that set out in the Policy Table for existing employees (pro rata as necessary).

In the case of an internal appointment or promotion, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its original terms stipulated on grant or adjusted as considered desirable to reflect the new role.

Where it is appropriate to recruit, promote or transfer individuals to a different location of residence, the Remuneration Committee may also, to the extent it considers reasonable, approve the payment of one-off relocation and repatriation related expenses. It may also pay or make a contribution towards any legal fees appropriately incurred by the individual in connection with their employment by the Group.

Policy on loss of office

Other than in circumstances of gross misconduct, Executive Directors and members of the Executive Committee, including the Chief Executive Officer, leaving employment from the Group, will be entitled to receive salary and pro rata annual bonus based on performance to the date of leaving. Statutory entitlements are payable according to Mexican labour law, based on length of service. Employee and Company pension contributions are payable in accordance with the applicable pension plan rules. Mexican labour law does not make any provision for employers and employees to give or receive notice of termination of employment. Therefore, the Committee will not generally make payments in lieu of notice to departing executives. However, the Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment or by way of contribution to legal fees appropriately incurred by the individual in connection with the termination of their employment by the Group. No contractual commitments concerning loss of office were entered into with any Director prior to 27 June 2012.

Annual bonus plan and policy on variable remuneration

It is the Company's policy not to use its equity to incentivise long-term performance. The Company's core strategy is one of long-term sustainable growth. Sustainable growth in mining requires the steady and safe expansion of the Group's operations through the discovery of new resources and construction, maintenance and/or expansion of new mines. No distinction is therefore made between short and long-term incentives.

The Company operates a single cash-based Annual Bonus Plan for Executive Directors and the members of the Executive Committee, including the Chief Executive Officer as described in the Policy Table above. In the event of a change of control, the Remuneration Committee shall, in accordance with the Annual Bonus Plan rules, as amended from time to time and in its absolute discretion, determine whether and to what extent the annual bonus will vest and be paid early. The Committee may also decide that the bonus award will vest to a greater or lesser extent having regard to the Director's or the Group's performance or such other factors it may consider appropriate. The Remuneration Committee may decide that bonus awards will vest pro-rata to take account of early vesting or in full.

Recovery of bonus

The absence of long-term incentives and the operation of Mexican law makes it difficult to adopt clawback arrangements in order to recover bonuses that have already been paid. The Remuneration Committee has considered whether clawback provisions should be incorporated into the service agreement for the Chief Executive Officer. Given that the Company does not operate any remuneration plans with a timeframe of more than one year, the Remuneration Committee does not consider that there is much value in introducing clawback provisions into the contractual arrangements with the Chief Executive Officer at this stage. However, within this remuneration policy, the Remuneration Committee reserves the right to apply malus to bonuses before they are paid where the KPI outcomes would result, in the opinion of the Remuneration Committee, in a bonus payment which cannot be justified by the Company's financial performance or the Executive Director's personal performance during the year (or previous years). In this case a downward adjustment to the bonus payment would be applied.

Illustrations of the application of the remuneration policy for the Chief Executive Officer
The following table sets out the fixed and variable remuneration of the Chief Executive Officer in the different scenarios where he receives, minimum, target and maximum variable pay (based on 31 December 2021 remuneration).

Component	Max value US$ thousands		Minimum	Target	Maximum
Share incentives[1]					
Annual bonus	314	Annual variable pay[2]			US$1,289k[4]
				US$1,080k	23.4%
			US$992k	9.7%	
Pension benefits	10	Fixed pay[3]	100%	90.3%	76.6%
Other benefits	96				
Base salary	869				

1 Fresnillo plc does not operate any share option or share-based long-term incentive plans.
2 Variable pay consists only of remuneration where performance measures or targets relate only to one financial year.
3 Fixed pay includes salary, benefits and pension.
4 The Company does not operate any equity-based long-term incentives; consequently, the Company's share price does not have any impact on the variable remuneration paid to Executive Directors and members of the Executive Committee who do not sit on the Board.

External appointments
It is the Board's policy to allow Executive Directors to accept directorships of other quoted and non-quoted companies and retain any fees or other remuneration for doing so, provided that they have obtained the consent of the Chairman of the Company. Any such directorships must be formally notified to the Board.

Chairman and Non-Executive Directors
The remuneration of the Chairman of the Company and the Non-Executive Directors consists of fees that are paid quarterly in arrears. The Chairman and Non-Executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement. Neither the Chairman nor any of the Non-Executive Directors has a service contract with the Company; however, each has entered into a letter of appointment with the Company.

Non-Executive Directors' Letters of Appointment
On their initial appointment, each of the Non-Executive Directors sign a letter of appointment with the Company, for an initial period of three years. The letters of appointment of serving Non-Executive Directors are drafted in accordance with provision 18 of the UK Corporate Governance Code, thus obliging them to retire at each Annual General Meeting and be subject to annual re-election by shareholders to serve for a further term of one year. The amendments have been drafted such that renewed appointment will not necessitate a new letter of appointment.

The Chairman of the Company does not receive any fees for acting as Chairman other than his fees as a Non-Executive Director.

Each Non-Executive Director is expected to commit a minimum of 14 days per year in fulfilling their duties as a Director of the Company. The fees payable to Non-Executive Directors are calculated on the following bases:
- A base fee of £35,000 per annum is paid to each non-UK-based Non-Executive Director to reflect the time commitment and level of involvement they are required to make in the activities of the Board as a whole.
- There are no set fees for membership of any Board committees or for the chairmanship of the Board, other than as follows.
- The UK-based Non-Executive Directors receive a higher fee, currently £90,000 per annum, to reflect the additional time commitment that they make in order to travel to Board meetings in Mexico and for responsibilities as Committee members and, where appropriate, as Senior Independent Director and/or Chairman of any Committee.
- When the Chairman of the Audit Committee is resident in Mexico, he/she will receive an additional fee of £15,000 per annum.
- Members of the Audit Committee will receive an additional fee of £5,000 per annum.

Shareholding guidelines
Fresnillo has not introduced share ownership guidelines. The Company does not operate share-based incentive arrangements given that the culture for incentives in the Mexican market does not favour share-based incentives. Consequently, there would be neither opportunity nor appetite for executives to build a shareholding in the Company and therefore the Remuneration Committee has not adopted any shareholding guidelines.

Payments under previous policies
Any remuneration payment or benefit, or any payment for loss of office which a Director received or became entitled to under a previous remuneration policy or before the person became a Director (unless the payment was in consideration of becoming a Director) shall lawfully be paid out under this policy, even though it may not be consistent with, or otherwise provided for under, the Policy Table set out above.

Directors' report

In accordance with Section 415 of the Companies Act 2006, the Directors of Fresnillo plc present their report for the year ended 31 December 2021

The Directors believe that the requisite components of this report are set out elsewhere in this Annual Report and/or on the Company's website www.fresnilloplc.com. The table sets out where the necessary disclosures can be found.

Business performance	
Results	Results for the year ended 31 December 2021 are set out in the Financial Review on pages 58-69 and the Consolidated Income Statement on page 220.
Dividends	Information regarding the proposed dividend can be found in the Financial Review on page 69. Information regarding dividend payments can be found in the notes to the financial statements on page 251.
Strategic Report	The Strategic Report can be found on pages 1-155
Corporate Governance Statement	The Company's Statement on Corporate Governance can be found on page 163.
Directors' Remuneration Report	The Directors' Remuneration Report can be found on pages 188-203.
Activities in research and development	The Company does not have any research and development activities.
Future developments	Details about the Company's future developments can be found in the Strategic Report on pages 30-33.
Post-balance sheet events	There have been no post-balance sheet events.
Directors	
Directors	Directors that have served during the year and summaries of the current Directors' key skills and experience are set out in the Corporate Governance Report on pages 158-161.
Directors' Interests	Details of the Directors' beneficial interests are set out in the Remuneration Report on page 192.
Directors' Indemnities	The Company has given indemnities to each of the Directors in respect of any liability arising against them in connection with the Company's (and any associated company's) activities in the conduct of their duties. These indemnities are subject to the conditions set out in the Companies Act 2006 and remain in place at the date of this report.
Directors' and Officers' Liability Insurance	Directors' and Officers' Liability Insurance cover is in place at the date of this report. Cover is reviewed annually.
Constitution	
Articles of Association	Any amendments made to the Articles of Association may be made by a special resolution of shareholders. The following is a summary of the structure, rights and restrictions of the Company's share capital: The Company has two classes of share capital: 736,893,589 ordinary shares of US$0.50 ('Ordinary Shares') and 50,000 deferred shares of £1.00 each ('Sterling Deferred Shares'). The Ordinary Shares are listed on the London Stock Exchange and the Mexican Stock Exchange. The rights and obligations attaching to these shares are governed by UK law and the Company's Articles of Association. Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share held. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies. There are no restrictions on the transfer of the Ordinary Shares other than: • the standard restrictions for a UK-quoted company set out in article 32 of the Articles of Association; • where, from time to time, certain restrictions may become imposed by laws and regulations (for example, insider trading laws); and • pursuant to the Listing Rules of the Financial Services Authority whereby certain Directors, officers and employees of the Company require the approval of the Company to deal in the Ordinary Shares. A Director may be elected either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not thereby exceed the maximum in accordance with the Company's Articles of Association. Any person so appointed by the Directors shall retire at the next Annual General Meeting and shall then be eligible for election.

Constitution continued	
Articles of association continued	No shareholder holds securities carrying special rights as to the control of the Company. There are no limitations on the holding of securities. There are no restrictions on voting rights or any arrangements by which, with the Company's cooperation, financial rights carried by securities are held by a person other than the holder of the securities. There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of voting rights. The Sterling Deferred Shares only entitle the shareholder to payment of the amount paid up after repayment to Ordinary Shareholders on winding up or on a return of capital. The Sterling Deferred Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Shares or require the holder to transfer the Sterling Deferred Shares. Except at the option of the Company, the Sterling Deferred Shares are not transferable.
Branches outside the UK	The Company's operations are outside the UK.
Change of control	The following represents the likely effect on significant agreements with the Company were it to be subject to a change of control: • The Shared Services Agreement contains a discretionary provision for Servicios Administrativos Peñoles, S.A. de C.V to terminate the agreement should they so wish if there is a change of control of Fresnillo plc. • There are no formal 'change of control' provisions within the Silverstream contract or Met-Mex arrangements. • The Group's mining concessions are held by several of its Mexican subsidiary companies. As long as the companies holding the mining concessions remain Mexican resident companies, there are no provisions within the concession agreements which would be triggered by a change of control of the Company. The Company does not have any agreements with any Non-Executive Director, Executive Director or employee that would provide compensation for loss of office or employment resulting from a change of control.
Stakeholders and policies	
Section 172 Statement	The Company's Section 172 Statement can be found in the Strategic Report on page 146.
Employee engagement	Details of how the Company engages with its workforce can be found in the Strategic Report on pages 20-21.
Stakeholder engagement on key decisions	Details of the key decisions and discussions of the Board during the year and the main stakeholder inputs into those decision are set out in the Strategic Report on pages 147-148 and Corporate Governance Report on page 165.
Payments to governments	In June 2021, the Company approved and published a report disclosing payments made to governments. The report can be found on the Company's website. http://www.fresnilloplc.com/investor-relations/regulatory-announcements.
Modern Slavery Statement	The Company has approved and published on its website its Modern Slavery Statement in accordance with the Modern Slavery Act 2015. http://www.fresnilloplc.com/corporate-responsibility/modern-slavery/
Diversity policy	In February 2018 the Company approved and published on its website its policy on diversity and inclusion. http://www.fresnilloplc.com/corporate-responsibility/our-policies/
UK tax strategy	The Company's UK tax strategy for the financial year ending 31 December 2021 is published on its website. http://www.fresnilloplc.com/corporate-responsibility/tax-strategy/
Greenhouse gas emissions	Details of the Company's greenhouse gas emissions can be found in the Social and Sustainability Report on page 33 of the Strategic Report.
Political contributions	The Company did not make any donations to political organisations during the year.
Financial risk	Details of the Company's policies on financial risk management and the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 30 to the financial statements on page 262.
Shareholders and share capital	
Share capital	Details of the Company's share capital are set out in note 17 to the financial statements on page 250.
Authority to purchase own shares	The Company was authorised by a shareholders' resolution passed at the Annual General Meeting held in June 2021 to purchase up to 10% of its issued Ordinary Share capital. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued and authorised share capital. This authority will expire at the forthcoming Annual General Meeting and a resolution to renew the authority for a further year will be proposed. No shares were purchased by the Company during the year.

Directors' report continued

Shareholders and share capital continued	
Major interests in shares	As at 31 December 2021, in accordance with DTR 5, the Company had been advised of the following notifiable interests (whether directly or indirectly held) in its voting rights:

	Number of voting rights		%	
	As at 31 December 2021	As at 31 December 2020	**As at 31 December 2021**	As at 31 December 2020
Industrias Peñoles S.A.B. de C.V.	**552,595,191**	552,595,191	**74.99**	74.99
T. Rowe Price Associates Inc	**27,708,779**	N/A	**3.76**	Below 3%
First Eagle Investment Management LLC.	**N/A**	37,114,461	**Below 3%**	5.04

As at 7 March 2022, the Company has been advised that T. Rowe Price Associates holds 31,332,044 shares (4.25%).

2021 Annual General Meeting	At the 2021 Annual General Meeting, all resolutions put to shareholders were passed by a majority. Prior to the AGM, the Company consulted with a number of shareholders in relation to the resolutions to re-elect the Directors. In accordance with UK Listing Rules applicable to companies with a controlling shareholder, the resolutions relating to the re-election of the independent Non-Executive Directors required approval by a majority of votes cast by independent shareholders as well as all the shareholders of the Company. Further to the Code provisions, details of proxy voting are presented at the AGM and final figures are announced to the London Stock Exchange and uploaded to the Company's website as soon practicable after the AGM.
2022 Annual General Meeting	The Company's fourteenth Annual General Meeting will be held on 17 May 2022 at 10.30am. In planning the business of each AGM, the Board takes account of institutional shareholder guidelines on pre-emption rights, share buy-backs and shareholder rights in relation to general meetings when drafting the usual resolutions dealing with those matters. In each case, resolutions are presented to the AGM to give the Board flexibility to respond to market developments.
Auditors and audit	
Auditor reappointment	A resolution to reappoint Ernst & Young LLP as auditor will be proposed at the Annual General Meeting.
Audit information	Each of the Directors at the date of the approval of this report confirms that: • So far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware; and • He/she has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of the information. • The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.
Listing rules disclosures	
Listing Rule 9.8.4C	Disclosure requirements under Listing Rule 9.8.4 C are identified below along with cross-references indicating where the relevant information is set out in the Annual Report: • Capitalised interest of the year ended 31 December 2021 and information regarding tax relief can be found on pages 247-248. • Details of significant contracts with controlling shareholders can be found on page 186. • Details pertaining to services provided to the Company by Peñoles are set out on pages 256-258. • Statement confirming agreement has been entered into with controlling shareholder and that independence provisions are complies with can be found in the Corporate Governance Report on page 170.

The Directors' Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board

Alberto Tiburcio
Independent Non-Executive Director
7 March 2022

Fresnillo plc
Registered Office:
21 Upper Brook Street
London, W1K 7PY
United Kingdom
Company Number: 6344120

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations.

The Directors are required to prepare financial statements for each financial year which present a true and fair view of the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. The Directors have elected to prepare the Group and parent company financial statements in accordance with the UK-adopted International Financial Reporting Standards ('IFRSs') in conformity with the Companies Act 2006.

In preparing those financial statements, the Directors are required to:
- select suitable accounting policies in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and of the Group's financial position and financial performance;
- state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the Company and the Group to continue as a going concern unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable UK law and regulations, the Directors are responsible for the preparation of a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and regulations. In addition, the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Neither the Company nor the Directors accept any liability to any person in relation to the annual financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Directors' Responsibility Statement under the UK Corporate Governance Code
In accordance with Provision 27 of the 2018 UK Corporate Governance Code, the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides information necessary to enable shareholders to assess the Company's performance, business model and strategy.

Responsibility Statement of the Directors in respect of the Annual Report and Accounts
Each of the Directors whose names are listed on pages 158-161 confirm that to the best of their knowledge:
a) the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
b) the annual report (including the Strategic Report encompassed within the 'Overview', 'Strategic Report', 'Performance' and 'Governance' sections) includes a fair review of the development and performance of the business, and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

Alberto Tiburcio
Independent Non-Executive Director
7 March 2022

Independent auditor's report to the Members of Fresnillo plc

Opinion

In our opinion:

- Fresnillo plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fresnillo plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2021 which comprise:

Group	Parent Company
Consolidated balance sheet as at 31 December 2021	Parent company balance sheet as at 31 December 2021
Consolidated income statement for the year then ended	Parent company statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Parent company statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 16 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 30 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We did not provide any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We confirmed our understanding of management's going concern assessment process and confirmed that the Group is not subject to financial covenants on its borrowings;
- We assessed management's forecasting accuracy as reliable by comparing forecasts for the period ended 31 December 2021 to actuals and assessing the reasons for differences, including the effect of market-driven factors;
- We assessed the completeness of the factors included in the going concern assessment by reference to our understanding of the business and the environment within which it operates;
- We obtained management's going concern assessment, including the cash forecast for the going concern period which extends to December 2023. The Group has modelled plausible adverse changes and applied reverse stress testing in respect of prices to the forecast liquidity of the Group;
- We have tested the factors and assumptions included in the base case and most severe adverse scenario for the cash forecast, in particular comparing forecast metals prices to analyst forecasts and comparing production forecasts to 2021 production, plant capacity and our understanding of the business and its future plans;
- We considered the mitigating actions available to management, although these were not modelled due to the level of headroom in the plausible, adverse cases;
- We have reviewed management's reverse stress testing in order to identify what reduction in metal prices, as the key variable input, would lead to the Group utilising all liquidity during the going concern period noting that these are well below the minimum analyst price forecast for the going concern period; and,
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Our key observations:
- The Directors' assessment forecasts that the Group will maintain sufficient liquidity throughout the going concern assessment period in both the base case and its plausible downside scenario in respect of prices.
- The prices implied by the reverse stress test are well below analysts' forecasts.
- The controllable mitigating actions available to management to increase liquidity over the going concern assessment period were not modelled by management, nor the audit team, due to the level of headroom in management's plausible downside scenario and the fact that likelihood of the reverse stress test is remote.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period which extends to December 2023.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of seven components being the five operating mining units, the Parent Company and the entity which holds the Silverstream contract. These components represented 100% of revenues, 100% of the Silverstream revaluation effects, 91% of profit before tax excluding Silverstream revaluation effects (Adjusted Profit) and 89% of total assets. • We performed specified procedures on certain balances at a further four components. These components represented 9% of Adjusted Profit and 10% of total assets.
Key audit matters	• Recognition of related party transactions, including revenue recognition • Valuation of the Silverstream contract • Recoverable amount of mining assets • Recoverable amount of investments in subsidiaries (Parent Company only) • Re-estimation of quantities held in leaching pads at Herradura
Materiality	• Overall Group materiality was set at US$24.0 million which represents 5% of average of profit before tax prior to Silverstream revaluation effects and material non-recurring items over the last five years (Adjusted Normalised Profit).

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each Company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group, changes in the business environment and other factors when assessing the level of work to be performed at each Company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 16 reporting components of the Group, we selected 11 components covering entities within Mexico and Chile, which represent the principal business units within the Group.

Of the 11 components selected, we performed an audit of the complete financial information of seven components ('full scope components') which were selected based on their size or risk characteristics. For the remaining four components ('specified procedures scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2020: 100%) of the Group's revenues, 100% (2020: 100%) of the Silverstream revaluation effects, 100% (2020: 99%) of the Group's Adjusted Profit, and 99% (2020: 99%) of the Group's total assets.

For the current year, the full scope components contributed 100% (2020: 100%) of the Group's revenues, 100% (2020: 100%) of the Silverstream revaluation effects, 91% (2020: 95%) of the Group's Adjusted Profit, and 89% (2020: 84%) of the Group's Total assets.

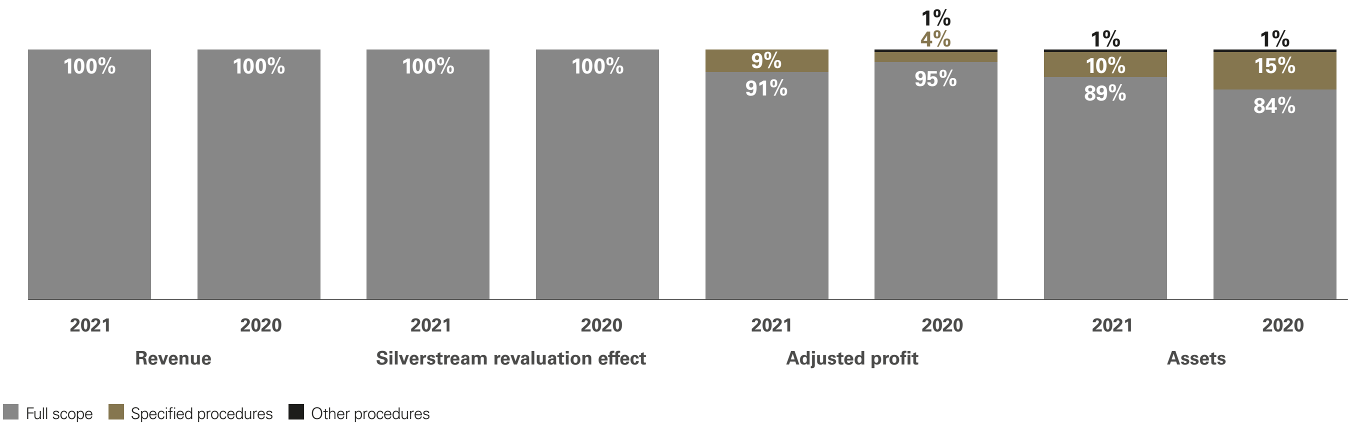
The specified procedures scope components contributed 9% (2020: 4%) of the Group's Adjusted Profit, and 10% (2020: 15%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining four components that together represent less than 1% (2020: 1%) of the Group's Adjusted Profit and less than 1% (2020: 1%) of the group's total assets, none are individually greater than 1% of the Group's profit before tax excluding Silverstream revaluation effects. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

In the current year we have updated our profit metric for coverage to align with the basis for determining materiality and we have restated comparatives.

Independent auditor's report to the Members of Fresnillo plc continued

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Involvement with component teams

All of the group's significant operations are in Mexico and are audited by one local team under our direct supervision.

	Work performed by	
	Primary team	Component team under our direct supervision
Full scope components	●●* (Including the Parent Company)	●●●●●
Components on which specified audit procedures are performed	●	●●●●*

* In respect of the valuation of the Silverstream contract, the Primary team performs principal procedures relating to estimation directly. The component team performs certain supporting procedures regarding cash receipts, and the auditor of Peñoles provides support in respect of procedures on the estimation of reserve and resource quantities and the related mine plan at the Sabinas mine.

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the seven full scope components, audit procedures were performed on two of these directly by the primary audit team. Of the four specified procedures scope components, the primary team performed audit procedures directly on one and for the other three specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

Senior members of the component team and the Peñoles audit team attended our virtual global planning meetings during the planning phase of the audit, and we discussed the results of interim procedures and interacted regularly with the local team in Mexico. The primary engagement team is predominantly composed of Spanish speakers to further enhance our interactions with both the component team and management.

Before Covid-19 restrictions, the primary engagement team, including the Senior Statutory Auditor, visited Mexico at least four times during the audit, during both the planning and execution phases, with members of the team working with and supervising the component team in Mexico for a number of weeks over several visits. These visits involved discussion and oversight of the component team audit approach, consideration of significant accounting and auditing issues arising from their work, reviewing key audit working papers, meeting with management and attending closing meetings.

Effect of Covid-19

As in the prior year, due to the Covid-19 pandemic, interactions with our component team and meetings with management continued to be held virtually through the use of video or teleconferencing facilities. We held weekly status calls with the component team throughout the duration of the execution phase of the audit which allowed for the provision of timely feedback and observations as well as effective oversight. The review of relevant audit work papers was facilitated by the EY electronic audit file platform, screen sharing or the provision of copies of work papers direct to the Group audit team.

The primary team was responsible for the scope and direction of the audit process. For certain procedures, in particular areas involving significant judgement and heightened audit risk, we performed work ourselves with support where required from the component team. In other cases, we reviewed key working papers and discussed these with the component team.

Based upon the above approach we are satisfied that we have been able to perform sufficient and appropriate oversight of our component team and the work performed by the auditor of Peñoles relevant to our audit. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change
There has been increasing interest from stakeholders as to how climate change will impact Fresnillo plc. The Group has determined that the most significant adverse future impacts from climate change on its operations are likely to be from decarbonisation targets, carbon pricing, stringent regulations and investment trends, water availability, higher temperatures, and extreme events. These are explained on pages 88-98 in the Task Force for Climate related Financial Disclosures and on pages 140-141 in the principal risks and uncertainties, which form part of the "Other information" rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in note 2(a) to the Group and Parent Company financial statements, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-adopted international accounting standards and in accordance with the provisions of the Companies Act 2006. Significant judgements and estimates relating to climate change have been described in note 2(c).

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on pages 140-141 have been appropriately considered in the assessment of indicators of impairment of long-term non-financial assets and the timing and quantum of future cash flows underpinning the provision of mine closure costs and associated disclosures. We also considered whether other assets and liabilities were susceptible to material changes in measurement as a result of climate risks and opportunities. Details of our procedures and findings on the assessment of impairment indicators are included in our key audit matters below where relevant. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter: Recognition of related party transactions, including revenue recognition ■

- All of the Group's current year revenue from the sale of goods, being concentrates, doré, activated carbon, slag and precipitates, excluding hedging, (US$2,704.4 million; 2020: US$2,427.7 million), and a significant amount of its expenses incurred (US$166.8 million; 2020: US$144.6 million), arise from transactions with related parties. The Silverstream contract is also with a related party. These related parties are principally subsidiaries of the group's direct parent, Industrias Peñoles (Peñoles).
- Principal transactions include the sale of goods to the Met-Mex Peñoles refinery, administrative services received and the Silverstream contract.
- There is a risk that, if not at arm's length or not reflecting the goods or services provided in the period, such transactions could be used to manipulate earnings or to distribute profits to the Group's parent.
- There is also a risk that revenues are inappropriately recognised as a result of incorrect cut-off or inappropriate measurement of product sold.
- There is an ongoing focus by the Mexican tax authorities on transfer pricing as reflected by recently concluded and on-going tax inspections. There is therefore the potential risk of tax exposures arising from related party transactions.

➡ Our judgement is that the level of risk in this area remains consistent with the prior year.

We have not made significant changes to our audit response compared to the prior year.

Related party transactions are disclosed in Note 26 to the consolidated financial statements, revenues in Note 4 and relevant accounting policies in Note 2.

Independent auditor's report to the Members of Fresnillo plc continued

Our audit response	
We performed full scope audit procedures over this risk area in seven components, which covered 100% of the aggregate risk amount relating to revenue, 100% of the risk related to the Silverstream contract and 68% relating to related party expenses. In addition, we performed specified procedures in components which covered 23% of related party expenses.	
Identification of related parties and related party transactions	• We read new and amended contracts and agreements with related parties, including Met-Mex Peñoles, to understand the nature of the transactions. • We evaluated the appropriateness of management's process for identifying, recording and reporting related party transactions and tested relevant controls. • We assessed the role of the Audit Committee in identifying and monitoring related party transactions. • We held virtual meetings with management at various levels and inspected Board minutes and confirmation letters to assess the completeness of related parties. • Throughout the performance of our audit procedures, we remained alert for any related party transactions not already identified by management or that are outside the normal course of business.
Revenue recognition	• We obtained confirmations from Peñoles of 100% of the revenue, including quantities delivered, and the period-end receivable balance. • We evaluated the risk of material misstatement due to assay adjustments by performing a retrospective review of their quantum during the year and determining the maximum plausible adverse effect on period-end provisional sales. • We performed revenue cut-off testing, by reference to shipment dates. • On a sample basis, we performed testing to verify physical deliveries of product in the year. Since this is a significant risk, our testing threshold is lower and our sample sizes are larger than they would otherwise have been. • We obtained an understanding of the basis of the treatment and refining charges (T&RCs) negotiated between the Group and Peñoles for the current year, these being deducted from revenue. We confirmed principal inputs to external benchmarks or other external evidence. We recalculated T&RCs based on actual production and contractual terms. • We performed overall analytical procedures which consisted of comparing actual revenues on a disaggregated basis to detailed expectations developed based on production in the year and market prices for relevant metals and obtained explanations for any material variances.
Silverstream contract	• We tested a sample of cash receipts in respect of silver that was payable under the contract in the year. • The valuation of the Silverstream contract is discussed separately as a key audit matter below.
Other transactions with related parties	• On a sample basis, we tested related party expenses against underlying contractual terms. • We compared actual results against detailed expectations of income statement line items impacted by related party transactions to corroborate that there was no evidence of manipulation.
Accuracy of disclosures	• We verified that related party disclosures in the financial statements are consistent with the results of our audit procedures.
Transfer pricing considerations	• We, along with our internal transfer pricing specialists, obtained and reviewed the most recent report available to management (for 2020) from its transfer pricing specialists, as well as an update letter issued in early 2022 in respect of 2021. • We assessed the competence, capabilities and objectivity of management's specialists. • Our transfer pricing specialist inspected information to support transactions between Fresnillo and Peñoles. As part of this evaluation, our specialist met virtually with management's specialist to further understand the content of the letter and to assess the conclusions reached. • We confirmed principal inputs to external benchmarks used to determine transfer pricing ranges. In respect of T&RCs, these include confirmations from the auditor of Peñoles in respect of T&RCs charged to other customers.
Management override	• We performed overall analytical review procedures applying a low variance threshold at a disaggregated level, comparing production quantities against mine plans. We obtained explanations for variances through interviews with management and members of the Executive Committee, internal reporting to the Executive Committee and published production reports. Where relevant, we corroborated those explanations through EY's data analysis tools and external sources of information. • We utilised data analysis tools to interrogate entire data sets for potential related party transactions. We also compared related parties and related party transactions identified through our audit with the schedule provided by management to the Audit Committee.

