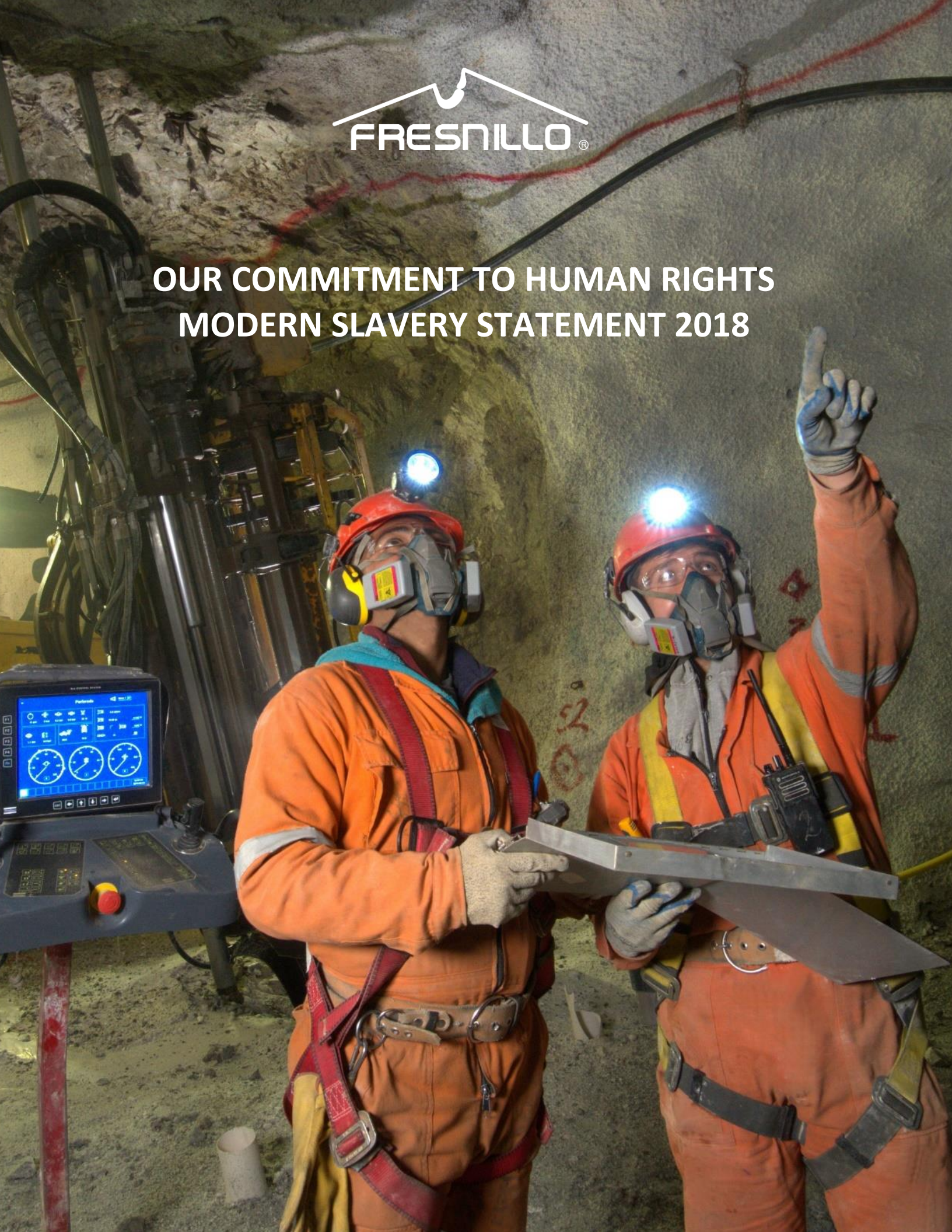




# OUR COMMITMENT TO HUMAN RIGHTS MODERN SLAVERY STATEMENT 2018





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*This statement has been published in accordance with the Modern Slavery Act 2015. It sets out the steps taken by Fresnillo plc ("Fresnillo" or the "Company") to prevent any involvement in slavery and human trafficking in our business operations. Fresnillo plc is strongly committed to continuing to evolve its approach to manage this risk.*



### 1. Introduction

Modern slavery is a grave violation to human rights. It comprises all forms of contemporary slavery such as forced labour, servitude, human trafficking and the worst forms of child labour<sup>1</sup>. We know Modern Slavery is a global challenge that exists in industrialised and developing countries. We recognize that no industry can be considered immune to this risk considering the rapid rise of global migration.