Key observations communicated to the Audit Committee

- Our procedures did not identify issues with the identification, recording or reporting of related party transactions.
- We concluded that revenue recognition in the year is appropriate, including the treatment of related provisional pricing terms.
- In respect of transfer pricing in transactions with related parties, we confirmed that the methodology for determining transfer pricing in respect of the transactions with other Peñoles companies has not changed during the year and remains appropriate.

Key audit matter: Valuation of the Silverstream contract ■

- The valuation of the Silverstream contract (asset value: US$529.5 million at 31 December 2021; 2020: US$576.1 million; revaluation effect: US$0.4 million pre-tax loss in 2021; 2020: US$71.0 million pre-tax gain), a derivative financial instrument, is estimated by management using a discounted cash flow model.
- Key assumptions are the estimation of the reserves and resources and the related production profile of the Sabinas mine (owned and operated by Peñoles), future silver prices and the discount rate applied. These assumptions require management judgement and estimation.
- The resulting valuation is sensitive to changes in future silver prices and the discount rate applied which may result in material revaluation effects in the financial statements.

Our judgement is that the level of risk in this area remains consistent with the prior year.

We have not made significant changes to our audit response compared to the prior year.

The nature of the Silverstream contract and related valuation considerations are disclosed in Note 13 to the consolidated financial statements and the relevant accounting policies in Note 2.

Our audit response

We performed full scope audit procedures over the valuation of the Silverstream contract at 31 December 2021 and related income statement revaluation effects. Consistent with 2020, these procedures covered 100% of the risk amount.

Valuation model	• In conjunction with our valuation specialists, we evaluated the appropriateness of the valuation approach and related model used by the Company to determine the fair value of the Silverstream contract under accounting standards. • We considered whether the valuation model required changes related to climate-related risks.
Reserves and resources and production profile of the Sabinas mine	• We interviewed the Sabinas mine geologist in order to understand the assumptions used in the estimation of reserves and resources and movements in the estimation in the year. • We interviewed management in financial and operational areas in respect of their review of the Sabinas mine plan prepared by Peñoles, focusing on the comparisons between the current year plan and the 2020 plan. • We confirmed that the appropriate members of the Sabinas mine planning team were involved in the preparation of the mine plan underpinning the Silverstream valuation. • Controls over the development of the mine plan are our primary source of assurance in this respect. We therefore issued instructions to the auditor of Peñoles to perform procedures and report to us in respect of the reserves and resources estimate and the mine plan of the Sabinas mine. These procedures detailed in the instructions included: – conducting walkthroughs to confirm our understanding of Peñoles management's processes to estimate quantities of reserves and resources and to develop the Sabinas mine plan; – testing of certain key Peñoles controls which address the risks associated with the estimation of reserves and resources quantities and the accuracy of the resulting mine plan; – gaining an understanding of reasons for changes in estimates of reserves and resources in the year; – assessing the professional competence, capabilities and objectivity of the Sabinas mine geologist involved in the estimation of reserves and resources quantities; and – evaluating the reasonableness and appropriateness of inputs to the reserves and resources estimates and Sabinas mine plan used at 31 December 2021, by reference to external market and internal operational benchmarks. • We discussed the results of the above procedures with the auditor of Peñoles and reviewed their key working papers.
Key economic assumptions in the valuation	• With assistance from our valuation specialists, we challenged key economic assumptions in the valuation, including future silver prices and the discount rate applied. • This included comparison to market data to consider the appropriateness of silver price and discount rate assumptions when considered together in the valuation model and analysis of the consistency of assumptions to other accounting estimates, such as recoverable amounts of mining assets. • We performed sensitivity analysis on the combination of silver price assumptions and discount rate.

Key observations communicated to the Audit Committee

- We noted that the valuation model is consistent in its methodology with that used in prior periods and we consider this appropriate for the nature of this long-term derivative contract.
- Our procedures confirmed that the mine plan underpinning the valuation was estimated in an appropriate way.
- We highlighted the sensitivity of the valuation to economic input assumptions.
- We concluded that the overall valuation of the contract is appropriate.

Independent auditor's report to the Members of Fresnillo plc continued

Key audit matter: Recoverable amount of mining assets ■

- The identification of indicators of impairment is judgemental.
- When an impairment test is performed, the key assumptions underpinning management's assessment of the recoverable amount of mining assets are reserves and resources and related mine plans and production profiles, estimated future operating and capital expenditure, future commodity prices, exchange rates and the discount rates applied.
- The estimation of mineral reserves and resources quantities of the Group's mines requires significant judgement and estimation.
- The Group's estimates of mineral reserves and resources are audited by third party specialists engaged by management ("Reserves and Resources Specialists").
- Changes to assumptions could lead to material changes in estimated recoverable amounts, resulting in impairment of property plant and equipment (net book value being US$2,799.1 million, 2020: US$2,708.2 million). There is no impairment taken in prior years that may be reversed.

Our judgement is that the level of risk in this area, on balance, remains consistent with the prior year.

In the current year, we have also considered the possible effect of climate change in the impairment trigger assessment.

Management's assessment of the judgement and estimation required is set out in Note 2 to the consolidated financial statements, with results of management's assessment for impairment in Note 12. The reserves and resources tables are presented, after the Parent Company notes.

Our audit response

We performed full scope audit procedures over this risk area in six components and specified procedures over this risk in one component, which covered 100% of the risk amount.

Indicators of impairment and methodology used to estimate recoverable values	• We reviewed management's identification of indicators of impairment under accounting standards and considered whether climate risks could represent indicators. • We corroborated management's macroeconomic assumptions in relation to prices and discount rates used in determining whether an indicator of impairment existed. • We agreed information from our procedures in respect of reserves and resources (as described below) to management's indicator assessment to ensure that the most recent reserves information was used. • We considered the results of our other procedures, including in respect of the mine closure provision and our analytical review procedures over production to evaluate whether there were any unidentified indicators of impairment. • We challenged whether the delays to commissioning the Juanicipio plant constituted an impairment indicator. • We considered the result of our procedures over potential reversal or further impairment in investments in subsidiaries, as set out in the next section.
Estimation process for reserves and resources including external specialists engaged by management	We performed procedures over the estimation of reserves and resources to evaluate the extent to which we can rely on those estimates when concluding whether an indicator of impairment existed. • We walked through the process of the estimation of the reserves and resources quantities and tested relevant controls. • We walked through the process of determining mine plans from estimated reserves and resources quantities. • We assessed the competence of the Reserves and Resources Specialists, as well as capabilities and objectivity as specialists engaged by management to audit the Group's estimates of reserves and resources and confirmed the scope of their work was appropriate for the purpose of financial reporting. We specifically discussed how the Covid-19 pandemic and related travel restrictions impacted their audit procedures. We also discussed the potential impact of climate related matters on the estimates. • We read the reports prepared by the Reserves and Resources Specialists, gained an understanding of the changes in reserves and resources estimates in the year and considered their observations on the Group's reserve and resource estimation process insofar as they affect the financial statements. • We engaged our own specialist (geologist) to evaluate the information provided by the Reserves and Resources specialists. • We discussed directly with the Reserves and Resources specialists the results of their reports.

Key observations communicated to the Audit Committee

- We assessed the Reserves and Resources Specialists as appropriate specialists engaged by management for the purposes of auditing the reserves and resources of the group.
- We concluded that there are no indicators of impairment and therefore the carrying values of mining assets are recoverable at 31 December 2021.
- We concluded that the sensitivity disclosures in the financial statements are appropriate given the limited headroom for certain assets.

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

Key audit matter: Recoverable amount of investment in subsidiaries (Parent Company only) ■

Investments in subsidiaries (US$5,846.3 million, 2020: US$5,790.2 million) are more sensitive to changes in recoverable value than the Group's underlying mining assets because these investments were re-measured at fair value in 2008 when the Group was established ahead of its Initial Public Offering.

- The principal driver of the recoverable amount of investments in subsidiaries is the estimated value of underlying mining assets held by the Group's subsidiaries. Refer to related considerations in the key audit matter above.
- In addition, management estimates the recoverable value of exploration projects in considering the recoverable value of subsidiaries.
- Changes to assumptions could lead to material changes in estimated recoverable amounts, resulting in either impairment or reversals of impairment taken in prior years (2021 aggregate net impairment of US$107.0 million, 2020 aggregate net reversal of US$234.0 million).

Our judgement is that the level of risk in this area, on balance, remains consistent with the prior year.

As with the recoverable amount of mining assets, in the current year we have also considered the possible effect of climate change in the impairment trigger assessment.

Management's assessment of the judgement and estimation required is set out in Note 2 to the Parent Company financial statements, with management's assessment of investments in subsidiaries included in Note 5.

Our audit response

We performed full scope audit procedures over this risk area in one component, which covered 100% of the risk amount.

Indicators of impairment and methodology used to estimate recoverable values	• We reviewed management's identification of indicators of impairment under accounting standards and considered whether climate risks could represent indicators. • We assessed the methodology used by management to determine whether there were any indicators of impairment for each investment in subsidiaries to ensure that this is consistent with accounting standards. Refer to the 'our audit response' section of the key audit matter above with respect to procedures performed relating to the recoverable value of mining assets.
Key internal assumptions used in management's estimate of the recoverable values of investments in subsidiaries	• In respect of the estimation of reserves and resource quantities, refer to the 'our audit response' section of the key audit matter above with respect to procedures performed relating to the recoverable value of mining assets. • We agreed related production profiles to the current mine plans for each mine and considered their consistency with our understanding of future plans at the mines obtained through interviews with both operating and senior management. • We assessed operating and capital costs included in the cash flow forecasts for consistency with current operating costs and forecast mine production and other forecast information. We considered the possible effect of climate change on cost estimates. • We evaluated management's approach to valuing exploration prospects, re-calculated gold and silver equivalent ounces using comparable transactions data and, where available, agreed the resources of the prospects to the Reserves and Resources Specialists' audit reports. • We have performed sensitivity analysis on management's calculated recoverable values in respect of cost assumptions.
Key external assumptions used in management's estimate of the recoverable values of investments in subsidiaries	• Working with our valuation specialists we assessed management's assumptions relating to future metals prices and discount rates, comparing these to market data and also for consistency with other estimates used in the financial statements. • We performed sensitivity analysis on management's calculated recoverable values for alternative assumptions for metals prices and the discount rate applied.
Sensitivity disclosures	• We assessed the appropriateness of sensitivity disclosures included in the financial statements considering our other audit procedures.

Key observations communicated to the Audit Committee

- We confirmed that our observations with respect to reserves and resources set out in the key audit matter in respect of the recoverable amount of mining assets above are also relevant for the recoverable amounts of investments in subsidiaries.
- We confirmed that the audited reserves and resources estimates have been appropriately used in relevant financial statement calculations, including mine plans underpinning assessing the existence of impairment.
- We considered the approach to determining the recoverable value of investments in subsidiaries tested for impairment to be appropriate.
- Our procedures confirmed that the estimates of operating and capital costs are consistent with the production profiles of respective mines and related mine plans.
- We consider that management's discount rates applied are all within the range of acceptable values. We concurred with management's approach, noting no issues.
- We concluded that the impairment reflected in the Parent Company financial statements is appropriate.
- We concluded that the sensitivity disclosures in the financial statements are appropriate.

Independent auditor's report to the Members of Fresnillo plc continued

Key audit matter: Re-estimation of quantities held in leaching pads at Herradura ■

- The amount of inventory in leaching pads is US$344.8 million (2020: US$305.9 million)
- The recoverable quantity of gold from leaching pads is an estimate requiring consideration of a number of variables and is likely to evolve over time as further information is obtained from ongoing leaching activities and the analysis of the ore deposited.
- We consider that there is a risk of manipulation of the estimate as a result of management judgement involved in interpreting the results of ongoing sales recovery information from the pads.
- There is also judgement involved in the timing of the recognition of any change in estimate and the related effects on the financial statements.
- Any change in the estimated recoverable gold content would result in a change in the cost of inventory per ounce and therefore a change in cost of sales.

Our judgement is that the level of risk in this area has remained at a similar level to last year.

We have not made significant changes to our audit response.

Inventories are disclosed in Note 14 and cost of sales in Note 5 to the consolidated financial statements. The relevant accounting policies are set out in Note 2.

Our audit response

We performed full scope audit procedures over this risk area in the impacted component, which covered 100% of the risk amount.

Methodology applied to make estimate	• We assessed the competence, capabilities and objectivity of management's geologist involved in estimating the recoverable quantity of gold from leaching pads. • We engaged an external specialist (geologist) to evaluate management's process for estimating the quantity of recoverable gold from leaching pads.
Calculation of estimate and related financial statement effects	• We challenged management as to whether there were operational indicators to suggest that a change to the estimated recovery rate was required during the year by analysing various operational data points during 2021. • We tested the inputs into the calculation of the quantities held in leaching pads, including those relating to the estimated recovery rate, and agreed these back to other audit evidence obtained during the course of the audit, where relevant. • We reviewed the disclosures regarding estimation uncertainty in the financial statements to confirm their accuracy and clarity.
Management override	• We considered indicators of management bias in estimating the recovery rate. • As the evaluation of related controls requires the evaluation of the assumptions used in, and the output of, that process, we do not seek to rely on these controls. We increased the level of challenge when performing our substantive procedures, including the engagement of a specialist as discussed above.

Key observations communicated to the Audit Committee

- Heap leach recovery rates are an estimate that continues to be refined as new information is obtained.
- We concluded that a change to the estimated recovery rate during the period was not required.

Our application of materiality

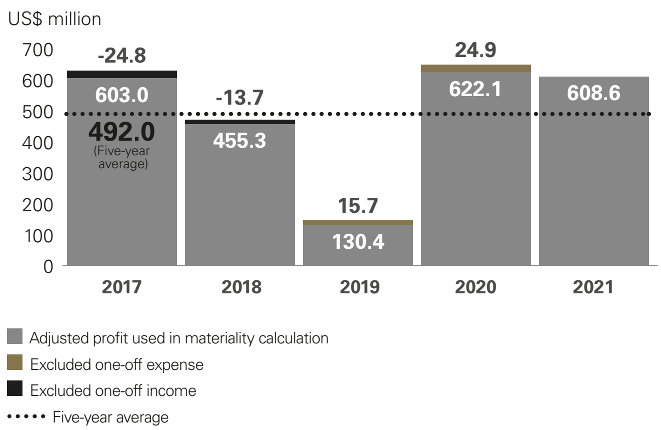
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$24.0 million (2020: US$22.0 million), which is 5% (2020: 5%) of the five-year average profit before tax prior to Silverstream revaluation effects, adjusted for any material one-off transactions ("adjusted normalised profit"). At planning, we use forecast profit figures to estimate 2021. We believe this measure of profit represents one of the main considerations for members of the Group, particularly as the Silverstream revaluation effects are principally non-cash in nature and one-off transactions are not reflective of the ongoing operations of the business.

Although there can be no certainty over future levels of profitability, we have concluded that, solely for the purposes of determining materiality, there are sufficient indicators to normalise the basis for determining materiality using the average of that for the last five years, which is in line with the Directors' viability assessment period. An illustration of our approach to normalising basis profit is set out below, with profit before tax prior to Silverstream revaluation effects as the starting point.



We determined materiality for the Parent Company to be US$65.4 million (2020: US$53.6 million) which is 1% (2020: 1%) of equity. The materiality of the Parent Company is higher than that of the Group, reflective of the Parent Company's primary role being that of a holding company.

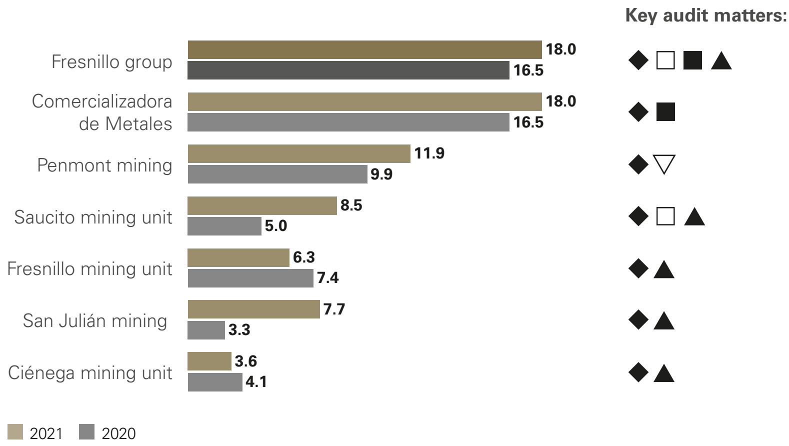
Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely US$18 million (2020: US$16.5 million). We have set performance materiality at this percentage due to the level of past history of misstatements, our ability to assess the likelihood of misstatements and the effectiveness of the internal control environment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

Assigned performance materiality increased in respect of the majority of components, reflecting the overall performance of the Group. Where assigned performance materiality decreased, this represents the changes in the relative contribution of profit of that component.

Reflecting the fact that dividends are a key focus for shareholders and that the dividends are derived from the operating results of the Group, we apply Group materiality to our procedures around dividends, including distributable reserves.



Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$1.2 million (2020: US$1.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Independent auditor's report to the Members of Fresnillo plc continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatement in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;
- a Corporate Governance Statement has not been prepared by the Company.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities;
- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and;
- The section describing the work of the Audit Committee.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 207, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those related to the reporting framework (UK adopted international accounting standards and Companies Act 2006 and UK Corporate Governance Code), regulations impacting mining operations including mining laws, environmental and labour regulations and tax and employee profit-sharing requirements in Mexico.
- We understood how Fresnillo plc is complying with those frameworks by making enquiries to management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included using data analytics to test manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error. In the current year, forensic specialists reviewed our fraud risk assessment.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of Group management and those charged with governance, legal counsel, internal audit, and the risk and compliance departments; journal entry testing, with a focus on manual journals and those indicating large or unusual journals based on our understanding of the business; and challenging the assumptions and judgements made by management in respect of significant accounting estimates. Where observations are raised about management's process or controls surrounding compliance with laws and regulations by us or others, we consider the potential effect of those observations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 4 May 2016 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 14 years, covering the years ending 2008 to 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven Dobson
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
8 March 2022

Consolidated income statement
Year ended 31 December

		Year ended 31 December 2021 US$ thousands			Year ended 31 December 2020 US$ thousands		
	Notes	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	4	**2,703,095**		**2,703,095**	2,430,055		2,430,055
Cost of sales	5	**(1,766,170)**		**(1,766,170)**	(1,550,689)		(1,550,689)
Gross profit		**936,925**		**936,925**	879,366		879,366
Administrative expenses		**(103,534)**		**(103,534)**	(93,407)		(93,407)
Exploration expenses	6	**(130,291)**		**(130,291)**	(107,328)		(107,328)
Selling expenses		**(25,035)**		**(25,035)**	(24,106)		(24,106)
Other operating income	8	**11,914**		**11,914**	9,997		9,997
Other operating expenses	8	**(23,246)**		**(23,246)**	(14,839)		(14,839)
Profit from continuing operations before net finance costs and income tax		**666,733**		**666,733**	649,683		649,683
Finance income	9	**8,874**		**8,874**	12,249		12,249
Finance costs	9	**(61,750)**		**(61,750)**	(141,319)		(141,319)
Revaluation effects of Silverstream contract	13		**(416)**	**(416)**		70,961	70,961
Foreign exchange loss		**(1,909)**		**(1,909)**	(40,321)		(40,321)
Profit from continuing operations before income tax		**611,948**	**(416)**	**611,532**	480,292	70,961	551,253
Corporate income tax	10	**(156,598)**	**125**	**(156,473)**	(119,349)	(21,288)	(140,637)
Special mining right	10	**(16,563)**		**(16,563)**	(35,037)		(35,037)
Income tax	10	**(173,161)**	**125**	**(173,036)**	(154,386)	(21,288)	(175,674)
Profit for the year from continuing operations		**438,787**	**(291)**	**438,496**	325,906	49,673	375,579
Attributable to:							
Equity shareholders of the Company		**421,500**	**(291)**	**421,209**	324,451	49,673	374,124
Non-controlling interest		**17,287**		**17,287**	1,455		1,455
		438,787	**(291)**	**438,496**	325,906	49,673	375,579
Earnings per share: (US$)							
Basic and diluted earnings per Ordinary Share from continuing operations	11	**–**		**0.572**	–		0.507
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	11	**0.572**		**–**	0.440		–

Consolidated statement of comprehensive income
Year ended 31 December

	Notes	Year ended 31 December 2021 US$ thousands	Year ended 31 December 2020 US$ thousands
Profit for the year		**438,496**	375,579
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
(Gain)/loss on cash flow hedges recycled to income statement[1]		**(2,476)**	4,335
Changes in the fair value of cost of hedges		**(5,396)**	220
Total effect of cash flow hedges		**(7,872)**	4,555
Foreign currency translation		**(653)**	(1,217)
Income tax effect on items that may be reclassified subsequently to profit or loss:	10	**2,362**	(1,366)
Net other comprehensive income that may be reclassified subsequently to profit or loss:		**(6,163)**	1,972
Items that will not be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges		**(994)**	304
Total effect of cash flow hedges		**(994)**	304
Changes in the fair value of equity investments at FVOCI		**(48,051)**	89,552
Remeasurement gains on defined benefit plans	21	**5,710**	147
Income tax effect on items that will not be reclassified to profit or loss	10	**13,805**	(26,980)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss		**(29,530)**	63,023
Other comprehensive (loss)/income, net of tax		**(35,693)**	64,995
Total comprehensive income for the year, net of tax		**402,803**	440,574
Attributable to:			
Equity shareholders of the Company		**386,060**	439,130
Non-controlling interests		**16,743**	1,444
		402,803	440,574

1 The amounts recognised in hedging reserve and cost of hedging reserve at 31 December 2020 have been amended to reflect the nature of the components of the valuation of certain derivatives at that date.

Consolidated balance sheet
As at 31 December

	Notes	As at 31 December 2021 US$ thousands	2020 US$ thousands
ASSETS			
Non-current assets			
Property, plant and equipment	12	**2,799,075**	2,708,195
Equity instruments at fair value through other comprehensive income (FVOCI)	29	**164,525**	212,576
Silverstream contract	13	**494,392**	534,697
Deferred tax asset	10	**67,300**	120,676
Inventories	14	**91,620**	91,620
Other receivables	15	**58,548**	–
Other assets		**3,587**	3,429
		3,679,047	3,671,193
Current assets			
Inventories	14	**396,184**	351,587
Trade and other receivables	15	**401,424**	512,927
Prepayments		**20,282**	18,207
Derivative financial instruments	29	**96**	6,290
Silverstream contract	13	**35,152**	41,443
Cash and cash equivalents	16	**1,235,282**	1,070,415
		2,088,420	2,000,869
Total assets		**5,767,467**	5,672,062
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	17	**368,546**	368,546
Share premium	17	**1,153,817**	1,153,817
Capital reserve	17	**(526,910)**	(526,910)
Hedging reserve[1]	17	**(2,042)**	3,292
Cost of hedging reserve[1]	17	**(38)**	1,072
Fair value reserve of financial assets at FVOCI	17	**83,784**	117,420
Foreign currency translation reserve	17	**(2,120)**	(1,467)
Retained earnings	17	**2,543,087**	2,363,275
		3,618,124	3,479,045
Non-controlling interests		**184,548**	135,559
Total equity		**3,802,672**	3,614,604
Non-current liabilities			
Interest-bearing loans	19	**1,157,545**	1,156,670
Lease liabilities	24	**6,146**	7,697
Provision for mine closure cost	20	**256,956**	244,808
Pensions and other post-employment benefit plans	21	**6,506**	11,977
Deferred tax liability	10	**68,745**	295,595
		1,495,898	1,716,747
Current liabilities			
Trade and other payables	22	**378,235**	225,208
Income tax payable		**62,287**	88,066
Derivative financial instruments	29	**3,885**	–
Lease liabilities	24	**4,681**	5,048
Provision for mine closure cost	20	**3,351**	880
Employee profit sharing		**16,458**	21,509
		468,897	340,711
Total liabilities		**1,964,795**	2,057,458
Total equity and liabilities		**5,767,467**	5,672,062

1 The amounts recognised in hedging reserve and cost of hedging reserve at 31 December 2020 have been amended to reflect the nature of the components of the valuation of certain derivatives at that date.

These financial statements were approved by the Board of Directors on 7 March 2022 and signed on its behalf by:

Mr Juan Bordes
Non-Executive Director
7 March 2022

Consolidated statement of cash flows
Year ended 31 December

	Notes	Year ended 31 December 2021 US$ thousands	2020 US$ thousands
Net cash from operating activities	28	**895,141**	917,685
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**(592,052)**	(412,326)
Proceeds from the sale of property, plant and equipment and other assets		**6,042**	266
Proceeds from Silverstream contract	13	**48,986**	33,710
Proceeds from the Layback Agreement	2 (c)	**25,000**	–
Interest received		**10,459**	12,249
Net cash used in investing activities		**(501,565)**	(366,101)
Cash flows from financing activities			
Proceeds from Note payable[1]		**41,665**	63,669
Principal element of lease payments	24 (a)	**(5,971)**	(5,780)
Dividends paid to shareholders of the Company[2]		**(245,561)**	(104,686)
Capital contribution[3]		**31,885**	53
Proceeds from the issuance of interest-bearing loans	19	**–**	828,325
Repayment of interest-bearing loans	19	**–**	(542,956)
Interest paid[4]	19	**(49,334)**	(59,891)
Net cash generated (used in)/from financing activities		**(227,316)**	178,734
Net increase in cash and cash equivalents during the year		**166,260**	730,318
Effect of exchange rate on cash and cash equivalents		**(1,393)**	3,521
Cash and cash equivalents at 1 January		**1,070,415**	336,576
Cash and cash equivalents at 31 December	16	**1,235,282**	1,070,415

1 Corresponds to a short-term interest-bearing note payable received from Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in Juanicipio project.
2 Includes the effect of hedging of dividend payments made in currencies other than US dollar (note 18).
3 Corresponds to capital contributions provided by Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in the Juanicipio project.
4 Total interest paid during the year ended 31 December 2021 less amounts capitalised totalling US$8.4 million (2020: US$8.8 million) which were included within the caption Purchase of property, plant and equipment (note 12).

Consolidated statement of changes in equity
Year ended 31 December

	Notes	Share capital	Share premium	Capital reserve	Hedging reserve[1]	Cost of hedging reserve[1]	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to the equity holders of the Company										
												US$ thousands
Balance at 1 January 2020		368,546	1,153,817	(526,910)	139	918	54,734	(250)	2,093,666	3,144,660	134,059	3,278,719
Profit for the year		–	–	–	–	–	–	–	374,124	374,124	1,455	375,579
Other comprehensive income, net of tax		–	–	–	3,259	154	62,686	(1,217)	124	65,006	(11)	64,995
Total comprehensive income for the year		–	–	–	3,259	154	62,686	(1,217)	374,248	439,130	1,444	440,574
Hedging loss transferred to the carrying value of PPE purchased during the year		–	–	–	(106)	–	–	–	–	(106)	3	(103)
Capital contribution		–	–	–	–	–	–	–	–	–	53	53
Dividends declared and paid	18	–	–	–	–	–	–	–	(104,639)	(104,639)	–	(104,639)
Balance at 31 December 2020		**368,546**	**1,153,817**	**(526,910)**	**3,292**	**1,072**	**117,420**	**(1,467)**	**2,363,275**	**3,479,045**	**135,559**	**3,614,604**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**421,209**	**421,209**	**17,287**	**438,496**
Other comprehensive income, net of tax		**–**	**–**	**–**	**(4,535)**	**(1,110)**	**(33,636)**	**(653)**	**4,785**	**(35,149)**	**(544)**	**(35,693)**
Total comprehensive income for the year		**–**	**–**	**–**	**(4,535)**	**(1,110)**	**(33,636)**	**(653)**	**425,994**	**386,060**	**16,743**	**402,803**
Hedging loss transferred to the carrying value of PPE purchased during the year		**–**	**–**	**–**	**(799)**	**–**	**–**	**–**	**–**	**(799)**	**361**	**(438)**
Capital contribution		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,885**	**31,885**
Dividends declared and paid	18	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(246,182)**	**(246,182)**	**–**	**(246,182)**
Balance at 31 December 2021		**368,546**	**1,153,817**	**(526,910)**	**(2,042)**	**(38)**	**83,784**	**(2,120)**	**2,543,087**	**3,618,124**	**184,548**	**3,802,672**

1 The amounts recognised in hedging reserve and cost of hedging reserve at 31 December 2020 have been amended to reflect the nature of the components of the valuation of certain derivatives at that date.

Notes to the consolidated financial statements

1. Corporate information
Fresnillo plc. ("the Company") is a public limited company and registered in England and Wales with registered number 6344120 and is the holding company for the Fresnillo subsidiaries detailed in note 5 of the Parent Company accounts ('the Group').

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75 percent of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. The registered address of Peñoles is Calzada Legaria 549, Mexico City 11250. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx. Further information on related party balances and transactions with Peñoles group companies is disclosed in note 26.

The consolidated financial statements of the Group for the year ended 31 December 2021 were authorised for issue by the Board of Directors of Fresnillo plc on 7 March 2022.

The Group's principal business is the mining and beneficiation of non-ferrous minerals, and the sale of related production. The primary contents of this production are silver, gold, lead and zinc. Further information about the Group operating mines and its principal activities is disclosed in note 3.

2. Significant accounting policies
(a) Basis of preparation and consolidation, and statement of compliance
Basis of preparation and statement of compliance
The Group's consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for trade receivables, derivative financial instruments, equity securities, investment in funds and defined benefit pension scheme assets which have been measured at fair value.

The consolidated financial statements are presented in dollars of the United States of America (US dollars or US$) and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

Basis of consolidation
The consolidated financial statements set out the Group's financial position as of 31 December 2021 and 2020, and the results of operations and cash flows for the years then ended.

Entities that constitute the Group are those enterprises controlled by the Group regardless of the number of shares owned by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The Group applies the acquisition method to account for business combinations in accordance with IFRS 3.