Preventing our involvement and addressing negative impacts on human rights is central to our sustainability approach.

#### Our approach to Sustainability

*We believe that responsible mining is compatible with high stakeholder expectations in terms of ethical, social and environmental performance, and recognise that our social licence to operate is dependent upon being trusted by our stakeholders. This underlines the importance of responsible business practices being deeply integrated into our business model, and of factors that affect stakeholders.*



This year, we explain what we have done in 2018 to increase our understanding of this risk and strengthen our policies and practices in line with the requirements of the UK Modern Slavery Act. This statement has been reviewed by the board's Health, Safety, Environment and Community Relations (HSECR) Committee.



<sup>1</sup> BEYOND COMPLIANCE: EFFECTIVE REPORTING UNDER THE MODERN SLAVERY ACT. A civil society guide for commercial organisations on the transparency in supply chains clause.

## 2. Business Structure

Our business model spans the full mining value chain from exploration, development and construction, to mining operations, supported by strategic resources and relationships essential to the effective execution of the business. Gold and silver mining is the heart of our business model. We generate revenue by selling the metals contained in the ore we extract and process. We ensure the longevity of our business by exploring and developing new projects.



Contractors and suppliers are key partners in our value chain. In 2018, the Company paid over US\$ \$1,447 million to suppliers and contractors.

 **2087** Suppliers   
**214** Contractor companies



## Our commitment to human rights

Our core operations are in Mexico, a country with significant geological resources, strong potential for continued growth, a skilled workforce and solid infrastructure, and a mining history extending more than 500 years.



Our workforce is distributed across our explorations, mining operations and development projects. Contractors are key partners representing 73% of our Workforce.

### Workforce in the Value Chain



### Contractors Workforce

**Mining and Exploration Contractors:** Companies assigned to mining, processing, maintenance and support activities such as exploration and topography.

**Service Contractors:** Staff working in activities other than Mining and Exploration, such as foodservice, housekeeping and security. Development of Projects use service contractors for underground wiring, piping and installation of equipment.

**Construction Contractors:** Staff working in construction projects (ex. Construction of processing plants, camps, road, etc.).



## Our commitment to human rights

The majority of our workforce is allocated to mining extraction and beneficiation, representing 83% of the demand of workforce, followed by Development and Construction which represents 14 %.

Workforce	Exploration	Development	Operation	TOTAL
Non Unionized Employees	305	57	1,015	1,377
Unionized Employees	0	0	3,925	3,925
Mining and Exploration Contractors	296	519	8,794	9,609
Service Contractors	53	323	2,477	2,853
Construction Contractors	0	1,772*	0	1,772
<b>TOTAL</b>	<b>654</b>	<b>2,671</b>	<b>16,211</b>	<b>19,536</b>

\* All figures refer to December 2018 except Construction Contractors. Due to the activity the figure fluctuated between 1,231 and 1,986 in 2018.

Fresnillo purchases goods and services across all stages of the mining cycle, from exploration and construction to mining operations.

Main Supplies	Country of origin of our suppliers	
Electricity	Mexico	95.76%
Diesel	United States	1.47%
Steel balls for milling	Canada	1.20%
Sodium Cyanide	Australia	0.43%
Other reagents	Others	1.14%
Lubricants		
Explosives		
Tyres		
Steel for drilling		



Where possible, Fresnillo plc buys local goods and services to develop procurement opportunities and economic wealth within the communities where we operate.





### 3. Policies and Governance

#### *Policies*

As a signatory to the United Nations Global Compact, we are committed to respect human rights, avoiding complicity with abuses and addressing grievances. Our policy framework reflects our commitment with human rights and is consistent with our aspiration to act in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGP).

#### Code of Conduct

Our Code of Conduct sets our values and individual commitment to conduct business ethically. It also sets the expectation on human rights, in accordance with the UNGP. It applies to all employees and related third parties (clients, suppliers, community and other entities who have some kind of business relationship with Fresnillo).

#### Sustainability Policy

Our Sustainability policy expresses our commitment to create value to society through a responsible mining approach, respecting human rights and the legal framework. It sets our commitment with communities to identifying and manage social impacts, considering the values and concerns of Indigenous People and addressing grievances in a fair and timely manner.

#### Diversity Policy

It sets our ambition to develop an inclusive culture where our people feel valued and inspired to contribute to their fullest potential. We embrace diversity of gender, ethnicity, religious beliefs, age, geographical background, nationality and disability.

#### Due Diligence Policy

It sets our commitment to diligently manage third party risks of bribery, corruption, money laundry, fraud and human rights violations, including modern slavery.

#### Integrity Policy

It establishes prevention, compliance, oversight and accountability mechanisms for avoiding involvement in administrative violations by members of the organization, their labour relationship, duties or the position they hold, in their business relations with third parties, particularly government agencies and public servants.

#### Anti-retaliation Policy

We do not tolerate any type of retaliatory action against persons that report, in good faith, violations to our code of conduct and policies. We consider retaliation: Harassment, Intimidation, Threats, Discrimination and/or Coercion.

### Governance

The Health, Safety, Environment & Community Relations (HSECR) Committee evaluates, on behalf of the Board, the Company's effectiveness in preventing modern slavery.

- Membership of the Committee: Mr. Arturo Fernández (chairman), Dame Judith Macgregor, Mr. Jaime Lomelín and Mr. Fernando Ruiz.
- Key contributors: Chief Executive Officer, Chief Sustainability Officer, Compliance Officer, Head of Legal, Sustainability and Community Relations, Human Resources and Procurement teams.

## 4. Risk Assessment

We have conducted a risk assessment to identify actual and potential human rights risks, including modern slavery. We began by mapping our value chain to understand the country of origin of our suppliers and contractors. We used the Global Slavery Index to better understand our global exposure.

Country of Origin of Our Suppliers	Percentage of Procurement	Prevalence Index Rank	Government Response Rating	Estimated Proportion Living in Modern Slavery	Vulnerability to Modern Slavery
<b>Mexico</b>	<b>95.76%</b>	<b>114/167</b>	<b>BB</b>	<b>2.71/1000</b>	<b>57.31/100</b>
<b>United States</b>	<b>1.47%</b>	<b>158/167</b>	<b>BBB</b>	<b>1.26/1000</b>	<b>15.88/100</b>
<b>Canada</b>	<b>1.20%</b>	<b>166/167</b>	<b>BB</b>	<b>0.48/1000</b>	<b>10.20/100</b>
<b>Australia</b>	<b>0.43%</b>	<b>163/167</b>	<b>BBB</b>	<b>0.65/1000</b>	<b>4.27/100</b>
<b>Others</b>	<b>1.14%</b>				

Fresnillo Value Chain Analysis and The Global Slavery Index 2018 (<https://www.globalslaveryindex.org/>)

This assessment indicates that our main exposure is in Mexico. Hence, we have used the Business and Human Rights Guide for Mexico, developed by the Danish Institute for Human Rights, to gain a better understanding of the country and identify a list of human rights risks. We have factored in, our understanding of the type of workforce employed in the value chain and the contractual arrangements used in Mexico. In addition, we have used our own social studies to identify potential risks in our communities where we operate.



### Modern Slavery Context in Mexico

#### *Forced Labour*

Women and migrants (including men, women, and children) are the most vulnerable individuals in Mexican society regarding forced labour<sup>2</sup>. Evidence suggests that this illegal practice may be more common in the agricultural, domestic service, food processing, construction, informal economy, begging, and street-vending industries, both in Mexico and the United States.

#### *Human trafficking*

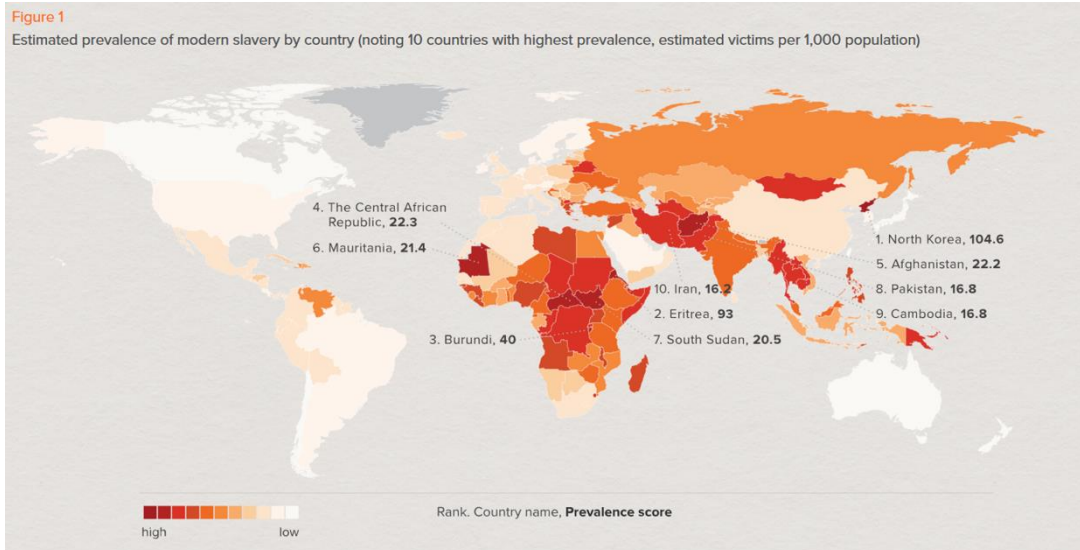
The groups considered most vulnerable to human trafficking in Mexico include women, children, indigenous persons, persons with mental and physical disabilities, migrants, and the LGBT community. The vast majority of foreign victims of forced labour and sex trafficking in Mexico are from Central and South America countries<sup>3</sup>.