All intra-group balances, transactions, income and expenses and profits and losses, including unrealised profits arising from intra-group transactions, have been eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination. Any losses of a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, a transaction with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

(b) Changes in accounting policies and disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2020.

New standards, interpretations and amendments (new standards) adopted by the Group
A number of new or amended standards (the Standards) became applicable for the current reporting period. The adoption of these Standards did not have any impact on the accounting policies, financial position or performance of the Group.

Standards, interpretations and amendments issued but not yet effective
The IASB has issued other amendments resulting from improvements to IFRSs that management considers do not have any impact on the, financial position or performance of the Group. The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, with regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements.

Judgements

Areas of judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the consolidated financial statements for the year ended 31 December 2021 are:

Recognition and classification of assets at Soledad-Dipolos mine:

In 2009, five members of the El Bajio agrarian community in the state of Sonora, who claimed rights over certain surface land in the proximity of the operations of Minera Penmont ('Penmont'), submitted a legal claim before the Unitarian Agrarian Court (Tribunal Unitario Agrario) of Hermosillo, Sonora, to have Penmont vacate an area of this surface land. The land in dispute encompassed a portion of surface area where part of the operations of the Soledad-Dipolos mine are located. The litigation resulted in a definitive court order, with which Penmont complied by vacating 1,824 hectares of land, resulting in the suspension of operations at Soledad-Dipolos. Whilst the claim and the definitive court order did not affect the group's legal title over the mining concession or the ore currently held in leaching pads near the mine site, land access at the mine site is required to further exploit the concession at Soledad-Dipolos.

Penmont is the legal and registered owner of the land where the leaching pads are located but has not yet been able to gain physical access to these pads due to opposition by certain local individuals. The Group has a reasonable expectation that Penmont will eventually regain access to the Soledad-Dipolos assets and process the ore content in the Soledad-Dipolos leaching pads. This expectation considers different scenarios, including but not limited to the different legal proceedings that Minera Penmont has presented in order to regain access to the lands, which proceedings are pending final resolution. Therefore, the Group continues to recognise property, plant and equipment and inventory related to Soledad-Dipolos, as disclosed in note 12 and note 14, respectively. Due to the fact that it is not yet certain when access may be granted so that the inventory can be processed, this inventory is classified as a non-current asset.

As previously reported by the Group, claimants from the El Bajío community also presented claims against occupation agreements they entered into with Penmont, covering land parcels other than the surface land where Soledad-Dipolos is located. Penmont has had no significant mining operations or specific geological interest in the affected parcels and these lands are therefore not considered strategic for Penmont. The Agrarian Court has issued rulings declaring such occupation agreements over those land parcels to be null and void and that Penmont must remediate such lands to the state that they were in before Penmont's occupation as well as returning any minerals extracted from this area. The case relating to the claims over these land parcels remains subject to final conclusion. However, given that Penmont has not conducted significant mining operations or had specific geological interest in these land parcels, any contingencies relating to such land parcels are not considered material by the Group. There are no material assets recognised in respect of these land parcels at 31 December 2021 or 31 December 2020.

Layback Agreement:

In December 2020, the Group entered into multiple contracts with Orla Mining Ltd. and its Mexican Subsidiary, Minera Camino Rojo, S.A. de C.V. (together herein referred to as "Orla"), granting Orla the right to expand the Camino Rojo oxide pit onto Fresnillo's "Guachichil D1" mineral concession. Based on the terms of the contracts, the Group will transfer the legal rights to access and mine the mineral concession to Orla.

Due to the fact that the contracts were negotiated together, the Group has considered the layback contracts as a single agreement (Layback Agreement) for the purpose of determining the accounting implications of the transaction. The Group determined that the transaction should be accounted for as the sale of a single intangible asset. As such, it is relevant to consider the point at which control transfers in accordance with the requirements of IFRS 15 regarding when a performance obligation is satisfied and in light of the continuing performance obligations on the part of the Group.

The effectiveness of the agreement was subject to the approval of the Mexican Federal Competition Commission (COFECE), which was granted in February 2021. The consideration includes three payments: US$25.0 million that was paid upon the approval of COFECE, US$15.0 million that will be paid no later than 1 December 2022, US$22.8 million no later than 1 December 2023. The future amounts due bear interest at an annual rate of 5%. Upon notification of approval by COFECE, the Group recognised the fair value of consideration set out in the contract (US$67.2 million, being the cash flows set out above discounted at the risk-free rate).

As set out in the Layback Agreement, as at 31 December 2021 the Group continues to provide support to Orla in respect of other negotiations relevant to their acquisition of the rights to access from the local ejido, thus the Company has recognised the total value of the agreement as deferred income. Based on the expected time of complete the transfer of control of the asset, the Company the deferred income is classified as current.

The ongoing support does not affect the Group's contractual right to the future payments set out above. The amount receivable as at 31 December 2021 amounts to US$40.6 million, of which US$16.7 million is current and US$23.9 million is non-current.

Juanicipio project:
During 2021 Juanicipio has turned from construction to commissioning activities and continues processing mineralised material from development through plants at Fresnillo and Saucito Juanicipio has extended its commissioning period mainly derived from delays in key services such as the power to the plant facilities. As of 31 December 2021, the Group has evaluated the status of Juanicipio for accounting implications and has concluded that it continues in a development stage.

Climate change:
In the climate disclosure in the Strategic Report, the Group's set out its assessment of climate risks and opportunities (CROs). The Group recognises that there may be potential financial statement implications in the future in respect of the mitigation and adaptation measures to the physical and transition risks. The potential effect of climate change would be in respect of assets and liabilities that are measured based on an estimate of future cash flows. The group specifically considered the effect of climate change on the valuation of property, plant and equipment, deferred tax assets, the Silverstream contract, and the provision for mine closure cost. The Group does not have any assets or liabilities for which measurement is directly linked to climate change performance (for example: Sustainability-Linked Bonds).

The main ways in which climate has affected the preparation of the financial statements are:

- The Group has already made certain climate-related strategic decisions, such as to focus on decarbonisation and to increase wind energy. Where decisions have been approved by the Board, the effects were considered in the preparation of these financial statements by way of inclusion in future cash flow projections underpinning the estimation of the recoverable amount of property, plant and equipment and deferred tax assets, as relevant.
- As described in Note 13, the costs inherent in the Silverstream contract are determined based on the provisions of that contract. This reduces the exposure of the valuation of the asset to the effect of any cost implications related to CROs.
- Further information about the potential effect of CROs on the provision for mine closure cost is set out in Note 20.

The Group's strategy consists of mitigation and adaptation measures. To mitigate the impacts by and on climate change the company relies on renewable electricity, fuel replacement and efficiency opportunities to reduce the carbon footprint. The approach to adaptation measures is based on climate models to produce actionable information for the design, construction, operation and closure of its mining assets, considering climate change. Future changes to the Group's climate change strategy or global decarbonisation signposts may impact the Group's significant judgements and key estimates and result in material changes to financial results and the carrying values of certain assets and liabilities in future reporting periods. However, as at the balance sheet date the Group believes there is no material impact on balance sheet carrying values of assets or liabilities. Although this is an estimate, it is not considered a critical estimate.

Estimates and assumptions

Significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements include:

Estimated recoverable ore reserves and mineral resources, note 2(e):

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties; mineral resources are an identified mineral occurrence with reasonable prospects for eventual economic extraction. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates, in conformity with the Joint Ore Reserves Committee (JORC) code 2012. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable ore reserves and mineral resources is based upon factors such as geological assumptions and judgements made in estimating the size and grade of the ore body, estimates of commodity prices, foreign exchange rates, future capital requirements and production costs.

As additional geological information is produced during the operation of a mine, the economic assumptions used and the estimates of ore reserves and mineral resources may change. Such changes may impact the Group's reported balance sheet and income statement including:

- The carrying value of property, plant and equipment and mining properties may be affected due to changes in the recoverable amount, which consider both ore reserves and mineral resources;
- Depreciation and amortisation charges in the income statement may change where such charges are determined using the unit-of-production method based on ore reserves;
- Stripping costs capitalised in the balance sheet, either as part of mine properties or inventory, or charged to profit or loss may change due to changes in stripping ratios;
- Provisions for mine closure costs may change where changes to the ore reserve and resources estimates affect expectations about when such activities will occur;
- The recognition and carrying value of deferred income tax assets may change due to changes regarding the existence of such assets and in estimates of the likely recovery of such assets.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Estimate of recoverable ore on leaching pads

In the Group's open pit mines, certain mined ore is placed on leaching pads where a solution is applied to the surface of the heap to dissolve the gold and enable extraction. The determination of the amount of recoverable gold requires estimation with consideration of the quantities of ore placed on the pads, the grade of the ore (based on assay data) and the estimated recovery percentage (based on metallurgical studies and current technology).

The grades of ore placed on pads are regularly compared to the quantities of metal recovered through the leaching process to evaluate the appropriateness of the estimated recovery (metallurgical balancing). The Group monitors the results of the metallurgical balancing process and recovery estimates are refined based on actual results over time and when new information becomes available. Any potential future adjustment would be applicable from the point of re-estimation and would not by itself change the value of inventory and as such no sensitivity included.

- Silverstream, note 13:
  The valuation of the Silverstream contract as a derivative financial instrument requires estimation by management. The term of the derivative is based on the Sabinas life of mine and the value of this derivative is determined using a number of estimates, including the estimated recoverable ore reserves and mineral resources and future production profile of the Sabinas mine on the same basis a market participant would consider, the estimated recoveries of silver from ore mined, estimates of the future price of silver and the discount rate used to discount future cash flows. For further detail on the inputs that have a significant effect on the fair value of this derivative, see note 30. The impact of changes in silver price assumptions and the discount rate is included in note 30. Management considers that an appropriate sensitivity for volumes produced and sold is on the total recoverable reserve and resource quantities over the contract term rather than annual production volumes over the mine life. A reasonably possible change in total recoverable resources and reserves quantities would not result in a significant change in the value of the contract.

- Income tax, notes 2 (q) and 10:
  The recognition of deferred tax assets, including those arising from unutilised tax losses, requires management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Covid-19

The Covid-19 outbreak developed rapidly in 2020, with a significant number of infections around the world. The development and fluidity of the situation precludes any prediction as to the ultimate impact of Covid-19; however, the Group seeks to obtain the best possible information to enable the assessment of the risks involved and implement appropriate measures to respond.

During 2021, the Group continues to apply measures to safeguard the health of its employees and their local communities while continuing to operate safely and responsibly. During 2021 operations have not been suspended, all mines have operated at normal production capacity. The Group incurred in other production costs of US$4.7 million (2020: US$4.5 million) resulting from Covid-19 which include community support, the acquisition of additional personal protective equipment and other safety measures and are presented in cost of sales.

During 2021 and 2020, attempts at containment of Covid-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. In the current environment, assumptions about future commodity prices, exchange rates, and interest rates are subject to greater variability than normal, which could in the future affect the valuation of the Group's assets and liabilities, both financial and non-financial. As at 31 December 2021 and 2020, there were no material changes to the valuation of the Group's asset and liabilities due to Covid-19.

(d) Foreign currency translation

The Group's consolidated financial statements are presented in US dollars, which is the Parent Company's functional currency. The functional currency for each entity in the Group is determined by the currency of the primary economic environment in which it operates. The determination of functional currency requires management judgement, particularly where there may be more than one currency in which transactions are undertaken and which impact the economic environment in which the entity operates. For all operating entities, this is US dollars.

Transactions denominated in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated into US dollars using the exchange rate at the date when the fair value is determined.

For entities with functional currencies other than US dollars as at the reporting date, assets and liabilities are translated into the reporting currency of the Group by applying the exchange rate at the balance sheet date and the income statement is translated at the average exchange rate for the year. The resulting difference on exchange is included as a cumulative translation adjustment in other comprehensive income. On disposal of an entity, the deferred cumulative amount recognised in other comprehensive income relating to that operation is recognised in the income statement.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, if any. Cost comprises the purchase price and any costs directly attributable to bringing the asset into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost less the residual value of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of sales on a unit-of-production (UOP) basis for mine buildings and installations, plant and equipment used in the mine production process (except mobile equipment) or on a straight-line basis over the estimated useful life of the individual asset that are not related to the mine production process. Changes in estimates, which mainly affect UOP calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

The average expected useful lives are as follows:

	Years
Buildings	8
Plant and equipment	10
Mining properties and development costs[1]	8
Other assets	4

1 Depreciation of mining properties and development cost are determined using the unit-of-production method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising at derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is derecognised.

Non-current assets or disposal groups are classified as held for sale when it is expected that the carrying amount of the asset will be recovered principally through sale rather than through continuing use. Assets are not depreciated when classified as held for sale.

Disposal of assets

Gains or losses from the disposal of assets are recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has been passed.

Mining properties and development costs

Payments for mining concessions are expensed during the exploration phase of a prospect and capitalised during the development of the project when incurred.

Purchased rights to ore reserves and mineral resources are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

Mining concessions, when capitalised, are amortised on a straight-line basis over the period of time in which benefits are expected to be obtained from that specific concession.

Mine development costs are capitalised as part of property, plant and equipment. Mine development activities commence once a feasibility study has been performed for the specific project. When an exploration prospect has entered into the advanced exploration phase and sufficient evidence of the probability of the existence of economically recoverable minerals has been obtained pre-operative expenses relating to mine preparation works are also capitalised as a mine development cost.

The initial cost of a mining property comprises its construction cost, any costs directly attributable to bringing the mining property into operation, the initial estimate of the provision for mine closure cost, and, for qualifying assets, borrowing costs. The Group cease the capitalisation of borrowing cost when the physical construction of the asset is complete and is ready for its intended use.

Ore generated as part of the development stage may be processed and sold, giving rise to revenue before the commencement of commercial production. Where such processing is necessary to bring mining assets into the condition required for their intended use (for example, in testing the plants at the mining unit in development), revenues from metals recovered from such activities are credited to mining properties and development costs. When the processing does not contribute to bringing the mining assets into the condition required for their intended use (for example, when the processing of the ore extracted is supported by assets outside of the development project), the revenue is considered as incidental and it is recognised in profit or loss. In the latter case, cost of sales is measured based on expected operating cost once commercial production has been initiated.

Upon commencement of production, capitalised expenditure is depreciated using the UOP method based on the estimated economically proven and probable reserves to which they relate.

Mining properties and mine development are stated at cost, less accumulated depreciation and impairment in value, if any.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Construction in progress
Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. The cost of construction in progress is not depreciated.

Subsequent expenditures
All subsequent expenditure on property, plant and equipment is capitalised if it meets the recognition criteria, and the carrying amount of those parts that are replaced, is derecognised. All other expenditure including repairs and maintenance expenditure is recognised in the income statement as incurred.

Stripping costs
In a surface mine operation, it is necessary to remove overburden and other waste material in order to gain access to the ore bodies (stripping activity). During development and pre-production phases, the stripping activity costs are capitalised as part of the initial cost of development and construction of the mine (the stripping activity asset) and charged as depreciation or depletion to cost of sales, in the income statement, based on the mine's units of production once commercial operations begin.

Removal of waste material normally continues throughout the life of a surface mine. At the time that saleable material begins to be extracted from the surface mine the activity is referred to as production stripping.

Production stripping cost is capitalised only if the following criteria are met:
- It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the Group;
- The Group can identify the component of an ore body for which access has been improved; and
- The costs relating to the improved access to that component can be measured reliably.

If not all of the criteria are met, the production stripping costs are charged to the income statement as operating costs as they are incurred.

Stripping activity costs associated with such development activities are capitalised into existing mining development assets, as mining properties and development cost, within property, plant and equipment, using a measure that considers the volume of waste extracted compared with expected volume, for a given volume of ore production. This measure is known as "component stripping ratio", which is revised annually in accordance with the mine plan. The amount capitalised is subsequently depreciated over the expected useful life of the identified component of the ore body related to the stripping activity asset, by using the units of production method. The identification of components and the expected useful lives of those components are evaluated as new information of reserves and resources is available. Depreciation is recognised as cost of sales in the income statement.

The capitalised stripping activity asset is carried at cost less accumulated depletion/depreciation, less impairment, if any. Cost includes the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. The costs associated with incidental operations are excluded from the cost of the stripping activity asset.

(f) Impairment of non-financial assets
The carrying amounts of non-financial assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. At each reporting date, an assessment is made to determine whether there are any indicators of impairment. If there are indicators of impairment, an exercise is undertaken to determine whether carrying values are in excess of their recoverable amount. Such reviews are undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of those from other assets or groups of assets, and then the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the recoverable amount in the balance sheet. Impairment losses are recognised in the income statement.

The recoverable amount of an asset
The recoverable amount of an asset is the greater of its value in use and fair value less costs of disposal. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows used to determine the recoverable amount of mining assets are based on the mine plan for each mine. The mine plan is determined based on the estimated and economically proven and probable reserves, as well as certain other resources that are assessed as highly likely to be converted into reserves. Fair value less cost of disposal is based on an estimate of the amount that the Group may obtain in an orderly sale transaction between market participants. For an asset that does not generate cash inflows largely independently of those from other assets, or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairment
An assessment is made each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in previous years. Such impairment loss reversal is recognised in the income statement.

(g) Financial assets and liabilities

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost;
- those to be measured subsequently at fair value through OCI; and
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Classification

The Group classifies its financial assets in one of the following categories.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

The Group's financial assets at amortised cost include receivables (other than trade receivables which are measured at fair value through profit and loss).

Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss. As at 31 December 2021 and 2020 there were no such instruments.

Equity instruments designated as fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

The Group's trade receivables and derivative financial instruments, including the Silverstream contract, are classified as fair value through profit or loss.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables (other than trade receivables which are measured at FVPL), the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group classifies its financial liabilities as follows:

- Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
- All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Classification

For purposes of subsequent measurement, financial liabilities held by the Group are classified as financial liabilities as amortised cost.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(h) Inventories

Finished goods, work in progress and ore stockpile inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method based on cost of production which excludes borrowing costs.

For this purpose, the costs of production include:

- personnel expenses, which include employee profit sharing;
- materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the depreciation of property, plant and equipment used in the extraction and processing of ore; and
- related production overheads (based on normal operating capacity).

Work in progress inventory comprises ore in leaching pads as processing is required to extract benefit from the ore. The recovery of gold is achieved through the heap leaching process. The leaching process may take months to obtain the expected metal recovery and mainly depends on the continuity of the leaching process. When the ore in leaching pads is in active leaching, it is classified as current. When the leaching process has stopped and not expected to restart within twelve months, ore in the leaching pads affected is classified as non-current.

Operating materials and spare parts are valued at the lower of cost or net realisable value. An allowance for obsolete and slow-moving inventories is determined by reference to specific items of stock. A regular review is undertaken by management to determine the extent of such an allowance.

Net realisable value is the estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(i) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Short-term deposits earn interest at the respective short-term deposit rates between one day and three months. For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(j) Provisions

Mine closure cost

A provision for mine closure cost is made in respect of the estimated future costs of closure, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) based on a mine closure plan, in the accounting period when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is included within finance costs. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future economic benefit and is depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis by the Group for changes in cost estimates, discount rates or life of operations. Changes to estimated future costs are recognised in the balance sheet by adjusting the mine closure cost liability and the related asset originally recognised. If, for mature mines, the revised mine assets net of mine closure cost provisions exceed the recoverable value, the portion of the increase is charged directly as an expense. For closed sites, changes to estimated costs are recognised immediately in profit or loss.

(k) Employee benefits

The Group operates the following plans for its employees based in Mexico:

Defined benefit pension plan

This funded plan is based on each employee's earnings and years of service. This plan was open to all employees in Mexico until it was closed to new entrants on 1 July 2007. The plan is denominated in Mexican pesos. For members as at 30 June 2007, benefits were frozen at that date subject to indexation with reference to the Mexican National Consumer Price Index (NCPI).

The present value of defined benefit obligations under the plan is determined using the projected unit credit actuarial valuation method and prepared by an external actuarial firm as at each year-end balance sheet date. The discount rate is the yield on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Actuarial gains or losses are recognised in OCI and permanently excluded from profit or loss.

Past service costs are recognised when the plan amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Net interest cost is recognised in finance cost and return on plan assets (other than amounts reflected in net interest cost) is recognised in OCI and permanently excluded from profit or loss.

Defined contribution pension plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. The contributions are based on the employee's salary.

This plan started on 1 July 2007 and it is voluntary for all employees to join this scheme.

Seniority premium for voluntary separation

This unfunded plan corresponds to an additional payment over the legal seniority premium equivalent to approximately 12 days of salary per year for those unionised workers who have more than 15 years of service. Non-unionised employees with more than 15 years of service have the right to a payment equivalent to 12 days for each year of service. For both cases, the payment is based on the legal current minimum salary.

The cost of providing benefits for the seniority premium for voluntary separation is determined using the projected unit credit actuarial valuation method and prepared by an external actuarial firm as at each year-end balance sheet date. Actuarial gains or losses are recognised as income or expense in the period in which they occur.

Other

Benefits for death and disability are covered through insurance policies.

Termination payments for involuntary retirement (dismissals) are charged to the income statement, when incurred.

(l) Employee profit sharing

In accordance with the Mexican legislation, companies in Mexico are subject to pay for employee profit sharing ('PTU') equivalent to 10% of the taxable income of each fiscal year capped to three months of salary or average of the profit sharing paid the last three years.

PTU is accounted for as employee benefits and is calculated based on the services rendered by employees during the year, considering their most recent salaries. The liability is recognised as it accrues and is charged to the income statement. PTU, paid in each fiscal year, is deductible for income tax purposes.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

(m) Leases

Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment.

(n) Revenue from contracts with customers

Revenue is recognised when control of goods or services transfers to the customer based on the performance obligations settle in the contracts with customers.

Sale of goods

Revenue associated with the sale of concentrates, precipitates, doré bars and activated carbon (the products) is recognised when control of the asset sold is transferred to the customer. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customer acceptance. This generally occurs when the goods are delivered to the customer's smelter or refinery agreed with the buyer; at which point the buyer controls the goods. Inventory in transit to the smelter or refinery does not represent a significant proportion of total revenue at the end of the reporting period given the distance to the mine units.

The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received in the expected month of settlement and the Group's estimate of metal quantities based on assay data, and a corresponding trade receivable is recognised. Any future changes that occur before settlement are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15.

Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognised in revenue but separately from revenue from contracts with customers.

Refining and treatment charges under the sales contracts are deducted from revenue from sales of concentrates as these are not related to a distinct good or service.

(o) Exploration expenses

Exploration activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration expenses are charged to the income statement as incurred and are recorded in the following captions:

- Cost of sales: costs relating to in-mine exploration, that ensure continuous extraction quality and extend mine life, and
- Exploration expenses:
  - Costs incurred in geographical proximity to existing mines in order to replenish or increase reserves, and
  - Costs incurred in regional exploration with the objective of locating new ore deposits in Mexico and Latin America and which are identified by project. Costs incurred are charged to the income statement until there is sufficient probability of the existence of economically recoverable minerals and a feasibility study has been performed for the specific project from which time further expenses are capitalised as exploration costs on balance sheet as Property, plant and equipment.

(p) Selling expenses

The Group recognises in selling expenses a levy in respect of the Extraordinary Mining Right as sales of gold and silver are recognised. The Extraordinary Mining Right consists of a 0.5% rate, applicable to the owners of mining titles. The payment must be calculated over the total sales of all mining concessions. The payment of this mining right must be remitted no later than the last business day of March of the following year and can be credited against corporate income tax.

The Group also recognises in selling expenses a discovery premium royalty equivalent to 1% of the value of the mineral extracted and sold during the year from certain mining titles granted by the Mexican Geological Survey (SGM) in the San Julián mine. The premium is settled to SGM on a quarterly basis.

(q) Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country the Group operates.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in other comprehensive income is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Notes to the consolidated financial statements continued

2. Significant accounting policies continued

Mining rights

The Special Mining Right is considered an income tax under IFRS and states that the owners of mining titles and concessions are subject to pay an annual mining right of 7.5% of the profit derived from the extractive activities (see note 10 (e)). The Group recognises deferred tax assets and liabilities on temporary differences arising in the determination of the Special Mining Right (see note 10).

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(r) Derivative financial instruments and hedging

The Group uses derivatives to reduce certain market risks derived from changes in foreign exchange and commodities price which impact its financial and business transactions. Hedges are designed to protect the value of expected production against the dynamic market conditions.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the item is more than 12 months.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement as finance income or finance cost respectively.

Derivatives are valued using valuation approaches and methodologies (such as Black-Scholes and net present value) applicable to the specific type of derivative instrument. The fair value of forward currency and commodity contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles, European foreign exchange options are valued using the Black-Scholes model. The Silverstream contract is valued using a net present value valuation approach.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an 'economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of derivative instruments are recorded as in other comprehensive income and are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. For gains or losses related to the hedging of foreign exchange risk these are included, in the line item in which the hedged costs are reflected. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. The ineffective portion of changes in the fair value of cash flow hedges is recognised directly as finance costs, in the income statement of the related period.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss recognised directly in other comprehensive income from the period that the hedge was effective remains separately in other comprehensive income until the forecast transaction occurs, when it is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

When hedging with options, the Group designates only the intrinsic value movement of the hedging option within the hedge relationship. The time value of the option contracts is therefore excluded from the hedge designation. In such cases, changes in the time value of options are initially recognised in OCI as a cost of hedging. Where the hedged item is transaction related, amounts initially recognised in OCI related to the change in the time value of options are reclassified to profit or loss or as a basis adjustment to non-financial assets or liabilities upon maturity of the hedged item, or, in the case of a hedged item that realises over time, the amounts initially recognised in OCI are amortised to profit or loss on a systematic and rational basis over the life of the hedged item.

When hedging with forward contracts, the forward element is included in the designation of the financial instrument. Therefore, there is no cost of hedging in relation to forward contracts.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes 12 or more months to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(t) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in notes 29 and 30.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Further information on fair values is described in note 29.

(u) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability when these are approved by the Company's shareholders or Board as appropriate. Dividends payable to minority shareholders are recognised as a liability when these are approved by the Company's subsidiaries.

Notes to the consolidated financial statements continued

3. Segment reporting

For management purposes, the Group is organised into operating segments based on producing mines.

At 31 December 2021, the Group has seven reportable operating segments as follows:

- The Fresnillo mine, located in the state of Zacatecas, an underground silver mine;
- The Saucito mine, located in the state of Zacatecas, an underground silver mine;
- The Ciénega mine, located in the state of Durango, an underground gold mine;
- The Herradura mine, located in the state of Sonora, a surface gold mine;
- The Noche Buena mine, located in state of Sonora, a surface gold mine; and
- The San Julián mine, located on the border of Chihuahua/Durango states, an underground silver-gold mine.

The operating performance and financial results for each of these mines are reviewed by management. As the Group´s chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information.

Management monitors the results of its operating segments separately for the purpose of performance assessment and making decisions about resource allocation. Segment performance is evaluated without taking into account certain adjustments included in Revenue as reported in the consolidated income statement, and certain costs included within Cost of sales and Gross profit which are considered to be outside of the control of the operating management of the mines. The table below provides a reconciliation from segment profit to Gross profit as per the consolidated income statement. Other income and expenses included in the consolidated income statement are not allocated to operating segments. Transactions between reportable segments are accounted for on an arm's length basis similar to transactions with third parties.

In 2021 and 2020, all revenue was derived from customers based in Mexico.

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2021 and 2020, respectively. Revenues for the year ended 31 December 2021 and 2020 include those derived from contracts with costumers and other revenues, as showed in note 4.

								Year ended 31 December 2021	
US$ thousands	Fresnillo	Herradura	Ciénega	Saucito	Noche Buena	San Julián	Other[4]	Adjustments and eliminations	Total
Revenues:									
Third party[1]	**493,582**	**769,896**	**215,623**	**547,294**	**168,849**	**509,247**		**(1,396)**	**2,703,095**
Inter-Segment							**147,727**	**(147,727)**	**–**
Segment revenues	**493,582**	**769,896**	**215,623**	**547,294**	**168,849**	**509,247**	**147,727**	**(149,123)**	**2,703,095**
Segment profit[2]	**224,558**	**285,354**	**106,498**	**321,349**	**77,158**	**322,734**	**144,006**	**(4,800)**	**1,476,857**
Foreign exchange hedging losses									**3,827**
Depreciation and amortisation[3]									**(528,206)**
Employee profit sharing									**(15,553)**
Gross profit as per the income statement									**936,925**
Capital expenditure[3]	**108,335**	**54,371**	**45,392**	**101,160**	**381**	**40,922**	**241,491**	**–**	**592,052**

1 Total third party revenues include treatment and refining charges amounting US$143.5 million. Adjustments and eliminations correspond to hedging gains (note 4).
2 Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing. Segment profit for Fresnillo and Saucito considers the sales and the corresponding processing cost of the development ore from Juanicipio project.
3 Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment, including mine development, construction of leaching pads, and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include the construction of the leaching plant at Fresnillo and the facilities of the Juanicipio development project (included in other).
4 Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V and incidental ore sales from Juanicipio development project to Fresnillo; capital expenditure mainly corresponds to Minera Juanicipio S.A de C.V. and Minera Bermejal, S. de R.L. de C.V.

	Year ended 31 December 2020								
US$ thousands	Fresnillo	Herradura	Ciénega	Saucito	Noche Buena	San Julián	Other[5]	Adjustments and eliminations	Total
Revenues:									
Third party[1]	366,245	777,455	230,221	521,817	151,402	380,552		2,363	2,430,055
Inter-Segment							119,412	(119,412)	–
Segment revenues	366,245	777,455	230,221	521,817	151,402	380,552	119,412	(117,049)	2,430,055
Segment profit[2]	191,042	400,540	129,479	325,099	53,661	211,681	101,615	(4,593)	1,408,524
Foreign exchange hedging gains									4,145
Depreciation and amortisation[3]									(514,572)
Employee profit sharing									(18,731)
Gross profit as per the income statement									879,366
Capital expenditure[4]	92,627	30,182	35,071	73,376	19,674	36,329	125,067	–	412,326

1 Total third party revenues include treatment and refining charges amounting US$180.55 million. Adjustments and eliminations correspond to hedging gains (note 4).
2 Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing.
3 Includes depreciation and amortisation included in unabsorbed production cost amounted US$9.1 million.
4 Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment, including mine development, construction of leaching pads, and purchase of mine equipment, excluding additions relating to changes in the mine closure provision. Significant additions include the construction of the leaching plant at Fresnillo and the facilities of the Juanicipio development project (included in other).
5 Other inter-segment revenue corresponds to leasing services provided by Minera Bermejal, S.A. de C.V and incidental ore sales from Juanicipio development project to Fresnillo; capital expenditure mainly corresponds to Minera Juanicipio S.A de C.V. and Minera Bermejal, S. de R.L. de C.V.

4. Revenues

Revenues reflect the sale of goods, being concentrates, doré, slag, precipitates and activated carbon of which the primary contents are silver, gold, lead and zinc.

(a) Revenues by source

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Revenues from contracts with customers	**2,705,720**	2,425,098
Revenues from other sources:		
Provisional pricing adjustment on products sold	**(1,274)**	2,594
Hedging (loss)/gain on sales	**(1,351)**	2,363
	2,703,095	2,430,055

(b) Revenues by product sold

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Lead concentrates (containing silver, gold, lead and by-products)	**1,157,623**	989,072
Doré and slag (containing gold, silver and by-products)	**806,289**	800,326
Zinc concentrates (containing zinc, silver and by-products)	**346,892**	236,758
Precipitates (containing gold and silver)	**259,835**	275,367
Activated carbon (containing gold, silver and by-products)	**132,456**	128,532
	2,703,095	2,430,055

All concentrates, precipitates, doré, slag and activated carbon were sold to Peñoles' metallurgical complex, Met-Mex, for smelting and refining.

Notes to the consolidated financial statements continued

4. Revenues continued

(c) Value of metal content in products sold

For products other than refined silver and gold, invoiced revenues are derived from the value of metal content adjusted by treatment and refining charges incurred by the metallurgical complex of the customer. The value of the metal content of the products sold, before treatment and refining charges is as follows:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Silver	**1,163,879**	970,532
Gold	**1,305,277**	1,328,000
Zinc	**259,987**	204,733
Lead	**117,448**	107,272
Value of metal content in products sold	**2,846,591**	2,610,537
Adjustment for treatment and refining charges	**(143,496)**	(180,482)
Total revenues[1]	**2,703,095**	2,430,055

1 Includes provisional price adjustments which represent changes in the fair value of trade receivables resulting in a loss of US$1.2 million (2020: gain of US$2.6 million) and hedging loss of US$1.3 million (2020: gain of US$2.3 million). For further detail, refer to note 2(n).

The average realised prices for the gold and silver content of products sold, prior to the deduction of treatment and refining charges, were:

	Year ended 31 December	
	2021 US$ per ounce	2020 US$ per ounce
Gold[2]	**1,794.96**	1,792.44
Silver[2]	**24.87**	21.28

2 For the purpose of the calculation, revenue by content of products sold does not include the results from hedging.

5. Cost of sales

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Depreciation and amortisation (note 12)	**528,206**	505,377
Contractors	**403,568**	357,278
Energy	**233,667**	189,239
Operating materials	**221,773**	203,217
Maintenance and repairs	**199,264**	175,087
Personnel expenses (note 7)	**135,758**	116,103
Mining concession rights and contributions	**20,266**	20,409
Surveillance	**9,832**	7,028
Insurance	**9,628**	7,141
Freight	**8,433**	8,037
Other	**28,284**	18,213
Cost of production	**1,798,679**	1,607,129
Unabsorbed production costs[1]	**956**	19,403
Gain on foreign currency hedges	**(3,827)**	(4,145)
Change in work in progress and finished goods (ore inventories)	**(29,638)**	(71,698)
	1,766,170	1,550,689

1 Corresponds to production cost incurred in Minera San Julián as a result of a plant stoppage (2020: Minera Penmont as a result of the operational impact related to Covid-19, see note 2 c). Main unabsorbed production cost includes US$9.1 million of depreciation and amortisation and US$3.1 million of Contractors).

6. Exploration expenses

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Contractors	**89,005**	71,279
Mining concession rights and contributions	**21,494**	21,099
Administrative services	**4,614**	6,052
Personnel expenses (note 7)	**6,425**	2,753
Assays	**1,651**	1,299
Rentals	**468**	457
Other	**6,634**	4,389
	130,291	107,328

These exploration expenses were mainly incurred in the operating mines located in Mexico; the Juanicipio, Guanajuato, Orisyvo and Centauro Deep projects; and the Mexico Nuevo and Mirador de Cristo prospects. Exploration expenses of US$14.5 million (2020: US$10.4 million) were incurred in the year on projects located in Peru and Chile.

The following table sets forth liabilities (generally trade payables) corresponding to exploration activities of the Group companies engaged only in exploration, principally Exploraciones Mineras Parreña, S.A. de C.V.

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Liabilities related to exploration activities	**348**	666

The liabilities related to exploration activities recognised by the Group operating companies are not included since it is not possible to separate the liabilities related to exploration activities of these companies from their operating liabilities.

Cash flows relating to exploration activities are as follows:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Operating cash outflows related to exploration activities	**130,915**	106,768

7. Personnel expenses

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Salaries and wages	**66,488**	54,202
Statutory healthcare and housing contributions	**23,771**	20,441
Employees' profit sharing	**16,662**	19,275
Other benefits	**18,679**	13,233
Bonuses	**14,906**	12,770
Social security	**5,777**	3,084
Post-employment benefits	**4,300**	5,944
Vacations and vacations bonus	**3,262**	3,420
Training	**2,867**	3,080
Legal contributions	**2,130**	2,101
Other	**4,028**	4,070
	162,870	141,620

Notes to the consolidated financial statements continued

7. Personnel expenses continued

(a) Personnel expenses are reflected in the following line items:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Cost of sales (note 5)	**135,758**	116,103
Administrative expenses	**20,687**	22,764
Exploration expenses (note 6)	**6,425**	2,753
	162,870	141,620

(b) The monthly average number of employees during the year was as follows:

	Year ended 31 December	
	2021 Number	2020 Number
Mining	**2,883**	2,222
Plant	**1,032**	926
Exploration	**432**	403
Maintenance	**1,259**	1,255
Administration and other	**1,062**	1,010
Total	**6,668**	5,816

8. Other operating income and expenses

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Other income:		
Insurance recovery	**–**	2,738
Gain on sale of property, plant and equipment and other assets	**5,026**	–
Rentals	**1,802**	1,278
Other	**5,086**	5,981
	11,914	9,997

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Other expenses:		
Loss on sale of property, plant and equipment	**–**	700
Loss on theft of inventory	**143**	1,477
Maintenance[1]	**3,663**	3,692
Donations	**538**	387
Environmental activities[2]	**4,813**	768
Saucito rehabilitation cost for mine flood	**4,803**	–
Cost of insurance claims	**1,422**	1,085
Other	**7,864**	6,730
	23,246	14,839

1 Costs relating to the rehabilitation of the facilities of Compañía Minera las Torres, S.A. de C.V. (a closed mine).
2 During 2021 main activities were related with the evaluation of improvement in tailing dams in Fresnillo and Ciénega (2020: remediation activities in Ciénega mine).

9. Finance income and finance costs

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Finance income:		
Interest on short-term deposits and investments	**5,167**	4,606
Interest on tax receivables	**3,637**	7,642
Fair value movement on derivatives	**–**	1
Other	**70**	–
	8,874	12,249

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Finance costs:		
Interest on interest-bearing loans	**48,888**	43,542
Premium paid on early notes redemption (note 19)	**–**	60,835
Interest on tax amendments (note 10)	**–**	24,890
Interest on lease liabilities	**504**	644
Unwinding of discount on provisions	**11,522**	10,755
Other	**836**	653
	61,750	141,319

10. Income tax expense

a) Major components of income tax expense:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Consolidated income statement:		
Corporate income tax		
Current:		
Income tax charge	**268,945**	208,370
Amounts under provided in previous years	**7,696**	(67)
	276,641	208,303
Deferred:		
Origination and reversal of temporary differences	**(120,043)**	(88,954)
Revaluation effects of Silverstream contract	**(125)**	21,288
	(120,168)	(67,666)
Corporate income tax	**156,473**	140,637
Special mining right		
Current:		
Special mining right charge (note 10 (e))	**53,147**	24,739
Amounts under provided in previous years	**363**	6,602
	53,510	31,341
Deferred:		
Origination and reversal of temporary differences	**(36,947)**	3,696
Special mining right	**16,563**	35,037
Income tax expense reported in the income statement	**173,036**	175,674

Notes to the consolidated financial statements continued

10. Income tax expense continued

	Year ended 31 December 2021 US$ thousands	Year ended 31 December 2020 US$ thousands
Consolidated statement of comprehensive income:		
Deferred income tax (charge)/credit related to items recognised directly in other comprehensive income:		
Gain on cash flow hedges recycled to income statement	743	1,953
Changes in fair value of cash flow hedges	298	(91)
Changes in the fair value of cost of hedges	1,619	(3,320)
Changes in fair value of equity investments at FVOCI	14,415	(26,866)
Remeasurement losses on defined benefit plans	(908)	(23)
Income tax effect reported in other comprehensive income	16,167	(28,347)

(b) Reconciliation of the income tax expense at the Group's statutory income rate to income tax expense at the Group's effective income tax rate:

	Year ended 31 December 2021 US$ thousands	Year ended 31 December 2020 US$ thousands
Accounting profit before income tax	611,533	551,253
Tax at the Group's statutory corporate income tax rate 30.0%	183,460	165,376
Expenses not deductible for tax purposes	3,442	2,921
Inflationary uplift of the tax base of assets and liabilities	(49,389)	(22,972)
Current income tax (over)/underprovided in previous years	1,569	44
Exchange rate effect on tax value of assets and liabilities[1]	32,078	55,110
Non-taxable/non-deductible foreign exchange effects	1,892	(16,923)
Inflationary uplift of tax losses	(4,165)	(1,170)
Inflationary uplift on tax refunds	(1,732)	(2,077)
Incentive for Northern Border Zone	(10,077)	(35,810)
Deferred tax asset not recognised	6,465	4,916
Special mining right taxable/(deductible) for corporate income tax	(4,969)	(10,488)
Other	(2,101)	1,710
Corporate income tax at the effective tax rate of 25.5% (2020: 25.5%)	156,473	140,637
Special mining right	16,563	35,037
Tax at the effective income tax rate of 28.2% (2020: 31.9%)	173,036	175,674

1 Mainly derived from the tax value of property, plant and equipment.

The most significant items reducing the effect of effective tax rate are inflation effects, exchange rate and the incentive for Northern Border Zone. The future effects of inflation and exchange rate will depend on future market conditions.

(c) Movements in deferred income tax liabilities and assets:

	Year ended 31 December 2021 US$ thousands	Year ended 31 December 2020 US$ thousands
Opening net liability	(174,919)	(210,577)
Income statement credit arising on corporate income tax	120,168	67,666
Income statement (charge)/credit arising on special mining right	36,947	(3,696)
Exchange difference	192	35
Net charge related to items directly charged to other comprehensive income	16,167	(28,347)
Closing net liability	(1,445)	(174,919)

The amounts of deferred income tax assets and liabilities as at 31 December 2021 and 2020, considering the nature of the related temporary differences, are as follows:

	Consolidated balance sheet		Consolidated income statement	
	2021 US$ thousands	2020 US$ thousands	**2021 US$ thousands**	2020 US$ thousands
Related party receivables	**(153,702)**	(266,986)	**(113,284)**	65,505
Other receivables	**(3,247)**	(3,292)	**(45)**	(1,083)
Inventories	**97,170**	231,584	**134,414**	(46,572)
Prepayments	**(2,872)**	(1,833)	**1,039**	792
Derivative financial instruments including Silverstream contract	**(153,111)**	(170,122)	**(14,352)**	10,422
Property, plant and equipment arising from corporate income tax	**(50,155)**	(116,051)	**(65,896)**	(63,066)
Exploration expenses and operating liabilities	**110,989**	61,099	**(49,890)**	5,176
Other payables and provisions	**78,092**	73,706	**(4,386)**	(4,390)
Losses carried forward	**90,439**	75,043	**(15,396)**	(22,041)
Post-employment benefits	**1,034**	1,904	**(38)**	(225)
Deductible profit sharing	**4,937**	6,453	**1,516**	(3,455)
Special mining right deductible for corporate income tax	**23,692**	21,655	**(2,037)**	(3,578)
Equity investments at FVOCI	**(20,554)**	(35,944)	**(975)**	(157)
Other	**(9,309)**	(341)	**9,161**	(4,994)
Net deferred tax liability related to corporate income tax	**13,403**	(123,125)		
Deferred tax credit related to corporate income tax	**–**	–	**(120,169)**	(67,666)
Related party receivables arising from special mining right	**(38,150)**	(28,781)	**9,368**	6,263
Inventories arising from special mining right	**21,332**	16,896	**(4,436)**	187
Property plant and equipment arising from special mining right	**(19,298)**	(39,913)	**(20,615)**	(2,750)
Other	**21,268**	4	**(21,264)**	(4)
Net deferred tax liability	**(1,445)**	(174,919)		
Deferred tax credit			**(157,116)**	(63,970)
Reflected in the statement of financial position as follows:				
Deferred tax assets	**67,300**	120,676		
Deferred tax liabilities-continuing operations	**(68,745)**	(295,595)		
Net deferred tax liability	**(1,445)**	(174,919)		

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same fiscal authority.

Based on management's internal forecast, a deferred tax asset has been recognised in respect of tax losses amounting to US$301.5 million (2020: US$248.4 million). If not utilised, US$30.6 million (2020: US$12.7 million) will expire within five years and US$279.9 million (2020: US$235.7 million) will expire between six and ten years. Of the total deferred tax asset related to losses, US$35.7 million is covered by the existence of taxable temporary differences, the remaining US$49.9 million corresponds to Fresnillo plc which maintained a deferred net asset position. The Group has conducted a feasible tax planning that will allow applied the tax losses before its expiration.

The Group has further tax losses and other similar attributes carried forward of US$72.6 million (2020: US$64.6 million) on which no deferred tax is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits. Based on the applicable tax legislation the tax losses are not subject to expire.

(d) Unrecognised deferred tax on investments in subsidiaries

The Group has not recognised all of the deferred tax liability in respect of distributable reserves of its subsidiaries because it controls them and only part of the temporary differences is expected to reverse in the foreseeable future. The temporary differences for which a deferred tax liability has not been recognised aggregate to US$1,056 million (2020: US$1,797 million).

Notes to the consolidated financial statements continued

10. Income tax expense continued

(e) Corporate Income Tax ('Impuesto Sobre la Renta' or 'ISR') and Special Mining Right ("SMR")

The Group's principal operating subsidiaries are Mexican residents for taxation purposes. The rate of current corporate income tax is 30%.

On 30 December 2018, the Decree of tax incentives for the northern border region of Mexico was published in the Official Gazette, which provided a reduction of income tax by a third and also a reduction of 50% of the value added tax rate, for taxpayers that produce income from business activities carried out within the northern border region. The tax incentives were applicable since 1 January 2019 and remain in force until 31 December 2020. On 30 December 2020 and extension of the Decree was published in the Official Gazette which remain in force until 31 December 2024. Some of the Group companies which produce income from business activities carried out within Caborca, Sonora, which is considered for purposes of the Decree as northern border region, applied for this Decree tax incentives before the Mexican tax authorities, and were granted authorisation for income tax and value added tax purposes.

The special mining right "SMR" states that the owners of mining titles and concessions are subject to pay an annual mining right of 7.5% of the profit derived from the extractive activities and is considered as income tax under IFRS. For the fiscal year 2021 the SMR allows as a credit the 50% of payment of mining concessions rights up to the amount of SMR payable within the same legal entity. The 7.5% tax applies to a base of income before interest, annual inflation adjustment, taxes paid on the regular activity, depreciation and amortisation, as defined by the new ISR. This SMR can be credited against the corporate income tax of the same fiscal year and its payment must be remitted no later than the last business day of March of the following year.

During the fiscal year ended 31 December 2021, the Group credited US$11.5 million (2020: US$21.3 million) of mining concession rights against the SMR. Total mining concessions rights paid during the year were US$22.9 million (2020: US$21.3 million) and have been recognised in the income statement within cost of sales and exploration expenses. Mining concessions rights paid in excess of the SMR cannot be credited to SMR in future fiscal periods, and therefore no deferred tax asset has been recognised in relation to the excess. Without regards to credits permitted under the SMR regime, the current special mining right charge would have been US$64.6 million (2020: US$46.1 million).

11. Earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the year attributable to equity shareholders of the Company by the weighted average number of Ordinary Shares in issue during the period.

The Company has no dilutive potential Ordinary Shares.

As of 31 December 2021 and 2020, earnings per share have been calculated as follows:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	**421,473**	374,124
Adjusted profit from continuing operations attributable to equity holders of the Company	**421,764**	324,451

Adjusted profit is profit as disclosed in the Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$0.04 million loss (US$0.03 million net of tax) (2020: US$71.0 million gain (US$49.7 million net of tax)).

Adjusted earnings per share have been provided in order to provide a measure of the underlying performance of the Group, prior to the revaluation effects of the Silverstream contract, a derivative financial instrument.

	2021 thousands	2020 thousands
Number of shares:		
Weighted average number of Ordinary Shares in issue	**736,894**	736,894

	2021 US$	2020 US$
Earnings per share:		
Basic and diluted earnings per share	**0.572**	0.507
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	**0.572**	0.440

12. Property, plant and equipment

	Land and buildings	Plant and Equipment	Mining properties and development costs	Other assets	Construction in Progress	Total
					Year ended 31 December 2020[3] US$ thousands	
Cost						
At 1 January 2020	323,568	2,271,110	2,321,849	329,529	629,776	5,875,832
Additions	1,930	20,409	3,709	12,910[2]	377,137	416,095
Disposals	(1,015)	(27,690)	(91,266)	(3,268)	–	(123,239)
Transfers and other movements	17,538	122,096	173,362	16,882	(329,878)	–
At 31 December 2020	342,021	2,385,925	2,407,654	356,053	677,035	6,168,688
Accumulated depreciation						
At 1 January 2020	(162,328)	(1,345,809)	(1,406,781)	(147,497)	–	(3,062,415)
Depreciation for the year[1]	(9,234)	(221,497)	(256,181)	(30,741)	–	(517,653)
Disposals	387	26,448	91,687	1,053	–	119,575
At 31 December 2020	(171,175)	(1,540,858)	(1,571,275)	(177,185)	–	(3,460,493)
Net Book amount at 31 December 2020	170,846	845,067	836,379	178,868	677,035	2,708,195

	Land and buildings	**Plant and Equipment**	**Mining properties and development costs**	**Other assets**	**Construction in Progress**	**Total**
					Year ended 31 December 2021[3] US$ thousands	
Cost						
At 1 January 2021	**342,021**	**2,385,252**	**2,408,327**	**356,055**	**677,035**	**6,168,690**
Additions	**8,059**	**154,908**	**98,192**	**12,661**	**351,614**	**625,434**
Disposals	**(134)**	**(9,555)**	**(151,807)**	**(426)**	**–**	**161,922**
Transfers and other movements	**4,659**	**110,839**	**102,580**	**5,921**	**(223,999)**	**–**
At 31 December 2021	**354,605**	**2,641,444**	**2,457,292**	**374,211**	**804,650**	**6,632,202**
Accumulated depreciation						
At 1 January 2021	**(171,175)**	**(1,540,185)**	**(1,571,948)**	**(177,185)**	**–**	**(3,460,493)**
Depreciation for the year[1]	**(27,489)**	**(199,392)**	**(271,573)**	**(34,965)**	**–**	**(533,419)**
Disposals	**11**	**9,066**	**151,332**	**376**	**–**	**160,785**
At 31 December 2021	**(198,653)**	**(1,730,511)**	**(1,692,189)**	**(211,774)**	**–**	**(3,833,127)**
Net Book amount at 31 December 2021[4]	**155,952**	**910,933**	**765,103**	**162,437**	**804,650**	**2,799,075**

1 Depreciation for the year includes US$ $529.4 million (2020: US$515.9 million) recognised as an expense in the income statement and US$4.6 million (2020: US$1.7 million), capitalised as part of construction in progress.
2 From the additions in 'other assets' category US$(7.8) million (2020: US$3.9 million) corresponds to the reassessment of mine closure rehabilitations costs, see note 20.
3 Figures include Right-of-use assets as described in note 24.
4 The amount of Property, plant and equipment related to Soledad-Dipolos at 31 December 2021 is US$35.4 million (2020: US$35.9 million) and reflects capitalised mining works and the amount recognised in the cost of PP&E related to estimated remediation and closure activities.

The table below details construction in progress by operating mine and development projects:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Saucito	**85,926**	45,845
Herradura	**29,479**	55,120
Noche Buena	**9,685**	10,069
Ciénega	**38,976**	56,032
Fresnillo	**188,146**	154,276
San Julián	**17,304**	20,801
Juanicipio	**425,513**	320,306
Other[1]	**9,621**	14,586
	804,650	677,035

1 Mainly corresponds to Minera Bermejal, S.A. de C.V. (2020: Minera Bermejal, S.A. de C.V.).

During the year ended 31 December 2021, the Group capitalised US$8.4 million of borrowing costs within construction in progress (2020: US$8.8 million). Borrowing costs were capitalised at the rate of 5.02% (2020: 5.02%).

Notes to the consolidated financial statements continued

12. Property, plant and equipment continued

Sensitivity analysis

Management considers that the models supporting the carrying amounts of mining assets are most sensitive to commodity price assumptions. Management has considered whether a reasonably possible change in prices could lead to impairment and concluded that it would not.

13. Silverstream contract

On 31 December 2007, the Group entered into an agreement with Peñoles through which it is entitled to receive the proceeds received by the Peñoles Group in respect of the refined silver sold from the Sabinas Mine ('Sabinas'), a base metals mine owned and operated by the Peñoles Group, for an upfront payment of US$350 million. In addition, a per ounce cash payment of $2.00 in years one to five and $5.00 thereafter (subject to an inflationary adjustment that commenced from 31 December 2013) is payable to Peñoles. The cash payment per ounce for the year ended 31 December 2021 was $ 5.43 per ounce (2020: $5.37 per ounce). Under the contract, the Group has the option to receive a net cash settlement from Peñoles attributable to the silver produced and sold from Sabinas, to take delivery of an equivalent amount of refined silver or to receive settlement in the form of both cash and silver. If, by 31 December 2032, the amount of silver produced by Sabinas is less than 60 million ounces, a further payment is due from Peñoles of US$1 per ounce of shortfall. At 31 December 2021 the weighted average discount rate applied for the purposes of the valuation model was 7.92% (2020: 7.43%).

The Silverstream contract represents a derivative financial instrument which has been recorded at FVPL and classified within non-current and current assets as appropriate. The term of the derivative is based on Sabinas life of mine which is currently 28 years. Changes in the contract's fair value, other than those represented by the realisation of the asset through the receipt of either cash or refined silver, are charged or credited to the income statement. In the year ended 31 December 2021 total proceeds received in cash were US$49.0 million (2020: US$33.7 million) of which, US$4.8 million was in respect of proceeds receivable as at 31 December 2020 (2020: US$7.6 million). Cash received in respect of the year of US$41.3 million (2020: US$28.4 million) corresponds to 2.4 million ounces of payable silver (2020: 2.3 million ounces). As at 31 December 2021, a further US$4.8 million (2020: US$7.6 million) of cash receivable corresponding to 274,237 ounces of silver is due (2020: 362,295 ounces).

The US$0.4 million unrealised loss recorded in the income statement (31 Dec 2020: US$71.0 million gain) resulted mainly from the decrease in the forward silver price curve, increase in the LIBOR reference rate and an update in a new production mine plan. These effects were compensated by the amortisation effects and higher inflation forecasts.

A reconciliation of the beginning balance to the ending balance is shown below:

	2021 US$ thousands	2020 US$ thousands
Balance at 1 January	**576,140**	541,254
Cash received in respect of the year	**(41,338)**	(28,427)
Cash receivable	**(4,842)**	(7,648)
Remeasurement (loss)/gains recognised in profit and loss	**(416)**	70,961
Balance at 31 December	**529,544**	576,140
Less – Current portion	**35,152**	41,443
Non-current portion	**494,392**	534,697

See note 29 for further information on the inputs that have a significant effect on the fair value of this derivative, see note 30 for further information relating to market and credit risks associated with the Silverstream asset.

14. Inventories

	As at 31 December	
	2021 US$ thousands	2020 US$ thousands
Finished goods[1]	**19,137**	28,925
Work in progress[2]	**344,805**	305,888
Ore stockpile[3]	**3,234**	414
Operating materials and spare parts	**125,824**	113,111
	493,000	448,338
Allowance for obsolete and slow-moving inventories	**(5,196)**	(5,131)
Balance as 31 December	**487,804**	443,207
Less – Current portion	**396,184**	351,587
Non-current portion[4]	**91,620**	91,620

1 Finished goods include metals contained in concentrates and doré bars on hand or in transit to a smelter or refinery.
2 Work in progress includes metals contained in ores on leaching pads and in stockpiles that will be processed in dynamic leaching plants (note 2(c)).
3 Ore stockpile includes ore mineral obtained during the development phase at Juanicipio.
4 Non-current inventories relate to ore in leaching pads where the leaching process has stopped and is not expected to restart within twelve months.

Concentrates are a product containing sulphides with variable content of precious and base metals and are sold to smelters and/or refineries. Doré is an alloy containing a variable mixture of gold and silver that is delivered in bar form to refineries, activated carbon is a product containing variable mixture of gold and silver that is delivered in small particles. The content once processed by the smelter and refinery is sold to customers in the form of refined products.

The amount of inventories recognised as an expense in the year was US$1,770.3 million (2020: US$1,550.7 million). During 2021 and 2020, there was no adjustment to net realisable value allowance against work-in-progress inventory. The adjustment to the allowance for obsolete and slow-moving inventory recognised as an expense was US$0.1 million (2020: US$0.3 million).

15. Trade and other receivables

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Trade receivables from related parties (note 26)	**265,473**	326,833
Value Added Tax receivable	**103,448**	167,957
Other receivables from related parties (note 26)	**4,886**	8,176
Other receivables from contractors	**27**	1,918
Other receivables	**11,478**	8,545
Other receivables arising from the Layback Agreement (note 2 (c))	**16,684**	–
	401,996	513,429
Expected credit loss of 'Other receivables'	**(572)**	(502)
Trade and other receivables classified as current assets	**401,424**	512,927
Other receivables classified as non-current assets:		
Value Added Tax receivable	**34,634**	–
Other receivables arising from the Layback Agreement (note 2 (c))	**23,914**	–
	58,548	–
	459,972	512,927

Trade receivables are shown net of any corresponding advances, are non-interest bearing and generally have payment terms of 46 to 60 days.

The total receivables denominated in US$ were US$315.6 million (2020: US$339.6 million), and in Mexican pesos US$144.4 million (2020: US$173.2 million).

Balances corresponding to Value Added Tax receivables and US$10.4 million within Other receivables (2020: US$8.5 million) are not financial assets.

As of 31 December for each year presented, except for 'other receivables' in the table above, all trade and other receivables were neither past due nor credit-impaired. The amount past due and considered as credit-impaired as of 31 December 2021 is US$0.6 million (2020: US$0.5 million). Trade receivables from related partied and other receivables for related parties are classified as financial assets at FVTPL and therefore not considered in the expected credit loss analysis. In determining the recoverability of receivables, the Group performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparty, see note 30(b).

16. Cash and cash equivalents

The Group considers cash and cash equivalents when planning its operations and in order to achieve its treasury objectives.

	As at 31 December	
	2021 US$ thousands	2020 US$ thousands
Cash at bank and on hand	**2,834**	1,955
Short-term deposits	**1,232,448**	1,068,460
Cash and cash equivalents	**1,235,282**	1,070,415

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

Notes to the consolidated financial statements continued

17. Equity

Share capital and share premium

Authorised share capital of the Company is as follows:

	As at 31 December			
	2021		2020	
Class of share	Number	Amount	Number	Amount
Ordinary Shares each of US$0.50	**1,000,000,000**	**$500,000,000**	1,000,000,000	$500,000,000
Sterling Deferred Ordinary Shares each of £1.00	**50,000**	**£50,000**	50,000	£50,000

Issued share capital of the Company is as follows:

	Ordinary Shares		Sterling Deferred Ordinary Shares	
	Number	US$	Number	£
At 1 January 2020	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2020	736,893,589	$368, 545,586	50,000	£50,000
At 31 December 2021	**736,893,589**	**$368, 545,586**	**50,000**	**£50,000**

As at 31 December 2021 and 2020, all issued shares with a par value of US$0.50 each are fully paid. The rights and obligations attached to these shares are governed by law and the Company's Articles of Association. Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. There are no restrictions on the transfer of the Ordinary Shares.

The Sterling Deferred Ordinary Shares only entitle the shareholder on winding up or on a return of capital to payment of the amount paid up after repayment to Ordinary Shareholders. The Sterling Deferred Ordinary Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Ordinary Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Ordinary Shares or require the holder to transfer the Sterling Deferred Ordinary Shares. Except at the option of the Company, the Sterling Deferred Ordinary Shares are not transferable.

Reserves

Share premium

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value.

Capital reserve

The capital reserve arose as a consequence of the Pre-IPO Reorganisation as a result of using the pooling of interest method.

Hedging reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge, net of tax. When the hedged transaction occurs, the gain or the loss is transferred out of equity to the income statement or the value of other assets.

Cost of hedging reserve

The changes in the time value of option contracts are accumulated in the costs of hedging reserve. These deferred costs of hedging are either reclassified to profit or loss or recognised as a basis adjustment to non-financial assets or liabilities upon maturity of the hedged item, or, in the case of a hedge item that realises over time, amortised on a systematic and rational basis over the life of the hedged item.

Fair value reserve of financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2(g). These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial information of entities with a functional currency different to that of the presentational currency of the Group.