#### Legal Framework:

- The Mexican Constitution forbids forced labour and inhumane work conditions.
- The General Law against Human Trafficking prohibits human trafficking in any of its forms and sets the framework to prosecute offenders and assist the victims.
- The Mexican Labour Law regulates labour rights and working conditions.

#### Relevant Government Agencies in Mexico:

- The Mexican Labour Ministry.
- National Human Rights Commission<sup>4</sup>.
- National Institute of Migration<sup>5</sup>.
- Executive Commission for Attention to Victims.
- Special Prosecutor's Office for Violence against Women and Human Trafficking.
- Interinstitutional Commission against Human Trafficking.
- National Commission for the Development of Indigenous Peoples.



The Global Slavery Index 2018 (<https://www.globalslaveryindex.org/>)

<sup>2</sup> United States Department of State, 2015 Country Reports on Human Rights Practices - Mexico, 13 April 2016, available at: <http://www.refworld.org/docid/571612389.html> [accessed 10 June 2017]

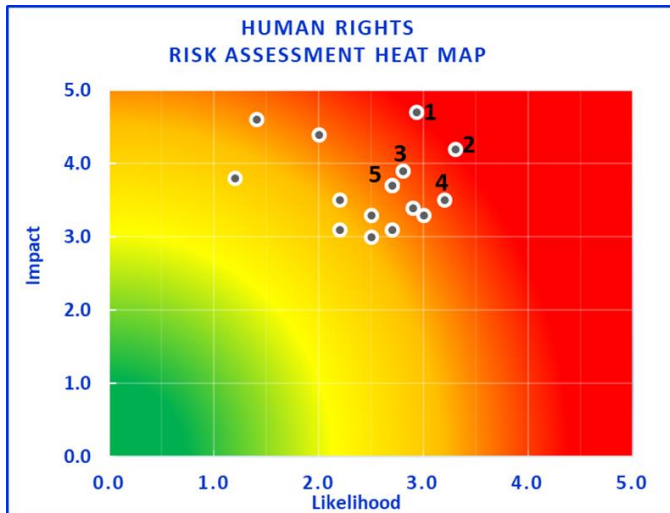
<sup>3</sup> United States Department of State, 2015 Trafficking in Persons Report - Mexico, 27 July 2015, available at: <http://www.refworld.org/docid/55b73bc4c.html> [accessed 10 June 2017]

<sup>4</sup> The National Human Rights Commission is the national human rights institution (NHRI) accredited before the United Nations.

<sup>5</sup> The National Institute of Migration controls and supervises migration in Mexico



A cross-functional team has evaluated the list of human rights risks considering its likelihood, impact and the vulnerable groups. Although modern slavery was not identified as a top human rights risk, we consider that mitigating our top five human rights risks is crucial to prevent conditions leading to modern slavery risks.



Top 5 Human Rights Risks	
1	Health and Safety
2	Labour and Living Conditions
3	Working Hours
4	Living Wages
5	Fear of Retaliation

The outcome of our risk assessment is consistent with the risks and human rights violation cases identified by the Business and Human Rights Guide for Mexico, developed by the Danish Institute for Human Rights.

## 5. Due Diligence and Risk Management

Our due diligence and risk management framework responds to our human rights risk assessment. Our approach considers the increased exposure of Third-Party Workforce.

### Our Due Diligence and Risk Management Approach:



- Third Party Due Diligence and contractual arrangements
- Auditing of compliance with the enrollment in the Mexican Health and Pension Fund (IMSS)
- Auditing to prevent sub-contracting practices
- Fresnillo's Whistleblowing Line
- Social Due Diligence and Community Grievance Mechanism



### *Third Party Due Diligence and contractual arrangements*

We conduct due diligence into new suppliers and contractors to identify potential legal, fiscal, reputational and human rights risks. Through a prequalification questionnaire, we engage suppliers to raise awareness and ascertain they have measures in place to ensure there is no compulsory, forced and child labour. In addition, we inquire into the human rights record of potential suppliers and contractors using public sources, including the Business and Human Rights Resource Center (<https://www.business-humanrights.org>).