Retained earnings/accumulated losses

This reserve records the accumulated results of the Group, less any distributions and dividends paid.

18. Dividends declared and paid

The dividends declared and paid during the years ended 31 December 2021 and 2020 are as follows:

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2021		
Final dividend for 2020 declared and paid during the year[1]	**23.50**	**173,170**
Interim dividend for 2021 declared and paid during the year[2]	**9.90**	**72,952**
	33.40	**246,122**
Year ended 31 December 2020		
Final dividend for 2019 declared and paid during the year[3]	11.90	87,690
Interim dividend for 2020 declared and paid during the year[4]	2.30	16,949
	14.20	104,639

1 This dividend was approved by the Shareholders on 24 June 2021 and paid on 28 June 2021
2 This dividend was approved by the Board of Directors on 3 August 2020 and paid 15 September 2021
3 This dividend was approved by the Shareholders on 26 May 2020 and paid on 2 June 2020.
4 This dividend was approved by the Board of Directors on 27 July 2020 and paid 16 September 2020

A reconciliation between dividend declared, dividends affected to retained earnings and dividend presented in the cash flow statements is as follows:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Dividends declared	**246,122**	104,639
Foreign exchange effect	**59**	–
Dividends recognised in retained earnings	**246,181**	104,639
Foreign exchange and hedging effect	**(620)**	47
Dividends paid	**245,561**	104,686

The Directors have proposed a final dividend of US$24 cents per share, which is subject to approval at the Annual General Meeting and is not recognised as a liability as at 31 December 2021. Dividends paid from the profits generated from 1 January 2014 to residents in Mexico and to non-resident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Group.

In late 2019, the Directors became aware of a technical breach of the Companies Act 2006 (the Act) whereby certain dividends paid between 2011 and 2019 (the 'Historic Dividends') had been made without having filed interim accounts in accordance with the Act. The relevant interim accounts have now been filed with the Registrar of Companies and these show that the Company had sufficient distributable reserves at the point at which each of the Historic Dividends was paid. It is the intention of the Directors, as a matter of prudency, to put forward a resolution to shareholders in due course to regularise the position. This decision will have no effect on the monies received pursuant to these dividends and will not adversely impact shareholders or the Company. Nevertheless, the Directors will keep the matter under review.

19. Interest-bearing loans

Senior Notes

On 29 September 2020, the Group repurchased certain of its 5.500% Senior Notes due 2023 that had a carrying value of US$482.1 million for consideration of US$543.0 million. Additional accrued interest at the date of the repurchase included in the settlement amounted US$10.8 million. The premium paid on purchase of these notes of US$60.9 million was recognised in financial expenses. The settlement occurred on 2 October 2020.

On 2 October 2020, the Group completed its offering of US$850,000,000 aggregate principal amount of 4.250% Senior Notes due 2050. The proceeds were partially used to finance the repurchase mentioned above.

Movements in the year in the debt recognised in the balance sheet are as follows:

	As at 31 December	
	2021 US$ thousands	2020 US$ thousands
Opening balance	**1,156,670**	801,239
Issuance of 4.250% senior notes due 2050[1]	**–**	828,325
Repayments of 5.500% senior notes due 2023	**–**	(482,121)
Accrued interest	**56,384**	48,873
Interest paid[2]	**(56,370)**	(43,144)
Amortisation of discount and transaction costs	**861**	3,498
Closing balance	**1,157,545**	1,156,670

1 Balance is net of unamortised discounts and capitalised transaction costs of $21.7 million.
2 Accrued interest is payable semi-annually on 13 May and 13 November for 5.500 senior notes and 2 April and 2 October for 4.250% senior notes.

Notes to the consolidated financial statements continued

19. Interest-bearing loans continued

The Group has the following restrictions derived from the issuance of all outstanding Senior Notes:

Change of control:

Should the rating of the senior notes be downgraded as a result of a change of control (defined as the sale or transfer of 35% or more of the common shares; the transfer of all or substantially all the assets of the Group; starting a dissolution or liquidation process; or the loss of the majority in the Board of Directors) the Group is obligated to repurchase the notes at an equivalent price of 101% of their nominal value plus the interest earned at the repurchase date, if requested to do so by any creditor.

Pledge on assets:

The Group shall not pledge or allow a pledge on any property that may have a material impact on business performance (key assets). Nevertheless, the Group may pledge the aforementioned properties provided that the repayment of the Notes keeps the same level of priority as the pledge on those assets.

20. Provision for mine closure cost

The provision represents the discounted values of the risk-adjusted estimated cost to decommission and rehabilitate the mines at the estimated date of depletion of mine deposits. Uncertainties in estimating these costs include potential changes in regulatory requirements;, decommissioning, dismantling and reclamation alternatives;, timing; the effects of climate change, and the discount, foreign exchange and inflation rates applied. Closure provisions are typically based on conceptual level studies that are refreshed at least every three years. As these studies are renewed, they incorporate greater consideration of forecast climate conditions at closure.

The Group has performed separate calculations of the provision by currency, discounting at corresponding rates. As at 31 December 2021, the discount rates used in the calculation of the parts of the provision that relate to Mexican pesos range from 6.39% to 8.33% (2020: range from 4.35% to 8.12%). The range for the current year parts that relate to US dollars range from 0.57% to 1.40% (2020: range from 0.07% to 1.16%).

Mexican regulations regarding the decommissioning and rehabilitation of mines are limited and less developed in comparison to regulations in many other jurisdictions. It is the Group's intention to rehabilitate the mines beyond the requirements of Mexican law, and estimated costs reflect this level of expense. The Group intends to fully rehabilitate the affected areas at the end of the lives of the mines.

The provision is expected to become payable at the end of the production life of each mine, based on the reserves and resources, which ranges from 3 to 24 years from 31 December 2021 (3 to 24 years from 31 December 2020). As at 31 December 2021 the weighted average term of the provision is 12 years (2020: 12 years).

	As at 31 December	
	2021 US$ thousands	2020 US$ thousands
Opening balance	**245,688**	231,056
Increase to existing provision	**17,078**	8,351
Effect of changes in discount rate	**(7,821)**	3,896
Unwinding of discount rate	**11,622**	10,801
Payments	**(879)**	(817)
Foreign exchange	**(5,381)**	(7,599)
Closing balance	**260,307**	245,688
Less – Current portion (note 22)	**3,351**	880
Non-current portion	**256,956**	244,808

The provision is sensitive to changes in discount rates. Changes in market rates and risks not considered in the risk-adjusted cost estimates could change the discount rate. To illustrate the sensitivity of the provision to discounting, if the discount rate at 31 December 2021 decreased by 50 basis points then the provision would be US$43.4 million higher, of which approximately US$43.3 million would be capitalised within 'Property, plant and equipment' at operating sites and US$0.1 million would be charged to the income statement for non-operating sites. If the discount rate increased by 50 basis points then the provision would be US$27.2 million lower, of which approximately US$27.1 million would result in a decrease within 'Property, plant and equipment' at operating sites and US$0.1 million would be credited to the income statement for non-operating sites.

21. Pensions and other post-employment benefit plans

The Group has a defined contribution plan and a defined benefit plan.

The defined contribution plan was established as from 1 July 2007 and consists of periodic contributions made by each Mexican non-unionised worker and contributions made by the Group to the fund matching workers' contributions, capped at 8% of the employee's annual salary.

The defined benefit plan provides pension benefits based on each worker's earnings and years of services provided by personnel hired up to 30 June 2007 as well as statutory seniority premiums for both unionised and non-unionised workers.

The overall investment policy and strategy for the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits and statutory seniority premiums for non-unionised workers as they fall due while also mitigating the various risks of the plan. However, the portion of the plan related to statutory seniority premiums for unionised workers is not funded. The investment strategies for the plan are generally managed under local laws and regulations. The actual asset allocation is determined by current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile. Within this framework, the Group ensures that the trustees consider how the asset investment strategy correlates with the maturity profile of the plan liabilities and the respective potential impact on the funded status of the plan, including potential short-term liquidity requirements.

Death and disability benefits are covered through insurance policies.

The following tables provide information relating to changes in the defined benefit obligation and the fair value of plan assets:

		Pension cost charge to income statement					Remeasurement gains/(losses) in OCI								
	Balance at 1 January 2021	**Service cost**	**Net Interest**	**Foreign Exchange**	**Sub-total recognised in the year**	**Benefits paid**	**Return on plan assets (excluding amounts included in net interest**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Experience adjustments**	**Foreign exchange**	**Sub-total included in OCI**	**Contributions by employer**	**Defined benefit increase due to personnel transfer**	**Balance at 31 December 2021**
															US$ thousands
Defined benefit obligation	**(31,358)**	**(1,249)**	**(1,906)**	**1,572**	**(1,583)**	**841**	**–**	**–**	**3,946**	**–**	**–**	**3,946**	**–**	**2,481**	**(25,673)**
Fair value of plan assets	**19,381**	**–**	**1,167**	**(616)**	**1,283**	**(841)**	**1,744**	**–**	**–**	**–**	**–**	**1,744**	**732**	**(2,400)**	**19,167**
Net benefit liability	**(11,977)**	**(517)**	**(739)**	**956**	**(300)**	**–**	**1,744**	**–**	**3,946**	**–**	**–**	**5,690**	**–**	**81**	**(6,506)**

		Pension cost charge to income statement					Remeasurement gains/(losses) in OCI								
	Balance at 1 January 2020	Service cost	Net Interest	Foreign Exchange	Sub-total recognised in the year	Benefits paid	Return on plan assets (excluding amounts included in net interest	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Foreign exchange	Sub-total included in OCI	Contributions by employer	Defined benefit increase due to personnel transfer	Balance at 31 December 2020
															US$ thousands
Defined benefit obligation	(31,294)	(1,211)	(1,738)	1,595	(1,354)	985	–	–	(487)	976	–	489	–	(184)	(31,358)
Fair value of plan assets	20,590	–	1,089	(1,123)	(34)	(985)	(342)	–	–	–	–	(342)	–	152	19,381
Net benefit liability	(10,704)	(1,211)	(649)	472	(1,388)	–	(342)	–	(487)	976	–	147	–	(32)	(11,977)

Of the total defined benefit obligation, US$9.6 million (2020: US$9.6 million) relates to statutory seniority premiums for unionised workers which are not funded. The expected contributions to the plan for the next annual reporting period are nil.

The principal assumptions used in determining pension and other post-employment benefit obligations for the Group's plans are shown below:

	As at 31 December	
	2021 %	2020 %
Discount rate	**7.99**	7.09
Future salary increases (National Consumer Price Index)	**5.00**	5.00

The life expectancy of current and future pensioners, men and women aged 65 and older, will live on average for a further 24.08 and 27.05 years respectively (2020: 23.4 years for men and 26.9 for women). The weighted average duration of the defined benefit obligation is 12.1 years (2020: 12.5 years).

Notes to the consolidated financial statements continued

21. Pensions and other post-employment benefit plans continued

The fair values of the plan assets were as follows:

	As at 31 December	
	2021 US$ thousands	2020 US$ thousands
State owned companies	**3,180**	3,756
Mutual funds (fixed rates)	**15,987**	15,625
	19,167	19,381

As at 31 December 2021 and 2020, all the funds were invested in quoted debt instruments.

The pension plan has not invested in any of the Group's own financial instruments nor in properties or assets used by the Group.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021 is as shown below:

Assumptions	Discount rate		Future salary increases (NCPI)		Life expectancy of pensioners
Sensitivity Level	0.5% Increase	0.5% Decrease	0.5% increase	0.5% decrease	+ 1 Increase
(Decrease)/increase to the net defined benefit obligation (US$ thousands)	**(1,079)**	**1,174**	**157**	**(156)**	**208**

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The pension plan is not sensitive to future changes in salaries other than in respect of inflation.

22. Trade and other payables

	As at 31 December	
	2021 US$ thousands	2020 US$ thousands
Trade payables	**130,187**	86,838
Note payable[1]	**107,918**	64,425
Other payables to related parties (note 26)	**30,930**	19,629
Accrued expenses	**22,319**	16,368
Layback Agreement (note 2 (c))	**67,182**	–
Other taxes and contributions	**19,699**	37,948
	378,235	225,208

1 Corresponds to a short-term interest-bearing note payable received from Minera los Lagartos, S.A. de C.V. which holds a non-controlling interest in Juanicipio project. During 2021 Juanicipios's shareholders agreed to extend the maturity of the notes bases on expected cash flows and repayment intention.

Trade payables are mainly for the acquisition of materials, supplies and contractor services. These payables do not accrue interest and no guarantees have been granted. The fair value of trade and other payables approximate their book values.

Balances corresponding to Accrued expenses and Other tax and contributions are not financial liabilities.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 30.

23. Commitments

A summary of capital expenditure commitments by operating mine and development project is as follows:

	As at 31 December	
	2021 US$ thousands	2020 US$ thousands
Saucito	**49,127**	30,922
Herradura	**21,258**	23,635
Noche Buena	**213**	373
Ciénega	**15,710**	9,304
Fresnillo	**43,541**	25,256
San Julián	**6,379**	3,051
Juanicipio	**103,100**	189,128
Other	**970**	2,909
	240,298	284,579

24. Leases

(a) The Group as lessee

The Group leases various offices, buildings and IT equipment. The resulting lease liability is as follows:

	As at	
	31 December 2021 US$ thousands	31 December 2020 US$ thousands
IT equipment	**8,406**	9,779
Buildings	**2,421**	2,966
Total lease liability	**10,827**	12,745
Less – Current portion	**4,681**	5,048
Non-current portion	**6,146**	7,697

The total cash outflow for leases for the year ended 31 December 2021, except short term and low value leases, amount US$6.5 million (2020: US$5.8 million).

The table below details right-of-use assets included as property plant and equipment in note 12.

	Year ended 31 December 2021		
			US$ thousands
	Building	**Computer equipment**	**Total**
Cost			
At 1 January 2021	**4,001**	**17,527**	**21,528**
Additions	**331**	**2,889**	**3,220**
At 31 December 2021	**4,332**	**20,416**	**24,748**
Accumulated depreciation			
At 1 January 2021	**(1,059)**	**(8,056)**	**(9,115)**
Depreciation for the year	**(727)**	**(4,375)**	**(5,102)**
At 31 December 2021	**(1,786)**	**(12,431)**	**(14,217)**
Net book amount at 31 December 2021	**2,546**	**7,985**	**10,531**

Amounts recognised in profit and loss for the year, additional to depreciation of right-of-use assets, included US$0.5 million (2020: US$0.6 million) relating to interest expense, US$0.7 million (2020: US$0.7 million) relating to short-term leases and US$3.3 million (2020: $2.9 million) relating to low-value assets.

(b) The Group as a lessor

Operating leases, in which the Group is the lessor, relate to mobile equipment owned by the Group with lease terms of between 12 to 36 months. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the equipment at the expiry of the lease period. The Group's leases as a lessor are not material.

Notes to the consolidated financial statements continued

25. Contingencies

As of 31 December 2021, the Group has the following contingencies:

- The Group is subject to various laws and regulations which, if not observed, could give rise to penalties.
- Tax periods remain open to review by the Mexican tax authorities (SAT, by its Spanish acronym) in respect of income taxes for five years following the date of the filing of corporate income tax returns, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances, the reviews may cover longer periods. As such, there is a risk that transactions, and in particular related party transactions, that have not been challenged in the past by the authorities, may be challenged by them in the future.
- Certain of the Group's income tax returns are currently being reviewed by the SAT. The status of the material on-going inspections is as follows:
  - On 13 February 2020, SAT initiated an audit of the income tax and mining rights computations of Desarrollos Mineros Fresne, S de R.L. de C.V. for the year 2014. On 3 February 2021, the SAT delivered its findings to which the company responded. The findings relate to the tax treatments of capitalised stripping cost and exploration expenditure. The company responded to the SAT and initiated a procedure with the Mexican Taxpayer Ombudsman (PRODECON) to procure a Conclusive Agreement with SAT in respect of these findings. The process is ongoing.
  - On 11 February 2021, SAT initiated an audit of the income tax and mining rights computations of Desarrollos Mineros Fresne, S de R.L. de C.V. for the year 2015. The findings are similar to the 2014 Tax Audit Findings, and relate to the tax treatments of capitalised stripping cost, exploration expenditure, and in-period deduction of certain ore extraction services as an expense. On 8 February 2022, the SAT delivered its findings to which the company responded. It is expected that the company will initiate a procedure with PRODECON to procure a Conclusive Agreement with SAT in respect of these findings.

  Due to the current stage of the Conclusive Agreement regarding 2014 and the audit procedures for 2015, it is not possible to anticipate whether the tax authorities are going to assess a deficiency to Desarrollos Mineros Fresne, S de R.L. de C.V. It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome arising from these or any future inspections that may be initiated. However, management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.
- On 8 May 2008, the Company and Peñoles entered into the Separation Agreement (the 'Separation Agreement'). This agreement relates to the separation of the Group and the Peñoles Group and governs certain aspects of the relationship between the Fresnillo Group and the Peñoles Group following the initial public offering in May 2008 ('Admission'). The Separation Agreement provides for cross-indemnities between the Company and Peñoles so that, in the case of Peñoles, it is held harmless against losses, claims and liabilities (including tax liabilities) properly attributable to the precious metals business of the Group and, in the case of the Company, it is held harmless by Peñoles against losses, claims and liabilities which are not properly attributable to the precious metals business. Save for any liability arising in connection with tax, the aggregate liability of either party under the indemnities shall not exceed US$250 million in aggregate.
- In 2011, flooding occurred in the Saucito mine, following which the Group filed an insurance claim in respect of the damage caused (and in respect of business interruption). This insurance claim was rejected by the insurance provider. In early 2018, after the matter had been taken to mutually agreed arbitration, the insurance claim was declared valid; however, there is disagreement about the appropriate amount to be paid. In October 2018 the Group received US$13.6 million in respect of the insurance claim, however this does not constitute a final settlement and management continues to pursue a higher insurance payment. Due to the fact that negotiations are on-going and there is uncertainty regarding the timing and amount involved in reaching a final settlement with the insurer, it is currently not practicable to determine the total amount expected to be recovered.
- It is probable that interest income will be earned on the Group's outstanding income and value added tax receivable balances; however, there is no certainty that this interest will be realised until the underlying balance is recovered. Due to that uncertainty, it is also not practicable to estimate the amount of interest income earned but not recovered to date.

26. Related party balances and transactions

The Group had the following related party transactions during the years ended 31 December 2021 and 2020 and balances as at 31 December 2021 and 2020.

Related parties are those entities owned or controlled by the ultimate controlling party, as well as those who have a minority participation in Group companies and key management personnel of the Group.

(a) Related party balances

	Accounts receivable		Accounts payable	
	As at 31 December		As at 31 December	
	2021 US$ thousands	2020 US$ thousands	**2021 US$ thousands**	2020 US$ thousands
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	**265,473**	326,833	**298**	170
Other:				
Industrias Peñoles, S.A.B. de C.V.	**4,842**	7,648	**–**	–
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	**6**	397	**–**	–
Servicios Administrativos Peñoles, S.A. de C.V.	**–**	–	**4,519**	3,156
Servicios Especializados Peñoles, S.A. de C.V.	**–**	–	**179**	2,652
Fuentes de Energía Peñoles, S.A. de C.V.	**–**	–	**5,220**	568
Termoeléctrica Peñoles, S. de R.L. de C.V.	**–**	–	**2,154**	2,662
Eólica de Coahuila S.A. de C.V.	**–**	–	**13,589**	7,342
Minera Capela, S.A. de C.V.	**–**	–	**714**	–
Other	**38**	131	**4,257**	3,079
Sub-total	**270,359**	335,009	**30,930**	19,629
Less-current portion	**270,359**	335,009	**30,930**	19,629
Non-current portion	**–**	–	**–**	–

Related party accounts receivable and payable will be settled in cash.

Other balances with related parties:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	**529,544**	576,140

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 13.

(b) Principal transactions with affiliates, including Industrias Peñoles S.A.B de C.V., the Company's parent, are as follows:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Income:		
Sales:[1]		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	**2,704,447**	2,427,692
Insurance recovery		
Grupo Nacional Provincial, S.A.B. de C.V.	**23**	2,761
Other income	**2,708**	3,618
Total income	**2,707,178**	2,434,071

1 Figures do not include the effects of hedging as the derivative transactions are not undertaken with related parties. Figures are net of the adjustment for treatment and refining charges of US$143.5 million (2020: US$180.5 million). During 2021 and 2020 there were no sales credited to development projects.

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Expenses:		
Administrative services:		
Servicios Administrativos Peñoles, S.A. de C.V. [2]	**35,654**	33,031
Servicios Especializados Peñoles, S.A. de C.V. [3]	**19,105**	17,932
	54,759	50,963
Energy:		
Termoeléctrica Peñoles, S. de R.L. de C.V.	**19,597**	17,616
Fuentes de Energía Peñoles, S.A. de C.V.	**5,019**	5,051
Eólica de Coahuila S.A. de C.V.	**39,423**	36,090
	64,039	58,757
Operating materials and spare parts:		
Wideco Inc	**5,465**	5,362
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	**10,579**	7,389
	16,044	12,751
Equipment repair and administrative services:		
Serviminas, S.A. de C.V.	**10,029**	6,476
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	**16,422**	12,278
Other expenses:	**7,441**	3,351
Total expenses	**168,734**	144,576

2 Includes US$3.1 million (2020: US$5.1 million) corresponding to expenses reimbursed.
3 Includes US$2.6 million (2020: US$3.0 million) relating to engineering costs that were capitalised.

In 2020, the Group paid US$16.1 million to Industrias Peñoles, S.A.B de C.V. related to the settlement of amounts due to the SAT arising from the voluntary tax amendment mentioned in Note 10 (a) in respect of the fiscal year 2013. This payment was made as settlement of the adjustment in respect of 2013 was done in accordance with the tax consolidation regime that was applicable in that year.

Notes to the consolidated financial statements continued

26. Related party balances and transactions continued

(c) Compensation of key management personnel of the Group

Key management personnel include the members of the Board of Directors and the Executive Committee.

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Salaries and bonuses	**3,142**	3,092
Post-employment benefits	**192**	146
Other benefits	**337**	370
Total compensation paid in respect of key management personnel	**3,671**	3,608

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Accumulated accrued defined benefit pension entitlement	**4,138**	5,005

This compensation includes amounts paid to Directors disclosed in the Directors' Remuneration Report.

The accumulated accrued defined pension entitlement represents benefits accrued at the time the benefits were frozen. There are no further benefits accruing under the defined benefit scheme in respect of current services.

27. Auditor's remuneration

Fees due by the Group to its auditor during the year ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
Class of services	2021 US$ thousands	2020 US$ thousands
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**1,413**	1,439
Fees payable to the Group's auditor and its associates for other services as follows:		
The audit of the Company's subsidiaries pursuant to legislation	**382**	242
Audit-related assurance services	**497**	521
Other assurance services	**–**	309
Total	**2,292**	2,511

28. Notes to the consolidated statement of cash flows

	Notes	2021 US$ thousands	2020 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		**438,496**	375,579
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	12	**529,390**	515,909
Employee profit sharing	7	**16,662**	19,275
Deferred income tax expense/(credit)	10	**(157,116)**	(63,970)
Current income tax expense	10	**330,151**	239,644
(Gain)/loss on the sale of property, plant and equipment and other assets	8	**(5,041)**	667
Net finance costs		**52,863**	129,066
Foreign exchange loss		**1,306**	22,342
Difference between pension contributions paid and amounts recognised in the income statement		**625**	1,243
Non cash movement on derivatives		**531**	(56)
Changes in fair value of Silverstream	13	**416**	(70,961)
Working capital adjustments			
Decrease/(Increase) in trade and other receivables		**85,580**	(61,561)
(Increase)/decrease in prepayments and other assets		**(2,233)**	331
Increase in inventories		**(44,596)**	(79,467)
Decrease in trade and other payables		**19,252**	10,933
Cash generated from operations		**1,266,287**	1,038,974
Income tax paid[1]		**(349,840)**	(114,170)
Employee profit sharing paid		**(21,306)**	(7,119)
Net cash from operating activities		**895,141**	917,685

1 Income tax paid includes US$321.8 million corresponding to corporate income tax (020: US$103.6 million) and US$28.0 corresponding to special mining right (2020: US$10.6 million), for further information refer to note 10.

29. Financial instruments

(a) Fair value category

As at 31 December 2021

US$ thousands

Financial assets:	Amortised cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables (note 15)	**41,217**	**–**	**–**	**270,315**
Equity instruments at FVOCI	**–**	**164,525**	**–**	**–**
Silverstream contract (note 13)	**–**	**–**	**–**	**529,544**
Derivative financial instruments	**–**	**–**	**96**	**–**

Financial liabilities:		Amortised cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans (note 19)	**–**	**1,157,545**	**–**	**–**
Trade and other payables (note 22)	**–**	**161,117**	**–**	**–**
Note payable (note 22)	**–**	**107,918**	**–**	**–**
Derivative financial instruments	**–**	**–**	**3,885**	**–**

As at 31 December 2020

US$ thousands

Financial assets:	Amortised cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Trade and other receivables (note 15)	1,944	–	–	334,482
Equity instruments at FVOCI	–	212,576	–	–
Silverstream contract (note 13)	–	–	–	576,140
Derivative financial instruments	–	–	6,290	–

Financial liabilities:		Amortised cost	Fair value (hedging instruments)	Fair value through profit or loss
Interest-bearing loans (note 19)	–	1,157,545	–	–
Trade and other payables (note 22)	–	106,467	–	–
Note payable (note 22)	–	64,425	–	–

1 Trade and other receivables and embedded derivative within sales contracts are presented net in Trade and other receivables in the balance sheet.

(b) Fair value measurement

The value of financial assets and liabilities other than those measured at fair value are as follows:

	As at 31 December			
	Carrying amount		Fair value	
	2021 US$ thousands	2020 US$ thousands	**2021 US$ thousands**	2020 US$ thousands
Financial assets:				
Trade and other receivables	**41,217**	1,944	**41,217**	1,944
Financial liabilities:				
Interest-bearing loans[1] (note 19)	**1,157,545**	1,156,210	**1,237,689**	1,297,770
Trade and other payables	**161,117**	106,467	**161,117**	106,467
Note payable (note 22)	**107,918**	64,425	**107,918**	64,425

1 Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

Notes to the consolidated financial statements continued

29. Financial instruments continued

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at 31 December as follows:

	As of 31 December 2021			
	Fair value measure using			
	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
Financial assets:				
Trade receivables	–	–	270,315	270,315
Derivative financial instruments:				
Option commodity contracts (note 29 (c))	–	66	–	66
Option and forward foreign exchange contracts	–	30	–	30
Silverstream contract	–	–	529,544	529,544
Other financial assets:				
Equity instruments at FVOCI	164,525	–	–	164,525
	164,525	96	799,859	964,480
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts (note 29 (c))	–	2,987	–	2,987
Option and forward foreign exchange contracts	–	898	–	898
	–	3,885	–	3,885

	As of 31 December 2020			
	Fair value measure using			
	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
Financial assets:				
Trade receivables	–	–	334,482	334,482
Derivative financial instruments:				
Option commodity contracts (note 29 (c))	–	1,666	–	1,666
Option and forward foreign exchange contracts	–	4,624	–	4,624
Silverstream contract	–	–	576,140	576,140
Other financial assets:				
Equity instruments at FVOCI	212,576	–	–	212,576
	212,576	6,290	910,622	1,129,488

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of Level 3 fair value measurements.

A reconciliation of the opening balance to the closing balance for Level 3 financial instruments other than Silverstream (which is disclosed in note 13) is shown below:

	2021 US$ thousands	2020 US$ thousands
Balance at 1 January:	326,834	206,982
Sales	3,247,864	5,352,029
Cash collection	(3,307,951)	(5,234,771)
Changes in fair value	(3,695)	21,165
Realised embedded derivatives during the year	2,421	(18,571)
Balance at 31 December	265,473	326,834

The fair value of financial assets and liabilities is included at reflects the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following valuation techniques were used to estimate the fair values:

Option and forward foreign exchange contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign currency forward (Level 2) contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Option commodity contracts
The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The option commodity (Level 2) contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

Silverstream contract
The fair value of the Silverstream contract is determined using a valuation model including unobservable inputs (Level 3). This derivative has a term of over 20 years and the valuation model utilises several inputs that are not based on observable market data due to the nature of these inputs and/or the duration of the contract. Inputs that have a significant effect on the recorded fair value are the volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican peso and US dollar, future inflation, and the discount rate used to discount future cash flows.

The estimate of the volume of silver that will be produced and sold from the Sabinas mine requires estimates of the recoverable silver reserves and resources, the related production profile based on the Sabinas mine plan and the expected recovery of silver from ore mined. The estimation of these inputs is subject to a range of operating assumptions and may change over time. Estimates of reserves and resources are updated annually by Peñoles, the operator and sole interest holder in the Sabinas mine and provided to the Company. The production profile and estimated payable silver that will be recovered from ore mined is based on the operational mine plan, with certain amendments to reflect a basis that a market participant would consider, that is provided to the Company by Peñoles. The inputs assume no interruption in production over the life of the Silverstream contract and production levels which are consistent with those achieved in recent years.

Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs described above and determines their impact on the total fair value. The significant unobservable inputs are not interrelated. The fair value of the Silverstream is not significantly sensitive to a reasonable change in future exchange rates, however, it is to a reasonable change in future silver price, future inflation and the discount rate used to discount future cash flows.

For further information relating to the Silverstream contract see note 13. The sensitivity of the valuation to the inputs relating to market risks, being the price of silver, foreign exchange rates, inflation and the discount rate is, disclosed in note 30.

Equity investments:
The fair value of equity investments is derived from quoted market prices in active markets (Level 1). These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature. As of 31 December 2021, approximately 89.8% of the investments correspond to 9,314,877 shares (2020: 9,314,877 shares) of Mag Silver, Corp. for an amount of US$146.1 million (2020: US$199.5 million) and 7.3% of Endeavor, Inc. represented by 2,800,000 (2020: 2,800,000 shares) shares for an amount of US$11.9 million (2020: US$14.1 million). These equity investments are listed on the Canadian Stock Exchange. The prices per share as 31 December 2021 were US$15.69 (2020: US$20.47) and US$4.23 (2020: US$5.05), respectively.

Interest-bearing loans:
The fair value of the Group's interest-bearing loan is derived from quoted market prices in active markets (Level 1).

Trade receivables:
Sales of concentrates, precipitates doré bars and activated carbon are 'provisionally priced' and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery (see note 2 (n)). This price exposure is considered to be an embedded derivative and therefore the entire related trade receivable is measured at fair value.

At each reporting date, the provisionally priced metal content is revalued based on the forward selling price for the quotational period stipulated in the relevant sales contract. The selling price of metals can be reliably measured as these metals are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

30. Financial risk management

Overview

The Group's principal financial assets and liabilities, other than derivatives, comprise trade receivables, cash, equity instruments at FVOCI, interest-bearing loans and trade payables.

The Group has exposure to the following risks from its use of financial instruments:
- Market risk, including foreign currency, commodity price, interest rate, inflation rate and equity price risks.
- Credit risk.
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Notes to the consolidated financial statements continued

30. Financial risk management continued

The Fresnillo Audit Committee has responsibility for overseeing how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices or interest rates will affect the Group's income or the value of its financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

In the following tables, the effect on equity excludes the changes in retained earnings as a direct result of changes in profit before tax.

Foreign currency risk

The Group has financial instruments that are denominated in Mexican peso and other foreign currencies which are exposed to foreign currency risk. Transactions in currencies other than the US dollar include the purchase of services, fixed assets, spare parts and the payment of dividends. As a result, the Group has financial assets and liabilities denominated in currencies other than functional currency and holds cash and cash equivalents in Mexican peso.

In order to manage the Group's exposure to foreign currency risk on expenditure denominated in currencies other than the US dollar, the Group has entered into certain forward and option derivative contracts.

The following table demonstrates the sensitivity of cash and cash equivalents, trade and other receivables, trade and other payables and derivatives financial instruments (excluding Silverstream) to a reasonably possible change in the US dollar exchange rate compared to the Mexican peso, reflecting the impact on the Group's profit before tax and equity, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods for the purposes of calculating the sensitivity with relation to derivative financial instruments.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
2021	**10%**	**2,123**	**1,251**
	(5%)	**(1,229)**	**(1,587)**
2020	20%	2,792	30,056
	(15%)	(668)	(12,378)

The effects on profit before tax and equity of reasonably possible changes to the US dollar exchange rate compared to the Mexican peso on the Silverstream contract are not material. The Group's exposure to reasonably possible changes in other currencies is not material.

Commodity risk

The Group has exposure to changes in metals prices (specifically silver, gold, lead and zinc) which have a significant effect on the Group's results. These prices are subject to global economic conditions and industry-related cycles.

The Group uses derivative instruments to hedge against an element of gold, zinc and lead price.

The table below reflects the aggregate sensitivity of financial assets and liabilities (excluding Silverstream) to a reasonably possible change in commodities prices, reflecting the impact on the Group's profit before tax with all other variables held constant.

The sensitivity shown in the table below relates to changes in fair value of commodity derivatives financial instruments contracts (excluding Silverstream) and embedded derivatives in sales.

	Increase/(decrease) in commodity prices					
Year ended 31 December	Gold	Silver	Zinc	Lead	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
2021	**10%**	**15%**	**25%**	**15%**	**40,688**	**(4,861)**
	(10%)	**(15%)**	**(15%)**	**(15%)**	**(36,638)**	**2,707**
2020	20%	45%	25%	15%	88,037	(7,989)
	(20%)	(45%)	(20%)	(15%)	(86,165)	22,697

Commodity price risk – Silverstream

Future silver price is one of the inputs to the Silverstream valuation model. The following table demonstrates the sensitivity of the Silverstream contract valuation to a reasonably possible change in future silver prices, with all other inputs to the Silverstream valuation model held constant. It is assumed that the same percentage change in silver price is applied to all applicable periods in the valuation model. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Increase/ (decrease) in silver price	Effect on profit before tax: increase/ (decrease) US$ thousands
2021	**15%** **(15%)**	**104,419** **(104,419)**
2020	45% (45%)	338,484 (338,494)

Interest rate risk

The Group is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally relating to the cash balances and the Silverstream contract held at the balance sheet date. Interest-bearing loans are at a fixed rate, therefore the possibility of a change in interest rate only impacts its fair value but not its carrying amount. Therefore, interest-bearing loans and loans from related parties are excluded from the table below.

The following table demonstrates the sensitivity of financial assets and financial liabilities (excluding Silverstream) to a reasonably possible change in interest rate applied to a full year from the balance sheet date. There is no impact on the Group's equity other than the equivalent change in retained earnings.

Year ended 31 December	Basis point increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2021	**25** **–**	**3,088** **–**
2020	25 (20)	2,676 (2,141)

The sensitivity shown in the table above primarily relates to the full year of interest on cash balances held as at the year end.

Interest rate risk – Silverstream

Future interest rates are one of the inputs to the Silverstream valuation model. The following table demonstrates the sensitivity of the Silverstream contract valuation to a reasonably possible change in interest rates, with all other inputs to the Silverstream valuation model held constant. It is assumed that the same change in interest rate is applied to all applicable periods in the valuation model. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Basis point increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2021	**25** **–**	**(13,219)** **–**
2020	25 (20)	(14,689) 12,239

Equity price risk

The Group has exposure to changes in the price of equity instruments that it holds as equity investments at FVOCI.

The following table demonstrates the sensitivity of equity investments at FVOCI to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Group's profit before tax and equity:

Year ended 31 December	Increase/ (decrease) in equity price	Effect on profit before tax: increase/ (decrease) (US$ thousands)	Effect on equity: increase/ (decrease) US$ thousands
2021	**25%** **(45%)**	**–** **–**	**40,707** **(73,272)**
2020	70% (40%)	– –	148,803 (85,031)

Notes to the consolidated financial statements continued

30. Financial risk management continued

(b) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to trade and other receivables, cash and cash equivalents, the Silverstream contract and derivative financial instruments.

The Group's policies are aimed at minimising losses as a result of counterparties' failure to honour their obligations. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. The Group's financial assets are with counterparties with what the Group considers to have an appropriate credit rating. As disclosed in note 26, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Group's financial assets were neither credit-impaired nor past due, other than 'Other receivables' as disclosed in note 15. The Group's policies are aimed at minimising losses from foreign currency hedging contracts. The Company's foreign currency hedging contracts are entered into with large financial institutions with strong credit ratings.

The Group has a high concentration of trade receivables with one counterparty Met-Mex Peñoles, the Group's sole customer throughout 2021 and 2020. A further concentration of credit risk arises from the Silverstream contract. Both Met-Mex and the counterparty to the Silverstream contract are subsidiaries in the Peñoles group which currently owns 75 percent of the shares of the Company and is considered by management to be of appropriate credit rating.

The Group's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents, including short-term investments investing in several financial institutions. Accordingly, on an ongoing basis the Group deposits surplus funds with a range of financial institutions, depending on market conditions. In order to minimise exposure to credit risk, the Group only deposits surplus funds with financial institutions with a credit rating of MX-1 (Moody´s) and mxA-1+ (Standard and Poor's) and above. As at 31 December 2021, the Group had concentrations of credit risk as 22% of surplus funds were deposited with one financial institution of which the total investment was held in short term Mexican government paper.

The maximum credit exposure at the reporting date of each category of financial asset above is the carrying value as detailed in the relevant notes. See note 16 for the maximum credit exposure to cash and cash equivalents and note 26 for related party trade and other receivables. The maximum credit exposure with relation to the Silverstream contract is the value of the derivative as at 31 December 2021, being US$529.5 million (2020: US$576.1 million).

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its risk of a shortage of funds using projected cash flows from operations and by monitoring the maturity of both its financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

					US$ thousands
	Within 1 year	**2–3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2021					
Interest-bearing loans (note 19)	**56,370**	**412,236**	**75,973**	**1,761,672**	**2,306,251**
Trade and other payables	**122,794**	**–**	**–**	**–**	**122,794**
Note payable (note 22)	**107,918**	**–**	**–**	**–**	**107,918**
Lease liabilities (note 24)	**4,681**	**4,905**	**661**	**580**	**10,827**
Derivative financial instruments – liabilities	**3,885**	**–**	**–**	**–**	**3,885**

					US$ thousands
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2020					
Interest-bearing loans (note 19)	56,370	430,620	75,973	1,799,658	2,362,621
Trade and other payables	106,467	–	–	–	106,467
Note payable (note 22)	64,425	–	–	–	64,425
Lease liabilities (note 24)	5,048	5,933	907	857	12,745
Derivative financial instruments – liabilities	–	–	–	–	–

The payments disclosed for financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding estimated inflows based on the contractual terms:

					US$ thousands
	Within 1 year	**2-3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2021					
Inflows	**48,602**	**–**	**–**	**–**	**48,602**
Outflows	**(51,588)**	**–**	**–**	**–**	**(51,588)**
Net	**(2,986)**	**–**	**–**	**–**	**(2,986)**

					US$ thousands
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2020					
Inflows	45,343	–	–	–	45,343
Outflows	(40,768)	–	–	–	(40,768)
Net	4,575	–	–	–	4,575

The above liquidity tables include expected inflows and outflows from currency option contracts which the Group expects to be exercised during 2022 as at 31 December 2021 and during 2021 as at 31 December 2020, either by the Group or counterparty.

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and interest-bearing loans, as disclosed in the balance sheet, excluding net unrealised gains or losses on revaluation of cash flow hedges and Equity instruments at FVOCI. In order to ensure an appropriate return for shareholders' capital invested in the Group management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, including cash flows from the Silverstream.

One of the Group's metrics of capital is cash and other liquid assets, which in 2021 and 2020 consisted of only cash and cash equivalents.

Parent Company balance sheet
As at 31 December

	Notes	As at 31 December 2021 US$ thousands	2020 US$ thousands
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**5,738,623**	5,790,218
Equity instruments at FVOCI	16	**164,525**	212,576
Deferred tax asset	4	**42,173**	6,111
		5,945,321	6,008,905
Current assets			
Loans to related parties	12	**895,980**	1,315,578
Income tax recoverable		**599**	2,347
Trade and other receivables	6	**1,394**	368
Derivative financial instruments	16	**96**	6,290
Cash and cash equivalents	7	**764,474**	4,660
		1,662,543	1,329,243
Total assets		**7,607,864**	7,338,148
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	8	**368,546**	368,546
Share premium	8	**1,153,817**	1,153,817
Merger reserve	8	**3,803,882**	3,911,531
Fair value reserve of financial assets at FVOCI	8	**76,901**	110,537
Retained earnings	8	**1,038,138**	54,026
Total equity		**6,441,284**	5,598,457
Non-current liabilities			
Interest-bearing loans	10	**1,157,545**	1,156,670
		1,157,545	1,156,670
Current liabilities			
Trade and other payables		**5,150**	7,521
Derivative financial instruments	16	**3,885**	–
Loans from related parties	12	**–**	575,500
		9,035	583,021
Total liabilities		**1,166,580**	1,739,691
Total equity and liabilities		**7,607,864**	7,338,148

The profit for the Company is US$1,122.6 million for the year ended 31 December 2021 (2020: loss of US$271.2 million). In accordance with the exemption granted under section 408 of the Companies Act 2006 a separate income statement for the Company has not been presented.

These financial statements were approved by the Board of Directors on 7 March 2022 and signed on its behalf by:

Mr Juan Bordes
Non-Executive Director
7 March 2022

Parent Company statement of cash flows
Year ended 31 December

	Notes	Year ended 31 December 2021 US$ thousands	2020 US$ thousands
Net cash used from operating activities	14	**(18,162)**	(35,893)
Cash flows from investing activities			
Capital contribution to subsidiaries		**(56,054)**	(9,317)
Loans granted to related parties		**(6,925,250)**	(4,364,860)
Proceeds from repayment of loans granted to related parties		**7,344,229**	4,288,686
Interest received		**51,887**	82,609
Dividends received		**1,242,406**	104,985
Net cash generated from investing activities		**1,657,218**	102,103
Cash flows from financing activities			
Loans granted by related parties		**(1,731,338)**	2,711,684
Repayment of loans granted by related parties		**1,156,191**	(2,881,878)
Dividends paid[1]		**(245,561)**	(104,686)
Proceeds from the issuance of interest-bearing loans	10	**–**	828,325
Repayment of interest-bearing loans	10	**–**	(542,956)
Interest paid	10	**(57,474)**	(83,615)
Net cash used in financing activities		**(878,182)**	(73,126)
Net in cash and cash equivalents during the year		**760,874**	(6,916)
Effect of exchange rate on cash and equivalents		**(1,060)**	600
Cash and cash equivalents at 1 January		**4,660**	10,976
Cash and cash equivalents at 31 December	7	**764,474**	4,660

1 Includes the effect of hedging of dividend payments made in currencies other than US dollar.

Parent Company statement of changes in equity
Year ended 31 December

	Notes	Share capital	Share premium	Merger reserve	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity
Balance at 1 January 2020		368,546	1,153,817	3,677,500	47,851	121,468	5,369,182
Profit for the year		–	–	–	–	271,228	271,228
Other comprehensive expense net of tax		–	–	–	62,686	–	62,686
Total comprehensive loss for the year		–	–	–	62,686	271,228	333,914
Transfer of reserves		–	–	234,031	–	(234,031)	–
Dividends declared and paid	9	–	–	–	–	(104,639)	(104,639)
Balance at 31 December 2020		**368,546**	**1,153,817**	**3,911,531**	**110,537**	**54,026**	**5,598,457**
Profit for the year		**–**	**–**	**–**	**–**	**1,122,644**	**1,122,644**
Other comprehensive income net of tax		**–**	**–**	**–**	**(33,636)**	**–**	**(33,636)**
Total comprehensive income for the year		**–**	**–**	**–**	**(33,636)**	**1,122,644**	**1,089,008**
Transfer of reserves		**–**	**–**	**(107,649)**	**–**	**107,649**	**–**
Dividends declared and paid	9	**–**	**–**	**–**	**–**	**(246,181)**	**(246,181)**
Balance at 31 December 2021		**368,546**	**1,153,817**	**3,803,882**	**76,901**	**1,038,138**	**6,441,284**

Notes to the Parent Company financial statements

1. Corporate information

Fresnillo plc ('the Company') is a public limited company and registered in England and Wales with registered number 6344120 and is the holding company for the Fresnillo subsidiaries detailed in note 5. The Company is a Mexican resident for taxation purposes with tax residency in Mexico City. For further information see note 4.

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75 percent of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. The country of incorporation of Peñoles is Mexico. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx.

The primary activity of the Company is as a holding company for the Fresnillo Group of companies. See note 5.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue by the Board of Directors of Fresnillo plc on 7 March 2022.

2. Significant accounting policies

(a) Basis of preparation and statement of compliance

The Company's separate financial statements have been prepared in accordance with UK adopted international accounting standards and the requirements of the Companies Act 2006.

The financial statements of the Company have been prepared on a historical cost basis, except for certain derivative financial instruments and equity securities which have been measured at fair value.

The financial statements are presented in dollars of the United States of America (US dollars or US$) and all monetary amounts are rounded to the nearest thousand (US$000) except when otherwise indicated.

The basis of preparation and accounting policies used in preparing the financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless otherwise stated.

(b) Changes in accounting policies

The accounting policies adopted in the preparation of the separated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2020.

New standards, interpretations and amendments (new standards) adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Standards, interpretations and amendments issued but not yet effective

The IASB has issued other amendments resulting from improvements to IFRSs that management considers do not have any impact on the accounting policies, financial position or performance of the Company. The Company has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, with regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is in the accounting policies and the notes to the financial statements.

Judgements

The area of judgement, apart from those involving estimations, that has the most significant effect on the amounts recognised in the financial statements is:

Deferred tax asset (note 4):

The Company has recognised a deferred tax asset in respect of tax losses amounting to US$67.1 million. In accordance with the tax legislation tax losses amounting US$22.3 million will expire in a period of five years and US$201.5 million in a period between nine and ten years. The Company has conducted a feasible tax planning and concluded it will generate future taxable income that allow apply the tax losses before its expiration.

Climate change:

We describe how climate-related risks and opportunities (CROs) may affect and was considered in the preparation of the financial statements in note 2(c) of the Consolidated Financial Statements. Because the cash flows underpinning the recoverable amount of mining assets also underpin the recoverable amount of investments in subsidiaries holding those mining assets, the considerations set out in that note also apply to the Parent Company financial statements. Other assets and liabilities discussed in note 2(c) of the Consolidated Financial Statements do not apply to the Parent Company and there are no other assets or liabilities that the group considers may be subject to CROs.

Notes to the Parent Company financial statements continued

2. Significant accounting policies continued

Estimates and assumptions

The significant area of estimation uncertainty made by management in preparing the financial statements is:

- Recoverable value of investments in subsidiaries (notes 2(e) and 5):
  The Company assesses investments in subsidiaries annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and the value in use. Due to the nature of the subsidiaries, the assessment of the recoverable amount is generally determined based on the net present value of future cash flows related to the subsidiaries requiring the use of estimates and assumptions such as long-term commodity prices, reserves and resources and the associated production profiles, discount rates, future capital requirements, exploration potential and operating performance. These cash flows are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The determination of that rate requires certain judgements.

  Where an impairment charge has previously been recognised, the Company assesses at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that investment, requiring similar estimates and assumptions as those for determining an impairment charge. At 31 December 2021 the Company recognised a net impairment of US$107.6 million (2020: net impairment reversal of US$234.0 million) to recognise a cumulative impairment relating to subsidiaries of US$1,985.7 million (2020: US$1,878.1 million).

(d) Foreign currency translation

The Company's financial statements are presented in US dollars, which is the functional currency of the Company. The functional currency for the Company is determined by the currency of the primary economic environment in which it operates.

Transactions denominated in currencies other than the functional currency of the Company are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated into US dollars using the exchange rate at the date when the fair valued is determined.

(e) Investments in subsidiaries

Subsidiaries are entities which the Company controls due to it being exposed to, or having the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are recognised at acquisition cost less any provision for impairment. Impairment charges and reversals, up to the value of the merger reserve, are reclassified from retained earnings to the merger reserve.

When the Company increases its capital investment in or where there is a return of share capital from its subsidiaries, such movements are recognised as an addition to, or return of the original cost recognised in investment in subsidiaries. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established.

At each reporting date, an assessment is made to determine whether there are any indicators of impairment. Where an indicator of impairment exists, an estimate of the recoverable amount of the investment in subsidiary is made, which is considered to be the higher of the fair value less costs of disposal and the value in use. The Company usually determines fair value based on the net present value of the future cash flows related to its subsidiaries. If the carrying amount of an investment exceeds the recoverable amount, a provision is recorded in the income statement to reflect the investment at the recoverable amount.

Where an impairment charge has previously been recognised, an assessment is made at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, an estimate of the recoverable amount is made. An impairment loss is reversed to profit or loss to the extent that the increased carrying value of the investment in subsidiary does not exceed that would have been determined had no impairment loss been recognised for the asset in prior years.

(f) Financial assets and liabilities

The Company classifies its financial assets in the following measurement categories:

- Those to be measured at amortised cost;
- Those to be measured subsequently at fair value through OCI; and
- Those to be measured subsequently at fair value through profit or loss.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Classification

The Company classifies its financial assets in one of the following categories.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

The Company's financial assets at amortised cost include receivables from loans granted to related parties.

Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Equity instruments designated as fair value through other comprehensive income

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed equity investments under this category.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

The Company's derivative financial instruments are classified as fair value through profit or loss.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For loans granted to subsidiaries the Company evaluate the expecting credit loss using a one-year probability of default corresponding to the mining industry determined by a specialised financial institution and considering an appropriate severity based on the cost of capital of the Group.

For other trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Notes to the Parent Company financial statements continued

2. Significant accounting policies continued

Classification

For purposes of subsequent measurement, financial liabilities held by the Group are classified as financial liabilities at amortised cost.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(g) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Short-term deposits earn interest at the respective short-term deposit rates between one day and three months. For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(h) Share capital

Ordinary Shares issued by the Company are recorded at the net proceeds received, which is the fair value of the consideration received less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is taken to the share capital account and any excess is recorded in the share premium account, including the costs that were incurred with the share issue.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received excluding discounts, rebates, and other sales taxes.

Trademark royalties

Trademark royalty income is recognised only at the time when it is probable that the amounts related to certain rights will be received.

(j) Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:
- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- where the deferred income tax asset relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(k) Derivative financial instruments and hedging
The Company enters into derivative contracts in order to manage certain market risks derived from changes in foreign exchange and commodity prices which impact the financial and business transactions of its subsidiaries. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

In the Group's consolidated financial statements certain of these derivative instruments are designated as cash flow hedges but for the purposes of the Company's standalone financial statements the related hedged items are not held by the Company, so do not qualify as cash flow hedges.

Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

Derivatives are valued using valuation approaches and methodologies (such as Black-Scholes and net present value) applicable to the specific type of derivative instrument. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(l) Fair value measurement
The Company measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in notes 15 and 16.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Further information on fair values is described in note 15.

(m) Dividend distribution
Dividends payable to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Mexican income tax law establishes a 10% withholding on earnings from 2014 and thereafter, for dividends paid to foreign residents and Mexican individuals.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN). Dividends paid that exceed CUFIN are subject to an income tax payable at a rate of 30%. The tax is payable by the Company and may be credited against the normal income tax payable by the Company in the year in which the dividends are paid or in the following two years. Dividends paid from earnings previously taxed are not subject to any withholding or additional tax payment.

Notes to the Parent Company financial statements continued

3. Segment reporting

Segmental information is not presented in the Company's standalone financial statements as this is presented in the Group's consolidated financial statements.

4. Income tax

(a) Movements in the deferred income tax liability and asset:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Opening net asset	**6,111**	(1,765)
Income tax charge	**21,647**	34,742
Net charge/(credit) related to items directly charged to other comprehensive income (note 2 (f))	**14,415**	(26,866)
Closing net asset	**42,173**	6,111

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

The amounts of deferred income tax assets and liabilities before offset as at 31 December considering the nature of the temporary differences are as follows:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Prepayments and other assets	**(5,911)**	(4,968)
Accrual for expected credit losses on loans granted to subsidiaries	**520**	746
Derivative financial instruments	**977**	3,008
Losses carried forward	**67,141**	43,269
Equity instruments at FVOCI	**(20,554)**	(35,944)
Net deferred tax asset	**42,173**	6,111

(b) Unrecognised deferred tax on investments in subsidiaries

The Company has not recognised all of the deferred tax liability in respect of distributable reserves of its subsidiaries because it controls them and only part of the temporary differences is expected to reverse in the foreseeable future. The temporary differences for which a deferred tax liability has not been recognised aggregate to US$1,056 million (2020: US$1,797 million).

(c) Corporate Income Tax ('Impuesto Sobre la Renta' or 'ISR')

The Company is a Mexican resident for taxation purposes. The rate of current corporate income tax is 30%.

5. Investments in subsidiaries

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Opening balance	**5,790,218**	5,546,870
Impairment	**–**	234,031
Capital contributions	**56,054**	9,317
Closing balance	**5,846,272**	5,790,218

During 2021, the Company made an impairment assessment to determine whether the carrying value of each of its subsidiaries was recoverable as at 31 December 2021 and determine if prior year impairment could be reversed. As a result, a cumulative impairment loss of US$1,985.7 million is recognised with respect to certain of the Company's investment in subsidiaries (2020: US$1,878.1 million). The recoverable amount was estimated based on the fair value less cost of disposal (FVLCD) model (2020: FVLCD).

The following tables provide relevant information in respect of each impaired subsidiary:

	Year ended 31 December 2021			
	Impairment loss (reversal) in the year US$ thousands	**Cumulative Impairment US$ thousands**	**Recoverable amount US$ thousands**	**Discount rate**
Minera Fresnillo, S.A. de C.V.	**169,542**	**1,419,582**	**2,371,428**	**Post–tax 4.42%**
Minera Mexicana la Ciénega, S.A. de C.V.	**42,720**	**506,263**	**491,957**	**Post–tax 4.52%**
Minera Saucito, S.A. de C.V.	**–**	**–**	**1,226,189**	**Post–tax 4.51%**
Minera San Julián, S.A. de C.V.	**(120,607)**	**–**	**667,117**	**Post–tax 4.49%**
Exploraciones Mineras Parreña, S.A. de C.V.	**15,994**	**59,872**	**162,461**	**Post–tax 4.33%**
	107,649	**1,985,717**		

In determining FVLCD it is necessary to make a series of assumptions to estimate future cash flows including reserves and resources volumes and related production profile, price assumptions, cost estimates and discount rate. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy. The price assumptions used to calculate FVLCD are determined with reference analysts' consensus of long-term prices. As at 31 December 2021, the Company used long term price assumptions of US$1,600/ounce and US$21.20/ounce for gold and silver, respectively.

	Year ended 31 December 2020			
	Impairment reversal in the year US$ thousands	Cumulative Impairment US$ thousands	Recoverable amount US$ thousands	Discount rate
Minera Fresnillo, S.A. de C.V.	(54,115)	1,250,040	2,690,073	Post-tax 4.23%
Minera Mexicana la Ciénega, S.A. de C.V.	(87,294)	463,543	563,889	Post-tax 4.01%
Minera Saucito, S.A. de C.V.	(58,847)	–	1,688,152	Post-tax 4.44%
Minera San Julián, S.A. de C.V.	4,895	120,607	631,204	Post-tax 3.91%
Exploraciones Mineras Parreña, S.A. de C.V.	(38,671)	43,878	178,455	Post-tax 4.16%
	(234,031)	1,878,069		

In determining FVLCD it is necessary to make a series of assumptions to estimate future cash flows including reserves and resources volumes and related production profile, price assumptions, cost estimates and discount rate. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy. The price assumptions used to calculate FVLCD are determined with reference analysts' consensus of long-term prices. As at 31 December 2020, the Company used long term price assumptions of US$1,580/ounce and US$20.2/ounce for gold and silver, respectively.

Sensitivity analysis

As at 31 December 2021 management has performed a sensitivity analysis for those subsidiaries where cumulative impairment may be affected by a reasonably possible change in silver and gold prices. Management has considered a decrease in gold and silver of 10% and 15% respectively (2020: 20% gold, 45% silver). The sensitivity resulted in an additional impairment on Minera Fresnillo, S.A. de C.V. of US$592.9 million (2020: US$1,657.2 million), Minera Mexicana la Ciénega, S.A. de C.V. US$149.5 million (2020; US$240.0 million) and Minera Saucito, S.A. de C.V. US$205.3 million (2020: US$83.8 million).

Notes to the Parent Company financial statements continued

5. Investments in subsidiaries continued

The subsidiaries in which investments are directly held as at 31 December 2021 and 2020 are as follows:

Legal company	Principal activity	Country of incorporation	Equity interest % Year ended 31 December 2021	2020
Minera Fresnillo, S.A. de C.V.	Production of lead/silver and zinc concentrates	Mexico[3]	**100**	100
Minera San Julián, S.A. de C.V.	Production of lead/silver and zinc concentrates	Mexico[3]	**100**	100
Minera Penmont, S. de R.L. de C.V.[1]	Production of doré bars (gold/silver)	Mexico[3]	**56**	56
Minera Mexicana La Ciénega, S.A. de C.V.	Production of lead and zinc concentrates and silver precipitates	Mexico[3]	**100**	100
Minera Saucito, S.A. de C.V.	Production of lead and zinc concentrates	Mexico[3]	**100**	100
Desarrollos Mineros Canelas, S.A. de C.V.[8]	Extraction and sale of mineral ore	Mexico[3]	**–**	100
Desarrollos Mineros Fresne, S. de R.L. de C.V.[1, 8]	Extraction and sale of mineral ore	Mexico[3]	**–**	56
Desarrollos Mineros el Aguila, S.A. de C.V.[8]	Extraction and sale of mineral ore	Mexico[3]	**–**	100
Desarrollos Mineros Llanitos, S.A. de C.V.[8]	Extraction and sale of mineral ore	Mexico[3]	**–**	100
Metalúrgica Reyna, S.A. de C.V.[8]	Extraction and sale of mineral ore	Mexico[3]	**–**	100
Equipos Mineros Nazas, S.A. de C.V.	Leasing of mining equipment	Mexico[3]	**100**	100
Proveedora de Equipos Fresne, S de R.L. de C.V.[1]	Leasing of mining equipment	Mexico[3]	**56**	56
Equipos Mineros la Hacienda, S.A. de C.V.	Leasing of mining equipment	Mexico[3]	**100**	100
Proveedora de Equipos Jerez, S.A. de C.V.	Leasing of mining equipment	Mexico[3]	**100**	100
Equipos Chaparral, S.A. de C.V.	Leasing of mining equipment	Mexico[3]	**56**	–
Minera Juanicipio, S.A. de C.V.	Mining project	Mexico[3]	**56**	56
Comercializadora de Metales Fresnillo, S.A. de C.V.	Holds rights over silver production from Peñoles polymetallic Sabinas mine through the Silverstream contract	Mexico[3]	**100**	100
Exploraciones Mineras Parreña, S.A. de C.V.	Exploration services	Mexico[3]	**100**	100
Exploraciones y Desarrollos Mineros Coneto, S.A. P. I. de C.V.	Exploration services	Mexico[3]	**55**	55
Minera El Bermejal, S. de R.L. de C.V.	Mining equipment leasing	Mexico[3]	**100**	100
Compañía Minera Las Torres, S.A. de C.V.	Mine project	Mexico[3]	**100**	100
Servicios Administrativos Fresnillo, S. A. de C.V.	Administrative services	Mexico[3]	**100**	100
Operaciones Fresnillo, S.A. de C.V.	Administrative services	Mexico[3]	**100**	100
Servicios de Exploración Fresnillo, S.A. de C.V.	Administrative services	Mexico[3]	**100**	100
Prestadora de Servicios Jarillas, S.A. de C.V.	Administrative services	Mexico[3]	**100**	100
Fresnillo Management Services, Ltd	Administrative services	UK[4]	**100**	100
Fresbal Investments, Ltd	Holding company for mining Investments	Canada[5]	**100**	100
Fresnillo Peru, S.A.C.	Exploration services	Peru[6]	**100**	100
Parreña Peru, S.A.C.	Exploration services	Peru[6]	**100**	100
Fresnillo Chile, SpA	Exploration services	Chile[7]	**100**	100
Minera Capricornio, SpA	Exploration services	Chile[7]	**100**	100
Caja de Ahorros Fresnillo, S.C.[2]	Administrative services	Mexico[3]	**–**	–

The list of subsidiary undertakings presented in this note represents the full list of subsidiary undertakings, required to be submitted by Section 409 of the Companies Act 2006.