We require mining contractors and suppliers to comply with our Code of Conduct. Our contracts stipulate compliance with labour regulations, respect of our health and safety procedures, enrolment of workers in the IMSS, prohibition to employ minors in mining operations, subcontracting practices and an antibribery clause. The Mexican Social Security Institute (IMSS) is a governmental organization that provides public health, pensions and social security.

### *Auditing of compliance with the enrollment in the Mexican Social Security Institute (IMSS)*

We monitor our contractors to make sure they properly enrol their employees in the IMSS. This is a critical control to prevent child labour and human trafficking of migrants. In addition, we monitor the legal compliance of their contributions to the health care and pension funds of their employees. Our access controls to our Mining Operations facilities deny access to third-party workers that do not comply with their IMSS enrolment requirement.

### *Auditing to prevent sub-contracting practices*

We monitor the subcontracting practices of our contractors to prevent cascading human rights risks. Our Internal Audit team verifies that sub-contracting is properly justified according to our policies and employee remuneration aligns with the labour market conditions. Direct interviews with contractors' employees are carried out to verify that and they are properly enrolled in the IMSS.





### *Fresnillo's Whistleblowing Line*

We have a whistleblowing line available for all stakeholders, including employees, third parties and the general public. Information regarding this whistleblowing mechanism is widely circulated with access available via our website in the Ethics and Culture/Code of Conduct section. The purpose of the whistleblowing line is to encourage employees and others to raise good faith concerns about misconduct that goes or appears to go against the Company's internal Code of Conduct and our institutional values. The whistleblower hotline allows stakeholders to anonymously report (via an independent third party) violations of the Group's Code of Conduct.

### *Social Due Diligence and Community Grievance Mechanism*

Our operations and development projects are required to adequately manage human rights risks in the communities where we operate. We engage communities neighbouring our operations in order to evaluate our social performance. We modified the methodology for evaluating social impacts (positive and negative) considering human rights. The feedback from this evaluation provides valuable information to enhance our community engagement plans. In addition, our grievance mechanism allows the community to report environmental, livelihood and other community concerns.





## 6. Training and raising awareness

Raising awareness and developing our competences are crucial to preventing any involvement in modern slavery and human rights abuses. We have trained our due diligence teams to investigate the human rights track records of suppliers and contractors using publicly available sources. We raised awareness of our operation managers, human resources and procurement specialists to bear in mind working conditions of contractors.

The training we offer extends beyond our Procurement teams to our wider operations. Our people, from the time that they join Fresnillo plc, are provided with the Code of Conduct and are expected without exception to comply with the provisions of our Code. We make clear that behaving in accordance with the Code is a condition of employment.

### Embedding ethics in our culture

*We engage our employees to go beyond reporting by stepping-up before any unethical behaviour including human rights violations.*





## 7. Assessment and effectiveness

The performance of our contractors indicate compliance with the IMSS enrolment requirements which provides a good indication of controls in place to prevent child labour and human trafficking.

No modern slavery complaints were received during 2018 through our local grievance mechanism or our whistleblowing line. We recognise that additional work is still required on an ongoing basis to further develop our ability to correctly identify other potential signs of modern slavery that are less evident.

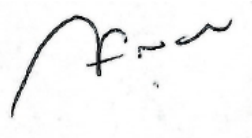
## 8. Looking ahead

Modern Slavery Risks are expected to rise in Mexico due to the rising migration from central America. We will remain highly committed to raise awareness in our value chain and participate in multi-stakeholder dialogue and collaboration to prevent modern slavery in any of its forms. We will focus on:

- Raising awareness among our suppliers to take action to prevent modern slavery risks.
- Continuing to build expertise with teams at our sites to identify labour conditions of contractors and suppliers that may lead to modern slavery risks.
- Continuing to evolve our third party due diligence and risk management process for our contractors and suppliers
- Exploring ways to better identify and act on upstream risks in our supply chains.



Yours faithfully,

A handwritten signature in black ink, appearing to read 'Arturo Fernández'.

Arturo Fernández,

Chairman Health, Safety, Environment and Community Relations Committee

This statement was approved by the board of Fresnillo plc. For more information please visit the Company's annual report and our website at <http://www.fresnilloplc.com/>.