1 The remaining 44% interest in these companies are held by Comercializadora de Metales Fresnillo, S.A. de C.V. a wholly-owned subsidiary of the Company.
2 Whilst Fresnillo plc holds no direct ownership in Caja de Ahorros Fresnillo, S.C. the entire share capital of the company is held through its subsidiaries.
3 The registered address for all Mexican subsidiaries is: Calzada Saltillo 400 No. 989, Torreón, Coahuila 27250.
4 Registered address is: Second Floor, 21 Upper Brook Street, London W1K 7PY.
5 Registered address is: 355 Burrard Street, Suite 1800, Vancouver, BC, V6C 2G8.
6 Registered address is: República de Colombia 643, Piso 9, Distrito San Isidro, Lima 27.
7 Registered address is: Apoquindo 4775 oficina 1002 – Las Condes, Santiago de Chile.
8 These companies were merged with other subsidiaries effective 31 August 2021, the merges did not affect the Group structure and the assignation of CGUs.

6. Trade and other receivables

	Year ended 31 December 2021 US$ thousands	2020 US$ thousands
Other receivables from related parties (note 12)	**873**	–
Prepayments	**521**	368
	1,394	368

As of 31 December for each year presented, other receivables from related parties were neither past due nor credit-impaired. In determining the recoverability of a receivable, the Company performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparty.

For total trade and other receivables, balances corresponding to Prepayments and Other are not considered as financial assets.

7. Cash and cash equivalents

	Year ended 31 December 2021 US$ thousands	2020 US$ thousands
Cash at bank and on hand	**46**	383
Short-term deposits	**764,428**	4,277
Cash and cash equivalents	**764,474**	4,660

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

8. Equity

Share capital and share premium

	As at 31 December 2021		2020	
Class of share	Number	Amount	Number	Amount
Ordinary Shares each of US$0.50	**1,000,000,000**	**$500,000,000**	1,000,000,000	$500,000,000
Sterling Deferred Ordinary Shares each of £1.00	**50,000**	**£50,000**	50,000	£50,000

Issued share capital of the Company is as follows:

	Ordinary Shares		Sterling Deferred Ordinary Shares	
	Number	US$	Number	£
At 1 January 2020	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2020	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2021	**736,893,589**	**$368,545,586**	**50,000**	**£50,000**

As at 31 December 2021 and 2020, all issued shares with a par value of $0.50 each are fully paid. The rights and obligations attaching to these shares are governed by law and the Company's Articles of Association. Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. There are no restrictions on the transfer of the Ordinary Shares.

The Sterling Deferred Ordinary Shares only entitle the shareholder on winding up or on a return of capital to payment of the amount paid up after repayment to Ordinary shareholders. The Sterling Deferred Ordinary Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Ordinary Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Ordinary Shares or require the holder to transfer the Sterling Deferred Ordinary Shares. Except at the option of the Company the Sterling Deferred Ordinary Shares are not transferable.

Reserves

Share premium

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value.

Merger reserve

The merger reserve represents the difference between the value of the net assets acquired as part of the pre-IPO reorganisation and the nominal value of the shares issued pursuant to the Merger Agreement. Movements in this reserve during 2021 and 2020 represent the impairment losses and reversals of the carrying value of Fresnillo's investments in subsidiaries transferred from retained earnings.

Fair value reserve of financial assets at FVOCI

The Company has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2(f). These changes are accumulated within the FVOCI reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Retained earnings

This reserve records the accumulated results of the Company, less any distributions and dividends paid.

Notes to the Parent Company financial statements continued

9. Dividends declared and paid

The dividends declared and paid during the years ended 31 December 2021 and 2020 are as follows:

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2021		
Final dividend for 2020 declared and paid during the year[1]	**23.50**	**173,170**
Interim dividend for 2021 declared and paid during the year[2]	**9.90**	**72,952**
	33.4	**246,122**
Year ended 31 December 2020		
Final dividend for 2019 declared and paid during the year[3]	11.90	87,690
Interim dividend for 2020 declared and paid during the year[4]	2.30	16,949
	14.20	104,639

1 This dividend was approved by the Shareholders on 24 June 2021 and paid on 28 June 2021.
2 This dividend was approved by the Board of Directors on 3 August 2020 and paid 15 September 2020.
3 This dividend was approved by the Shareholders on 26 May 2020 and paid on 2 June 2020.
4 This dividend was approved by the Board of Directors on 27 July 2020 and paid 16 September 2020.

A reconciliation between dividend declared, dividends affected to retained earnings and dividend presented in the cash flow statements is as follows:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Dividends declared	**246,122**	104,639
Foreign exchange effect	**59**	–
Dividends recognised in retained earnings	**246,181**	104,639
Foreign exchange and hedging effect	**(620)**	47
Dividends paid	**245,561**	104,686

The Directors have proposed a final dividend of US$24 cents per share, which is subject to approval at the Annual General Meeting and is not recognised as a liability as at 31 December 2021. Dividends paid from the profits generated from 1 January 2014 to residents in Mexico and to non-resident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Group.

In late 2019, the Directors became aware of a technical breach of the Companies Act 2006 (the Act) whereby certain dividends paid between 2011 and 2019 (the 'Historic Dividends') had been made without having filed interim accounts in accordance with the Act. The relevant interim accounts have now been filed with the Registrar of Companies and these show that the Company had sufficient distributable reserves at the point at which each of the Historic Dividends was paid. It is the intention of the Directors, as a matter of prudency, to put forward a resolution to shareholders in due course to regularise the position. This decision will have no effect on the monies received pursuant to these dividends and will not adversely impact shareholders or the Company. Nevertheless, the Directors will keep the matter under review.

10. Interest-bearing loans

Senior Notes

On 29 September 2020, the Group repurchased certain of its 5.500% Senior Notes due 2023 that had a carrying value of US$482.1 million for consideration of US$543.0 million. Additional accrued interest at the date of the repurchase included in the settlement amounted US$10.8 million. The premium paid on purchase of these notes of US$60.9 million was recognised in financial expenses. The settlement occurred on 2 October 2020.

On 2 October 2020, the Group completed its offering of US$850,000,000 aggregate principal amount of 4.250% Senior Notes due 2050. The proceeds were partially used to finance the repurchase mentioned above.

Movements in the year in the debt recognised in the balance sheet are as follows:

	As at 31 December	
	2021 US$ thousands	2020 US$ thousands
Opening balance	**1,156,670**	801,239
Issuance of 4.250% senior notes due 2050[1]	**–**	828,325
Repayments of 5.500% senior notes due 2023	**–**	(482,121)
Accrued interest[2]	**56,385**	48,873
Interest paid[1]	**(56,370)**	(43,144)
Amortisation of discount and transaction costs	**860**	3,498
Closing balance	**1,157,545**	1,156,670

1 Balance is net of unamortised discounts and capitalised transaction costs of $21.7 million.
2 Accrued interest is payable semi-annually on 13 May and 13 November for 5.500 senior notes and 2 April and 2 October for 4.250% senior notes.

The Company has the following restrictions derived from the issuance of all outstanding Senior Notes:

Change of control:
Should the rating of the senior notes be downgraded as a result of a change of control (defined as the sale or transfer of 35% or more of the common shares; the transfer of all or substantially all the assets of the Group; starting a dissolution or liquidation process; or the loss of the majority in the Board of Directors) the Company is obligated to repurchase the notes at an equivalent price of 101% of their nominal value plus the interest earned at the repurchase date, if requested to do so by any creditor.

Pledge on assets:
The Company shall not pledge or allow a pledge on any property that may have a material impact on business performance (key assets). Nevertheless, the Company may pledge the aforementioned properties provided that the repayment of the notes keeps the same level of priority as the pledge on those assets.

11. Contingencies
As of 31 December 2021, the Company has the following contingencies:
- The Company is subject to various laws and regulations which, if not observed, could give rise to penalties.
- Tax periods remain open to review by the Mexican tax authorities (SAT, by its Spanish acronym) in respect of income taxes for five years following the date of the filing of corporate income tax returns, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances, the reviews may cover longer periods. As such, there is a risk that transactions, and in particular related party transactions, that have not been challenged in the past by the authorities, may be challenged by them in the future.
- It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome arising from these or any future inspections that may be initiated. However, management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.
- On 8 May 2008, the Company and Peñoles entered into the Separation Agreement (the 'Separation Agreement'). This agreement relates to the separation of the Group and the Peñoles Group and governs certain aspects of the relationship between the Fresnillo Group and the Peñoles Group following the initial public offering in May 2008 ('Admission'). The Separation Agreement provides for cross-indemnities between the Company and Peñoles so that, in the case of Peñoles, it is held harmless against losses, claims and liabilities (including tax liabilities) properly attributable to the precious metals business of the Group and, in the case of the Company, it is held harmless by Peñoles against losses, claims and liabilities which are not properly attributable to the precious metals business. Save for any liability arising in connection with tax, the aggregate liability of either party under the indemnities shall not exceed US$250 million in aggregate.

12. Related party balances and transactions
Related parties are those entities owned or controlled by the ultimate controlling party and include the Company's subsidiaries disclosed in note 5, as well as those entities who have a minority participation in Fresnillo Group companies. Related party balances will be settled in cash. All the balances as at 31 December 2021 and 2020 and the transactions carried-out with related parties for the years then ended correspond to subsidiaries.

(a) Related party accounts receivable and payable

	Accounts receivable US$ thousands		Accounts payable US$ thousands	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
Loans[1]	**895,980**	1,315,578	**–**	575,500
Other	**873**	–	**1,049**	1,954
Total	**896,853**	1,315,578	**1,049**	577,454

1 Accounts receivable derived from loans with related parties are net of reserve for expected credit loss of US$1.7 million (2020: 2.5 million).

Effective interest rates on loans granted to related parties in US dollar range between 2.14% to 2.21% (2020: 2.15% to 3.91%); in Mexican peso range from 7.71% to 7.72% (2020: 6.47% to 9.73%).

(b) Principal transactions with related parties (apart from dividends, additional investments and returns of capital) are as follows:

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Income:		
Interest on loans	**51,242**	81,361
Total income	**51,242**	81,361

	Year ended 31 December	
	2021 US$ thousands	2020 US$ thousands
Expenses:		
Administrative services	**4,489**	5,947
Interest	**3,030**	39,347
Total expenses	**7,519**	45,294

Notes to the Parent Company financial statements continued

12. Related party balances and transactions continued

(c) Compensation of key management personnel of the Company

Key management personnel comprise Non-executive Directors. In 2021, their compensation was US$0.7 million (2020: US$0.6 million). This compensation paid is disclosed in the Directors' Remuneration Report.

13. Auditor's remuneration

The auditor's remuneration for the Company was US$1.4 million (2020: US$1.4 million) in respect of the audit of its financial statements together with a proportion of the fees in relation to Fresnillo Group audit.

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the standalone financial statements because Group financial statements are prepared which include these fees on a consolidated basis.

14. Notes to the statement of cash flows

		Year ended 31 December	
	Notes	2021 US$ thousands	2020 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		**1,122,644**	271,228
Adjustments to reconcile loss for the year to net cash inflows from operating activities:			
Impairment of investment in subsidiaries	5	**107,649**	(234,031)
Dividend income		**(1,242,406)**	(104,985)
Income tax expense		**(21,646)**	(34,742)
Net finance loss		**17,135**	66,404
Foreign exchange gain		**(317)**	(600)
Working capital adjustments			
Decrease in trade and other receivables		**843**	7,170
Decrease in trade and other payables		**(1,802)**	(4,489)
Cash generated from operations		**(17,900)**	(34,045)
Income tax paid		**(262)**	(1,848)
Net cash used from operating activities		**(18,162)**	(35,893)

15. Financial instruments

(a) Fair value category

	As at 31 December 2021		
	US$ thousands		
Financial assets:	Amortised cost	Fair value through OCI	Fair value through profit or loss
Loans to related parties	**895,980**	**–**	**–**
Equity instruments at FVOCI	**–**	**164,525**	**–**
Derivative financial instruments	**–**	**–**	**96**

Financial liabilities:	At amortised Cost	Fair value through profit or loss
Interest-bearing loans	**1,157,545**	**–**
Trade and other payables	**1,049**	**–**
Derivative financial instruments	**–**	**3,885**

	As at 31 December 2020		
	US$ thousands		
Financial assets:	Amortised cost	Fair value through OCI	Fair value through profit or loss
Loans to related parties	1,315,578	–	–
Equity instruments at FVOCI	–	212,576	–
Derivative financial instruments	–	–	6,290

Financial liabilities:	At amortised Cost	Fair value through profit or loss
Interest-bearing loans	1,156,670	–
Trade and other payables	1,954	–

(b) Fair values

The value of financial assets and liabilities other than those measured at fair value are as follows:

	As at 31 December			
	Carrying Amount		Fair Value	
	2021 US$ thousands	2020 US$ thousands	**2021 US$ thousands**	2020 US$ thousands
Financial assets:				
Trade and other receivables	**96**	6,290	**96**	6,290
Loans to related parties[1]	**895,980**	1,315,578	**895,980**	1,315,578
Financial liabilities:				
Interest-bearing loans[2]	**1,157,545**	1,156,670	**1,237,689**	1,297,770
Trade and other payable	**1,049**	1,954	**1,049**	1,954

1 Loans to related party are categorised in Level 3 of the fair value hierarchy. The carrying amount is a reasonable approximation of fair value due the short-term period of the receivable.
2 Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at 31 December as follows:

	As of 31 December 2021 US$ thousands			
	Fair value measure using			
	Quoted prices in active markets Level 1 US$ thousands	**Significant observable Level 2 US$ thousands**	**Significant unobservable Level 3 US$ thousands**	**Total US$ thousands**
Financial assets:				
Derivative financial instruments:				
Option commodity contracts	**–**	**66**	**–**	**66**
Option and forward foreign exchange contracts	**–**	**30**	**–**	**30**
Other financial assets:				
Equity investments	**164,525**	**–**	**–**	**164,525**
	164,525	**96**	**–**	**164,621**
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	**–**	**2,987**	**–**	**2,987**
Option and forward foreign exchange contracts	**–**	**898**	**–**	**898**
	–	**3,885**	**–**	**3,885**

	As of 31 December 2020 US$ thousands			
	Fair value measure using			
	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
Financial assets:				
Derivative financial instruments:				
Option commodity contracts	–	1,666	–	1,666
Option and forward foreign exchange contracts	–	4,624	–	4,624
Other financial assets:				
Equity investments	212,576	–	–	212,576
	212,576	6,290	–	218,866
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	–		–	
Option and forward foreign exchange contracts	–		–	
	–		–	

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the Parent Company financial statements continued

15. Financial instruments continued
The following valuation techniques were used to estimate the fair values:

Option and forward foreign exchange contracts
The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign currency forward (Level 2) contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Option commodity contracts
The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The option commodity (Level 2) contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

Equity investments:
The fair value of equity investments is derived from quoted market prices in active markets (Level 1). These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature. As of 31 December 2021, approximately 89.8% of the investments correspond to 9,314,877 shares (2020: 9,314,877 shares) of Mag Silver, Corp. for an amount of US$146.1 million (2020: US$199.5 million) and 7.3% of Endeavor, Inc. represented by 2,800,000 (2020: 2,800,000 shares) shares for an amount of US$11.9 million (2020: US$14.1 million). These equity investments are listed on the Canadian Stock Exchange. The prices per share as 31 December 2021 were US$15.69 (2020: US$20.47) and US$4.23 (2020: US$5.05), respectively.

Interest-bearing loans
Fair value of the Company's interest-bearing loan, is derived from quoted market prices in active markets (Level 1).

Loans with related parties
Fair value of the Company's loan to related party is determined using a discounted cash flow method based on market interest rates at each reporting date.

16. Financial risk management
Overview
The Company's principal financial assets and liabilities, other than derivatives, are comprised of trade receivables, cash, available-for-sale financial assets, loans to and from related parties, interest-bearing loans and trade payables.

The Company enters into certain derivative transactions with the purpose of managing foreign exchange risk arising on the activity and transactions of its subsidiaries.

The Company has exposure to the following risks from its use of financial instruments:
- Market risk, including foreign currency, interest rate and equity price risks.
- Credit risk.
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company risk management framework.

The Company's risk management policies have been established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Fresnillo Audit Committee has responsibility for overseeing how management monitors compliance with the Company risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk
Market risk is the risk that changes in market factors, such as foreign exchange rates, or interest rates will affect the Company income or the value of its financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the US dollar. Transactions in foreign currencies include the purchase of services, payment or receipt of dividends and other items. As a result, the Company has financial liabilities denominated in currencies other than functional currency and holds cash and cash equivalents in Mexican peso.

The following table demonstrates the sensitivity of financial assets and financial liabilities to a reasonably possible change in the US dollar exchange rate compared to the Mexican peso, reflecting the impact on the Company's profit before tax with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods. There is no impact on the Company's equity other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2021	**10%** **(5%)**	**11** **(19)**
2020	20% (15%)	(992) 937

The Company's exposure to reasonably possible changes in other currencies is not material.

Commodity risk

The Company's subsidiaries have exposure to changes in metals prices (specifically gold, lead and zinc) which have a significant effect on the Company's results. These prices are subject to global economic conditions and industry-related cycles.

The Company uses derivative instruments to hedge against precious metals commodity price exposure in its subsidiaries, see mentioned in note 16 (c).

The table below reflects the aggregate sensitivity relating to changes in the fair value of commodity derivative contracts of financial assets and liabilities, reflecting the impact on the Company's profit before tax with all other variables held constant. There is no impact on the Company's equity other than the effect on profit before tax.

	Increase/(decrease) in commodity prices				
Year ended 31 December	Gold	Silver	Zinc	Lead	Effect on profit before tax: increase/ (decrease) US$ thousands
2021	**10%** **(10%)**	**15%** **(15%)**	**25%** **(15%)**	**15%** **(15%)**	**2,707** **(4,861)**
2020	20% (20%)	45% (45%)	25% (20%)	15% (15%)	30,132 (12,332)

Interest rate risk

The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. The Company's earnings are sensitive to changes in interest rates on any floating element of the loans with related parties and interest earned on cash balances. Interest-bearing loans are at a fixed rate, therefore the possibility of a change in interest rate only impacts its fair value but not its carrying amount. Therefore, interest-bearing loans and loans from related parties are excluded from the table below.

The following table demonstrates the sensitivity of all financial assets and financial liabilities to a reasonably possible change in interest rate applied to a full year from the balance sheet date. There is no impact on the Company's equity other than the equivalent change in retained earnings.

Year ended 31 December	Basis point increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2021	**25** **(0)**	**1,911** **–**
2020	25 (20)	12 (9)

Notes to the Parent Company financial statements continued

16. Financial risk management continued

Equity price risk

The Company has exposure to changes in the price of equity instruments that it holds as available-for-sale financial assets.

The following table demonstrates the sensitivity of available-for-sale assets to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Company's profit before tax and equity:

Year ended 31 December	Increase/ (decrease) in equity price	Effect on profit before tax: increase/ (decrease)	Effect on equity: increase/ (decrease) US$ thousands
2021	**25%**	**–**	**40,707**
	(45%)	**–**	**(73,272)**
2020	70%	–	148,803
	(40%)	–	(85,031)

(b) Credit risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to trade and other receivables, cash and cash equivalents, intercompany loans and derivative financial instruments.

The Company's policies are aimed at minimising losses as a result of counterparties' failure to honour their obligations. Individual exposures are monitored with customers subject to credit limits to ensure that the Company's exposure to bad debts is not significant. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. The Company's financial assets are with counterparties that the Company considers to have an appropriate credit rating. As disclosed in note 12, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Company's financial assets were neither credit-impaired nor past due. The Company's policies are aimed at minimising losses from the foreign currency and commodity hedging contracts. The Company's foreign currency and commodity derivative contracts are entered into with large financial institutions with strong credit ratings.

The Company's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents investing in several financial institutions. In order to minimise exposure to credit risk, the Company only deposits cash and cash equivalents with financial institutions with a credit rating of M-1 (Moody´s) and mxA-1+ (Standard and Poors) and above, and only for periods of less than four months.

The maximum credit exposure at the reporting date of each category of financial asset above is the carrying value as detailed in the relevant notes. See note 15 (b) for the maximum credit exposure for other financial assets, note 7 for cash and cash equivalents and note 12 for related party balances.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its risk of a shortage of funds using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

The table below summarises the maturity profile of the Company financial liabilities based on contractual undiscounted payments.

					US$ thousands
	Within 1 year	**2–3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2021					
Interest-bearing loans	**56,370**	**410,374**	**75,973**	**1,761,672**	**2,306,251**
Derivatives financial instruments – liabilities	**3,885**	**–**	**–**	**–**	**3,885**
Trade and other payables	**1,049**	**–**	**–**	**–**	**1,049**

					US$ thousands
	Within 1 year	2–3 years	3-5 years	> 5 years	Total
As at 31 December 2020					
Interest-bearing loans	56,370	430,620	75,973	1,799,658	2,362,621
Derivatives financial instruments – liabilities	–	–	–	–	–
Trade and other payables	1,954	–	–	–	1,954

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding estimated inflows based on the contractual terms:

					US$ thousands
	Within 1 year	**2–3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2021					
Inflows	**48,602**	**–**	**–**	**–**	**48,602**
Outflows	**(51,588)**	**–**	**–**	**–**	**(51,588)**
Net	**2,986**	**–**	**–**	**–**	**2,986**

					US$ thousands
	Within 1 year	2–3 years	3-5 years	> 5 years	Total
As at 31 December 2020					
Inflows	45,343	–	–	–	45,343
Outflows	(40,768)	–	–	–	(40,768)
Net	4,575	–	–	–	4,575

The above liquidity tables include expected inflows and outflows from currency option contracts which the Company expects to be exercised during 2022 as at 31 December 2021 and during 2021 as at 31 December 2020, either by the Company or counterparty.

Management considers that the Company has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and interest-bearing loans, as disclosed in the balance sheet, excluding net unrealised gains and losses on revaluation of cash flow hedges and equity investments at FVOCI. In order to ensure an appropriate return for shareholders' capital invested in the Company, management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Company's dividend policy aims to pay out 33-50% of profit after tax each year, while making certain adjustments to exclude non-cash effects in the income statement. Dividends are paid in the approximate ratio of one-third as an interim dividend and two-thirds as a final dividend. Before declaring a dividend, the Board carries out a detailed analysis of the profitability of the business, underlying earnings, capital requirements and cash flow. The Company aim is to maintain enough flexibility to be able to react to movements in precious metals prices and seize attractive business opportunities.

Consolidated audited mineral resource statement for underground operational properties[1]
As at 31 May 2021

Resource category	Cut-off Grade[2]	Quantity Tonnes (kt)	Grade Au (g/t)	Grade Ag (g/t)	Grade Pb (%)	Grade Zn (%)	Contained Metal Au (koz)	Contained Metal Ag (koz)	Contained Metal Pb (kt)	Contained Metal Zn (kt)
Minera Fresnillo – Fresnillo/Proaño Mine – Underground										
Measured	174 g/t AgEq	13,439	0.92	626	1.05	1.90	395.70	270,309	142	256
Indicated		18,946	0.90	268	1.50	4.30	549.83	163,138	283	815
Measured & Indicated		32,385	0.91	416	1.31	3.30	945.53	433,447	425	1,070
Inferred		34,024	0.73	332	1.16	2.40	803.98	363,213	394	818
Minera Saucito – Saucito Mine – Underground										
Measured	175 g/t AgEq	5,379	2.17	341	1.49	2.55	375.24	58,982	80	137
Indicated		19,550	1.24	234	1.36	2.42	777.07	147,193	266	473
Measured & Indicated		24,929	1.44	257	1.39	2.45	1,152.31	206,175	346	611
Inferred		33,391	0.96	279	1.25	2.66	1,029.95	299,081	418	889
Minera Ciénega – Ciénega Complex – Underground										
Measured	Multiple[3]	5,392	4.05	218	1.45	2.08	701.31	37,853	78	112
Indicated		5,393	2.27	236	1.10	1.73	394.27	40,838	59	93
Measured & Indicated		10,786	3.16	227	1.27	1.90	1,095.58	78,692	137	205
Inferred		8,705	1.97	227	0.63	1.14	551.27	63,402	55	99
Minera San Julián – San Julián Mine Underground: Veins										
Measured	151 g/t AgEq	2,181	2.20	169	–	–	154.40	11,874	–	–
Indicated		9,880	1.71	207	–	–	542.69	65,683	–	–
Measured & Indicated		12,060	1.80	200	–	–	697.09	77,558	–	–
Inferred		7,615	1.40	185	–	–	342.94	45,364	–	–
Minera Julian – San Julián Mine Underground: Disseminated										
Measured	109 g/t AgEq	11,486	0.10	164	0.49	1.30	35.52	60,497	56	150
Indicated		1,633	0.05	70	0.40	1.26	2.68	3,685	7	21
Measured & Indicated		13,120	0.09	152	0.48	1.30	38.20	64,182	62	170
Inferred		3	0.05	39	0.27	1.62	0.00	4	–	–
Totals – Underground										
Measured & Indicated	Multiple	93,280	1.31	287	1.04	2.20	3,928.71	860,054	970	2,056
Inferred		83,739	1.01	286	1.04	2.16	2,728.15	771,064	867	1,806

1 Mineral resources are reported inclusive of ore reserves. Mineral resources are not ore reserves and do not have demonstrated economic viability. All figures rounded to reflect the relative accuracy of the estimates. Gold, silver, lead and zinc assays were capped where appropriate.
2 Mineral resources are reported at metal equivalent cut-off grades based on metal price assumptions*, variable metallurgical recovery assumptions (variable metallurgical recoveries as a function of grade and relative metal distribution), mining costs, processing costs, general and administrative (G&A) costs, and variable NSR factors (NSR factors include smelting and transportation costs). The AgEq variable cut-offs grades are calculated by dividing the applicable costs by a variable Ag net value factor which includes prices, recoveries, and payabilities.
3 The cut-off grade for Ciénega's mineral resources varies between 200 and 284 g/t AgEq.
- All mineral resources were estimated by Fresnillo. Matthew Hastings, M.Sc, P.Geo, MAusIMM #314693 of SRK, a Competent Person, reviewed and audited the resource estimates for Ciénega. Benjamin Parsons, BSc, MSc Geology, MAusIMM (CP) #222568 of SRK, a Competent Person, reviewed and audited the resource estimates for Fresnillo and Saucito. Giovanny Ortiz, FAusIMM #304612 of SRK Consulting (U.S.), Inc., a Competent Person, reviewed and audited the resource estimates for San Julián.

* Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US$/oz 1,450.00), Silver (US$/oz 18.50), Lead (US$/lb 0.90) and Zinc (US$/lb 1.20).

Consolidated audited mineral resource statement for Sonora properties[1]
As at 31 May 2021

		Quantity	Grade				Contained Metal			
Resource category	**Cut-off Grade[2]**	**Tonnes (kt)**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Au (koz)**	**Ag (koz)**	**Pb (kt)**	**Zn (kt)**
Minera Penmont: Mega Centauro Open Pit[2]										
Measured		272,932	0.73	–	–	–	6,375	–	–	–
Indicated	Multiple[3]	45,253	0.70	–	–	–	1,021	–	–	–
Measured & Indicated		318,185	0.72	–	–	–	7,396	–	–	–
Inferred		10,529	0.59	–	–	–	201	–	–	–
Minera Penmont: Noche Buena Open Pit[2]										
Measured		18,125	0.49	–	–	–	284	–	–	–
Indicated	0.20 g/t Au	2,404	0.60	–	–	–	46	–	–	–
Measured & Indicated		20,529	0.50	–	–	–	331	–	–	–
Inferred		1,678	0.74	–	–	–	40	–	–	–
Minera Penmont: Soledad–Dipolos Open Pit[2, 4]										
Measured		54,893	0.50	–	–	–	874	–	–	–
Indicated	0.20 g/t Au	28,139	0.45	–	–	–	410	–	–	–
Measured & Indicated		83,033	0.48	–	–	–	1,284	–	–	–
Inferred		2,015	0.32	–	–	–	21	–	–	–
Exploraciones Mineras Parreña: Tajitos Open Pit[2]										
Measured		–	–	–	–	–	–	–	–	–
Indicated	0.20 g/t Au	76,770	0.37	–	–	–	920	–	–	–
Measured & Indicated		76,770	0.37	–	–	–	920	–	–	–
Inferred		15,548	0.35	–	–	–	173	–	–	–
Minera Penmont: Centauro Profundo Underground[5]										
Measured		–	–	–	–	–	–	–	–	–
Indicated	1.74 g/t Au	9,606	6.16	–	–	–	1,902	–	–	–
Measured & Indicated		9,606	6.16	–	–	–	1,902	–	–	–
Inferred		6,866	5.60	–	–	–	1,235	–	–	–
Totals – Open Pit										
Measured & Indicated	Multiple	498,516	0.62	–	–	–	9,931	–	–	–
Inferred		29,770	0.45	–	–	–	434	–	–	–
Totals – Underground										
Measured & Indicated	1.74 g/t Au	9,606	6.16	–	–	–	1,902	–	–	–
Inferred		6,866	5.60	–	–	–	1,235	–	–	–

1 Mineral Resources are reported inclusive of Ore Reserves. Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. Gold assays were capped where appropriate; all figures rounded to reflect the relative accuracy of the estimates.
2 All open pit Mineral Resources are reported within pit shells run at a US$1,600/oz Au price constructed with inter ramp angles similar to the Ore Reserves pit designs.
3 Mega Centauro open pit Mineral Resources are reported at various cut-offs dependent on material types and grade. Oxide material above 0.20 g/t Au and below 0.72 g/t Au reports to the heap leach; transitional and sulfide material above 0.20 g/t and below 0.40 g/t Au reports to the heap leach; oxide material above 0.72 g/t Au reports to the mill; transitional and sulfide material above 0.40 g/t Au reports to the mill.
4 The Soledad-Dipolos mine has been subject to legal actions regarding surface access; it is assumed these actions will eventually be settled favourably and mining operations resumed.
5 Centauro Profundo underground Mineral Resources estimated using an assumed underground mining scenario beyond the current Mega Centauro Mineral Resources open pit, with appropriate cut-off grade considered at US$1,450/oz Au price, 93% metallurgical recovery.

- The Mineral Resources were estimated by Fresnillo. Dinara Nussipakynova. P.Geo. (EGBC #37412, PGO #1298) of AMC reviewed and audited the Resource estimates for Mega Centauro and Centauro Profundo. Michael O'Brien. P.Geo. (EGBC #41338, FAusIMM #206669) of Red Pennant reviewed and audited the Resource estimates for Soledad-Dipolos. Rod Webster MAusIMM, MAIG (MAusIMM #108489, MAIG #4818) of AMC reviewed and audited the Mineral Resource estimates for Noche Buena and Tajitos.

Consolidated audited mineral resource statement of exploration projects and prospects[1]
As at 31 December 2021

		Quantity	Grade				Contained Metal			
Deposit/Fresnillo Subsidiary	Cut-off Grade*	Tonnes (kt)	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Gold (koz)	Silver (koz)	Lead (kt)	Zinc (kt)
Measured Mineral Resource										
Orisyvo – disseminated Au**	0.34 g/t Au	42,330	1.34	2	–	–	1,830	2,104	–	–
Candameña – disseminated Au**		–	–	–	–	–	–	–	–	–
Leones – breccia**		–	–	–	–	–	–	–	–	–
Lucerito – breecia/mantos**		–	–	–	–	–	–	–	–	–
Rodeo – disseminated Au		–	–	–	–	–	–	–	–	–
Manzanillas – veins	US$58.30/t	75	6.76	130	–	–	16	316	–	–
San Juan – veins		–	–	–	–	–	–	–	–	–
Juanicipio – veins[2]		–	–	–	–	–	–	–	–	–
Opulencia – veins		–	–	–	–	–	–	–	–	–
Guanajuato Centro – veins		–	–	–	–	–	–	–	–	–
Guanajuato Sur – veins		–	–	–	–	–	–	–	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolas – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos		–	–	–	–	–	–	–	–	–
Total Measured		**42,405**	**1.35**	**2**	**–**	**–**	**1,846**	**2,420**	**–**	**–**
Indicated Mineral Resource										
Orisyvo – disseminated Au**	0.36 g/t Au	195,993	1.01	1	–	–	6,334	8,542	–	–
Candameña – disseminated Au**	0.59 g/t AuEq	49,917	0.79	18	0.04	0.10	1,267	28,246	19	51
Leones – breccia**		–	–	–	–	–	–	–	–	–
Lucerito – breecia/mantos**	1.00g/t AuEq	107,027	0.40	27	0.29	0.47	1,387	91,460	313	505
Rodeo – disseminated Au	0.30 g/t Au	5,629	0.57	3	–	–	103	597	–	–
Manzanillas – veins	US$58.30/t	947	3.46	68	–	–	105	2,056	–	–
San Juan – veins	US$58.30/t	3,197	1.46	157	–	–	150	16,186	–	–
Juanicipio – veins[2]	US$80.40/t	9,045	1.78	346	2.69	4.78	517	100,741	243	433
Opulencia – veins	1.87 g/t AuEq	2,169	3.47	149	–	–	242	10,394	–	–
Guanajuato Centro – veins	1.25 g/t AuEq	4,055	1.80	60	–	–	235	7,832	–	–
Guanajuato Sur – veins	1.87 g/t AuEq	577	5.10	768	–	–	95	14,253	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolas – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos	US$11.00/t	11,188	–	94	0.31	0.49	–	33,927	34	55
Total Indicated		**389,744**	**0.83**	**25**	**0.16**	**0.27**	**10,436**	**314,235**	**608**	**1,043**
Inferred Mineral Resource										
Orisyvo – disseminated Au**	0.35 g/t Au	68,539	0.64	1	–	–	1,410	2,103	–	–
Candameña – disseminated Au**	0.40 g/t AuEq	7,285	0.44	17	0.01	0.06	104	3,986	1	4
Leones – breccia**	60 g/t Ag	7,268	0.01	112	1.44	1.26	1	26,151	105	91
Lucerito – breecia/mantos**	1.00 g/t AuEq	114,940	0.40	31	0.26	0.44	1,475	115,646	294	508
Rodeo – disseminated Au**	0.30 g/t Au	80,804	0.47	5	–	–	1,228	13,161	–	–
Manzanillas – veins	US$58.30/t	351	1.95	44	–	–	22	501	–	–
San Juan – veins	US$58.30/t	8,786	1.51	129	–	–	425	36,570	–	–
Juanicipio – veins[2]	US$80.40/t	8,217	1.21	218	2.45	5.02	319	57,496	201	413
Opulencia – veins	1.87 g/t AuEq	2,794	2.17	104	–	–	195	9,317	–	–
Guanajuato Centro – veins	1.35 g/t AuEq	14,708	1.64	64	–	–	778	30,105	–	–
Guanajuato Sur – veins	1.87 g/t AuEq	2,781	1.66	321	–	–	148	28,739	–	–
Cebadillas – veins	1.87 g/t AuEq	2,120	2.52	63	–	–	171	4,310	–	–
La Yesca – veins	146 g/t AgEq	1,544	0.70	131	–	–	35	6,499	–	–
San Nicolas – veins	1.87 g/t AuEq	2,167	1.61	225	–	–	112	15,684	–	–
Pilarica – mantos	US$27.29/t	7,211	0.47	93	1.55	1.57	110	21,648	111	113
Total Inferred		**329,516**	**0.62**	**35**	**0.22**	**0.34**	**6,534**	**371,917**	**713**	**1,129**

1 Mineral resources are not ore reserves and do not have demonstrated economic viability. All figures rounded to reflect the relative accuracy of the estimates. Metal assays were capped where appropriate. Mineral resources are reported at variable metal, metal equivalent or NSR cut-off grades and assuming reasonable metal recoveries. Orisyvo, Pilarica, Lucerito, Candameña, and Rodeo mineral resources are reported inside a conceptual pit shell based on appropriate mining and processing costs and metal recoveries for oxide and sulfide material. Equivalent metal grades are based on US$1,450 per ounce of gold, US$18.50 per ounce of silver, US$1.20 per pound of zinc and US$0.90 per pound of lead and US$3.00 per pound of copper. Conceptual pit shell optimisations considered similar prices, except for a US$1,600 gold price (other than for Orisyvo where US$1,400 was considered).

2 Portions of the Valdecañas deposit within the Minera Juanicipio property where Fresnillo plc holds a 56% interest. Mineral resources quoted reflect Fresnillo plc's attributable 56% ownership.

* Cut–off grade calculations assume variable metallurgical recoveries.

** Mineral resources statement prepared independently by SRK.

Consolidated audited reserve statement for underground operational properties
As at 31 May 2021

Deposit	Cut-off Grade[1]	Quantity Tonnes (kt)	Grade Au (g/t)	Grade Ag (g/t)	Grade Pb (%)	Grade Zn (%)	Contained Metal Au (koz)	Contained Metal Ag (koz)	Contained Metal Pb (kt)	Contained Metal Zn (kt)
Minera Fresnillo – Fresnillo/Proaño Mine – Underground[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	235 g/t AgEq	13,224	0.72	234	1.17	3.41	305	99,536	154	451
Proven and Probable		**13,224**	**0.72**	**234**	**1.17**	**3.41**	**305**	**99,536**	**154**	**451**
Minera Saucito – Saucito Mine – Underground[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	223 g/t AgEq	17,721	1.03	219	1.12	1.96	586	124,900	199	348
Proven and Probable		**17,721**	**1.03**	**219**	**1.12**	**1.96**	**586**	**124,900**	**199**	**348**
Minera Ciénega – Ciénega Complex – Underground[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	Multiple[3]	5,402	1.90	199	0.83	1.22	331	34,604	45	66
Proven and Probable		**5,402**	**1.90**	**199**	**0.83**	**1.22**	**331**	**34,604**	**45**	**66**
Minera San Julián – San Julián Mine Underground: Veins[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	196 g/t AgEq	5,310	1.72	244	–	–	293	41,616	–	–
Proven and Probable		**5,310**	**1.72**	**244**	**–**	**–**	**293**	**41,616**	**–**	**–**
Minera Julian – San Julián Mine Underground: Disseminated[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable	119 g/t AgEq	6,338	0.09	162	0.47	1.16	18	32,962	30	73
Proven and Probable		**6,338**	**0.09**	**162**	**0.47**	**1.16**	**18**	**32,962**	**30**	**73**
Totals – Underground										
Proven		–	–	–	–	–	–	–	–	–
Probable	Multiple	47,995	0.99	216	0.89	1.95	1,533	333,618	428	938
Proven and Probable		**47,995**	**0.99**	**216**	**0.89**	**1.95**	**1,533**	**333,618**	**428**	**938**

1 All figures rounded to reflect the relative accuracy of the estimates. Mineral reserves are reported at metal equivalent cut-off grades based on metal price assumptions*, variable metallurgical recovery assumptions (variable metallurgical recoveries as a function of grade and relative metal distribution), mining costs, processing costs, general and administrative (G&A) costs, sustaining capital costs, and variable NSR factors (NSR factors include smelting and transportation costs). Each AgEq cut-off is calculated by dividing the appropriate cost by the corresponding Ag net value factor which includes prices, recoveries, and payabilities.

2 Reserves include planned dilution to a minimum mining width and to minable outlines. Additionally, based on mining method, floor dilution is included, and appropriate mining recovery factors are applied.

3 The cut-off grades for the Ciénega reserve vary between 240 and 326 g/t AgEq.

* Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US$/oz 1,450.00), Silver (US$/oz 18.50), Lead (US$/lb 0.90) and Zinc (US$/lb 1.20).

- The reserves are valid as of May 31, 2020. All topography is valid as of May 31, 2021.
- All ore reserves were estimated by Fresnillo. Joanna Poeck, BEng Mining, SME (#4131289RM) & MMSA (#01387QP) of SRK, a Competent Person, reviewed and audited the San Julián Mine Disseminated reserve estimate. Anton Chan, B.Eng, M.Sc., P.Eng, MMSAQP (#01546QP) of SRK, a Competent Person, reviewed and audited all other reserve estimates. All resource material classified as measured within the mine plan have been downgraded by SRK to probable reserves due to insufficient confidence in geotechnical engineering and reconciliation work.

Consolidated audited reserve statement for Sonora properties
As at 31 May 2021

		Quantity	Grade				Contained Metal			
Deposit	**Cut-off Grade**	**Tonnes (kt)**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Au (koz)**	**Ag (koz)**	**Pb (kt)**	**Zn (kt)**
Minera Penmont: Mega Centauro Open Pit										
Proven		216,616	0.74	–	–	–	5,127	–	–	–
Probable	Multiple[1]	23,985	0.66	–	–	–	511	–	–	–
Proven and Probable		**240,601**	**0.73**	**–**	**–**	**–**	**5,638**	**–**	**–**	**–**
Minera Penmont: Noche Buena Open Pit										
Proven		13,647	0.49	–	–	–	214	–	–	–
Probable	0.20 g/t Au	80	0.54	–	–	–	1	–	–	–
Proven and Probable		**13,727**	**0.49**	**–**	**–**	**–**	**216**	**–**	**–**	**–**
Minera Penmont: Soledad–Dipolos Open Pit[2]										
Proven		–	–	–	–	–	–	–	–	–
Probable		–	–	–	–	–	–	–	–	–
Proven and Probable		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Totals – Open Pit										
Proven		230,263	0.72	–	–	–	5,341	–	–	–
Probable	Multiple	24,065	0.66				513			
Proven and Probable		**254,328**	**0.72**	**–**	**–**	**–**	**5,854**	**–**	**–**	**–**

1 The Mega Centauro Ore Reserves that are attributed to the heap leach are reported at cut-off grades of 0.21 g/t Au for oxide ore and 0.22 g/t Au for transition and sulphide ore. Oxide material above 0.83 g/t Au and transitional and sulfide material above 0.44 g/t Au are attributed to the mill.
2 The Soledad-Dipolos mine has been subject to legal actions regarding surface access; no Ore Reserves have been reported since 2019 due to limited progress on outstanding legal items and lack of detailed engineering.

- Ore Reserves and all topography are valid as of 31 May 2021.
- Ore Reserves are based on a US$1,450/oz Au price, 77% overall metallurgical recovery for Mega Centauro and 53% metallurgical recovery for Noche Buena.
- Full mining recovery assumed; Ore Reserves have no additional dilution added to that inherent in the selective mining unit of $15 \times 15 \times 8\ m^3$.
- Ore Reserves are converted from Mineral Resources through the process of pit optimization, pit design, and production scheduling, and are supported by a cash flow model.
- All figures rounded to reflect the relative accuracy of the estimates; numbers may not compute exactly due to rounding.
- Ore Reserves were estimated by Fresnillo. David Warren, BSc, MSc, P.Eng. (EGBC #15053) of AMC, a Competent Person, reviewed and audited the open pit Ore Reserve estimates.

Audited ore reserve statement for Juanicipio
As at 31 May 2021

	Quantity	Grade				Contained Metal			
Deposit (56%)	**Tonnes (kt)**	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Au (koz)**	**Ag (moz)**	**Pb (kt)**	**Zn (kt)**
Proven									
Probable	9,089	1.53	295	2.36	4.18	447	86	215	382
Proven and Probable	**9,089**	**1.53**	**295**	**2.36**	**4.18**	**447**	**86**	**215**	**382**

Notes:
- All figures rounded to reflect the relative accuracy of the estimates. Ore Reserves are reported at NSR cut-off value based on metal price assumptions, metallurgical recovery assumptions, mining costs, processing costs, G&A costs, sustaining capital costs, and variable smelting and transportation costs.
- JORC Code was used for reporting of Ore Reserves.
- NSR values are calculated as:
- NSR = 28.61*Au+0.42*Ag+15.98*Pb+15.88*Zn. Units gold (g/t), silver (g/t), lead (%), zinc (%).
- NSR factors are based on metal prices of $18.50/oz Ag, $1,450/oz Au, $0.90/lb Pb, and $1.20/lb Zn and estimated recoveries of 77.20% Au, 93.40% Ag, 94.00% Pb, and 97.40% Zn.
- Payable metal assumptions for Au are 95% for lead concentrates, 98% for precipitate, and 65% for zinc concentrate; for Ag: 95% for lead concentrates, 97% for precipitate, and 70% for zinc concentrate. Lead 95% payable and zinc 85% payable.
- The all-inclusive stope operating cost for longhole stope and cut-and-fill stope is $110/tonne and $118/tonne respectively. The marginal stope cut-off value is $80/tonne.
- Ore Reserve estimates are based on a variable cut-off considering mining, milling and general and administration costs with a variable trucking cost for each stope.
- The stope hangingwall and footwall dilution (ELOS) was included in the stope optimization process. The dilution thickness for longhole slope hangingwall and footwall is 0.8 m and 0.3 m respectively. The dilution thickness for cut-and-fill slope hangingwall and footwall is 0.5m and 0.2m.
- An additional operational dilution ranging from 1% for longhole stope to 5% for cut-and-fill stope is applied to the reserve calculation based on the mining methods.
- Mining recovery factors range from 95% for longhole stopes to 98% for cut-and-fill stopes. Mining recovery factors for sill pillars and rib pillars are 10% and 0%, respectively.
- Exchange rate of 20.0 MXP to US$1.

Operating statistics

	ORE PROCESSED (tonnes)							SILVER (grams/tonne)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
Fresnillo	2,410,033	2,373,092	2,447,394	2,443,440	2,461,785	2,336,943	**2,216,467**	220.0	226.7	229.6	213.8	184.5	193.9	**186.2**
Ciénega	1,329,364	1,274,939	1,302,409	1,323,908	1,329,134	1,318,263	**1,282,367**	129.0	143.5	151.5	164.4	158.9	158.6	**153.4**
Herradura	22,875,421	25,158,600	26,027,466	22,156,792	22,926,542	19,797,063	**20,311,876**	1.2	1.2	0.9	2.7	2.9	2.6	**2.1**
Saucito	2,339,096	2,635,093	2,753,876	2,792,057	2,752,638	2,767,432	**2,434,449**	327.5	302.7	279.8	257.6	227.6	205.8	**182.9**
Saucito Pyrites	–	–	–	131,780	167,513	172,233	**159,635**	–	–	–	393.4	299.4	220.1	**150.5**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	17,399,931	17,431,718	17,820,817	18,195,744	12,166,900	6,682,617	**8,996,842**	0.2	0.1	0.1	0.1	0.2	0.7	**0.2**
San Julián – Veins	–	423,069	1,273,129	1,270,781	1,265,030	1,254,970	**1,202,826**	–	172.5	157.2	144.1	115.4	108.6	**119.2**
San Julián – DOB	–	–	945,057	2,221,433	2,226,956	2,229,612	**2,070,563**	–	–	180.3	154.4	139.5	150.3	**220.6**
Juanicipio (Total)	–	–	–	–	–	71,859	**251,906**	–	–	–	–	–	327.8	**470.2**

	ZINC CONCENTRATE (tonnes)							SILVER (grams/tonne)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
Fresnillo	36,595	50,682	57,686	59,987	61,639	67,851	**68,192**	1,036	868	816	773	622	627	**572**
Ciénega	11,694	14,265	14,108	12,472	16,897	17,470	**12,339**	1,770	1,692	2,413	2,042	1,177	1,336	**2,056**
Herradura	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito	42,643	50,409	41,768	60,879	62,171	86,451	**76,696**	788	842	889	704	692	501	**397**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
San Julián – DOB	–	–	15,827	43,808	45,979	39,621	**38,226**	–	–	2,750	2,590	2,188	2,959	**3,765**
Juanicipio (Total)	–	–	–	–	–	576	**4,117**	–	–	–	–	–	1,835	**1,528**

	LEAD CONCENTRATE (tonnes)							SILVER (grams/tonne)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
Fresnillo	50,787	58,584	58,675	53,930	58,679	60,157	**52,035**	8,737	7,653	7,950	7,859	6,241	6,042	**6,415**
Ciénega	13,721	15,600	16,508	12,951	13,032	14,450	**9,725**	8,418	7,607	6,966	10,689	10,797	9,292	**12,465**
Herradura	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito	69,128	61,321	53,082	63,756	56,844	71,982	**64,825**	9,405	10,440	11,731	8,978	8,632	6,110	**5,499**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
San Julián – DOB	–	–	8,634	13,434	16,200	14,363	**16,644**	–	–	11,524	12,847	10,478	11,924	**14,801**
Juanicipio (Total)	–	–	–	–	–	894	**4,457**	–	–	–	–	–	20,505	**20,838**

	DORÉ AND OTHER PRODUCTS (tonnes)							SILVER (grams/tonne)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
Ciénega precipitates	68.2	59.4	67.5	70.5	56.5	58.9	**54.7**	204,790	282,650	277,557	321,707	348,315	366,889	**417,407**
Ciénega Gravimetric Concentrator	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito Pyrites precipitates	–	–	–	87.3	83.3	60.0	**39.0**	–	–	–	348,123	437,279	476,801	**451,681**
Herradura doré	33.6	46.8	44.3	79.1	79.7	66.6	**53.7**	480,633	417,271	393,103	604,868	606,458	583,752	**529,334**
Herradura slag	779.1	807.1	669.9	773.4	1,284.3	1,323.7	**608.9**	578	965	738	1,174	1,041	1,634	**1,550**
Soledad-Dipolos doré	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Soledad-Dipolos slag	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Fresnillo Concentrates from Tailings Dam	1,544.2	433.9	–	–	–	–	**–**	2,565.5	2,573.1	–	–	–	–	**–**
Noche Buena doré	8.0	7.1	6.7	7.7	7.8	0.4	**–**	213,687.2	69,443.6	31,252.3	24,479.9	98,118.4	269,785.8	**–**
Noche Buena slag	452.1	229.0	371.2	292.5	248.7	11.6	**–**	707.2	263.4	61.2	206.3	0.0	1,068.5	**–**
San Julián – Veins precipitates	–	84.6	218.4	202.1	155.6	142.8	**151.1**	–	759,300	845,230	836,331	862,812	877,909	**869,458**
Fresnillo precipitates	–	–	–	–	–	–	**0.2**	–	–	–	–	–	–	**454,780**
Juanicipio precipitates	–	–	–	–	–	–	**0.4**	–	–	–	–	–	–	**625,852**

	METAL PRODUCED[1, 2] SILVER (ounces)							GOLD (ounces)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
Fresnillo	15,612,175	15,864,614	16,511,937	15,117,156	13,007,227	13,054,481	**11,986,025**	34,120	42,421	38,784	42,290	52,259	38,388	**33,743**
Ciénega	4,827,864	5,130,870	5,394,037	5,998,987	5,796,190	5,762,384	**5,446,619**	85,662	72,851	71,947	66,869	65,583	64,101	**48,819**
Herradura	525,757	637,775	551,476	1,523,453	1,563,060	1,305,572	**925,825**	398,866	520,366	473,638	474,168	482,722	425,288	**421,535**
Saucito	21,983,852	21,946,059	21,215,072	19,780,721	17,159,627	15,532,298	**12,438,843**	84,884	86,198	69,948	86,092	79,539	84,878	**88,440**
Saucito Pyrites	–	–	–	977,414	1,171,298	920,212	**567,030**	–	–	–	3,556	4,045	3,452	**2,294**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	72,868	32,631	31,324	51,616	57,754	39,340	**31,574**	158,179	182,280	172,282	167,208	127,166	87,998	**96,835**
San Julián – Veins	–	2,065,536	5,935,507	5,433,526	4,317,225	4,030,008	**4,224,406**	–	31,397	82,782	79,218	62,207	61,790	**51,840**
San Julián – DOB	–	–	4,598,421	9,196,272	8,691,636	9,276,125	**12,547,642**	–	–	1,750	3,125	2,393	3,134	**4,006**
Juanicipio (Atribuible)	–	–	–	–	–	349,220	**1,789,979**	–	–	–	–	–	590	**3,683**
Fresnillo DLP	–	–	–	–	–	–	**2,617**	–	–	–	–	–	–	**8**
Fresnillo Total	43,022,515	45,677,485	54,237,774	58,079,146	51,764,018	50,269,639	**49,960,562**	761,712	935,513	911,132	922,527	875,913	769,618	**751,203**

1 Including Production from Fresnillo's Tailings Dam.
2 All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena).

	GOLD (grams/tonne)							ZINC (%)							LEAD (%)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
	0.57	0.73	0.64	0.70	0.89	0.73	**0.68**	1.18	1.56	1.72	1.75	1.80	2.07	**2.20**	0.75	0.99	0.92	0.90	1.01	1.08	**1.01**
	2.07	1.84	1.82	1.65	1.66	1.63	**1.27**	0.80	1.00	0.98	0.83	1.13	1.18	**0.90**	0.61	0.68	0.74	0.60	0.67	0.70	**0.51**
	0.73	0.71	0.64	0.76	0.80	0.77	**0.76**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	1.42	1.39	1.09	1.25	1.19	1.24	**1.46**	1.70	1.49	1.21	1.61	1.57	2.21	**2.08**	1.01	0.93	0.77	0.94	0.90	1.22	**1.18**
	–	–	–	2.77	2.32	1.92	**1.50**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	0.50	0.51	0.51	0.52	0.51	0.52	**0.59**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	2.47	2.10	2.01	1.61	1.61	**1.42**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	0.12	0.09	0.08	0.09	**0.10**	–	–	1.18	1.35	1.36	1.19	**1.27**	–	–	0.52	0.43	0.44	0.41	**0.51**
	–	–	–	–	–	0.73	**1.13**	–	–	–	–	–	0.60	**1.20**	–	–	–	–	–	0.33	**0.60**

	GOLD (grams/tonne)							ZINC (%)							LEAD (%)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
	2.6	2.8	2.3	2.3	2.6	2.2	**1.9**	52.0	51.1	52.0	51.8	51.2	50.3	**50.6**	–	–	–	–	–	–	**–**
	11.2	10.1	13.9	13.1	7.1	7.6	**10.2**	51.1	52.2	50.0	47.2	53.2	53.0	**51.6**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	3.0	3.8	3.8	2.8	3.1	2.4	**1.6**	49.3	46.6	48.7	48.5	47.2	49.5	**48.9**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	0.9	0.8	0.6	1.0	**1.2**	–	–	49.6	50.3	49.4	51.7	**52.3**	–	–	–	–	–	–	**–**
	–	–	–	–	–	3.7	**3.6**	–	–	–	–	–	45.9	**44.9**	–	–	–	–	–	–	**–**

	GOLD (grams/tonne)							ZINC (%)							LEAD (%)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
	18.7	20.0	18.3	21.8	25.0	17.3	**17.6**	–	–	–	–	–	–	**–**	32.0	36.4	35.0	36.4	36.6	35.4	**36.1**
	105.0	76.5	69.5	85.4	78.2	72.0	**80.0**	–	–	–	–	–	–	**–**	39.5	37.7	38.3	37.1	44.8	42.3	**40.6**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	36.3	40.6	38.0	39.3	40.2	33.8	**40.5**	–	–	–	–	–	–	**–**	30.0	34.1	33.4	35.5	36.5	39.7	**38.0**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	4.6	4.5	2.8	4.0	**4.8**	–	–	–	–	–	–	**–**	–	–	41.7	45.4	47.2	49.5	**51.3**
	–	–	–	–	–	34.2	**42.4**	–	–	–	–	–	–	**–**	–	–	–	–	–	21.5	**26.9**

	GOLD (grams/tonne)						
	2015	2016	2017	2018	2019	2020	2021
	16,008	15,660	13,252	11,504	15,918	13,940	**11,249**
	–	–	–	–	–	–	**–**
	–	–	–	1,267	1,510	1,788	**1,828**
	369,321	351,900	344,604	196,925	190,981	192,426	**248,538**
	541	942	647	435	334	494	**662**
	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**
	10.4	14.5	–	–	–	–	**–**
	533,408	611,567	602,221	509,555	406,858	475,146	**–**
	506	1,225	979	324	206	1,025	**–**
	–	11,542	11,788	12,193	12,432	13,461	**10,670**
	–	–	–	–	–	–	**1,473**
	–	–	–	–	–	–	**972**

	ZINC (tonne)							LEAD (tonne)						
	2015	2016	2017	2018	2019	2020	2021	2015	2016	2017	2018	2019	2020	2021
	19,029	25,898	30,021	31,094	31,530	34,116	**34,530**	16,248	21,326	20,514	19,619	21,472	21,319	**18,796**
	5,970	7,450	7,048	5,892	8,986	9,263	**6,373**	5,425	5,883	6,328	4,799	5,839	6,112	**3,947**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	21,023	23,498	20,348	29,506	29,365	42,774	**37,469**	20,740	20,935	17,714	22,662	20,764	28,592	**24,615**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	7,849	22,027	22,697	20,492	**19,990**	–	–	3,598	6,101	7,648	7,112	**8,543**
	–	–	–	–	–	148	**1,036**	–	–	–	–	–	108	**671**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	46,022	56,845	65,266	88,520	92,578	106,793	**99,397**	42,413	48,144	48,153	53,181	55,722	63,242	**56,573**

Shareholder information

Financial calendar

Preliminary Statement	8 March 2022
First Quarter Production Report	27 April 2022
Annual General Meeting	17 May 2022
Second Quarter Production Report	27 July 2022
Interim Statement	2 August 2022
Third Quarter Production Report	26 October 2022

Dividend payment schedule

2021 Final Dividend Record Date	29 April 2022
2021 Final Dividend Payment Date	27 May 2022
2022 Interim Dividend Record Date	12 August 2022
2022 Interim Dividend Payment Date	14 September 2022

Registrar
Equiniti Ltd
Aspect House,
Spencer Road, Lancing
West Sussex BN99 6DA
United Kingdom

Registered office
21 Upper Brook Street
London W1K 7PY
United Kingdom

Corporate headquarters
Calzada Legaria No. 549
Torre 2, Piso 11
Delegación Miguel Hidalgo
11250 Mexico, D.F.
Mexico

Sponsor and Corporate Broker
JPMorgan Cazenove Limited
25 Bank Street
London E14 5JP
United Kingdom

Joint Corporate Broker
Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Travers Smith are Fresnillo plc UK legal Advisers

Share fraud warning
Share fraud includes scams where investors are called out of the blue and offered shares that turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms', mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. Most victims are experienced investors, losing on average £20,000.

Protect yourself
If you are offered unsolicited investment advice, discounted shares, inflated prices for shares you own, or free company or research reports, take these steps before handing over any money:

1. Get the name of the person and organisation.
2. Check the Financial Services Register at www.fca.org.uk/register to ensure they are authorised.
3. Use the details on the Financial Services Register to contact the firm.
4. Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
5. Search the list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam
If you are approached about a share scam you should tell the FCA using the form at www.fca.org.uk/scams (where you can also review the latest scams) or call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters then contact Action Fraud on 0300 123 2040.

For further information, please visit our website:
www.fresnilloplc.com or contact:
Fresnillo plc
Tel: +44(0)20 7399 2470
Gabriela Mayor, Head of Investor Relations

Forward looking statements

This document includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'projects', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and the silver and gold industries. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances.

Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations, financial position and liquidity, and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the results of operations, financial position and liquidity, and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in regulation, currency fluctuations (including the US dollar and Mexican peso exchange rates), the Group's ability to recover its reserves or develop new reserves, including its ability to convert its resources into reserves and its mineral potential into resources or reserves, changes in its business strategy, political and economic uncertainty.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of the date of this document, reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules or applicable law, the Group explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Group's expectations or to reflect events or circumstances after the date of this document.

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W1K 7PY

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