Water stewardship

Commitment

We recognize that water is a finite shared resource with significant economic, social, cultural and environmental value. It is also essential to the development of the communities neighboring the zones where we operate.

Because we are committed to responsible water stewardship, we voluntarily adopt best practices for a strong, transparent governance of water use, efficient administration, responsible, sustained consumption and inclusive collaboration with stakeholders. All this ensures optimum management and transparency of this valuable resource.

Strategy

In 2022, we focused on improving our water management strategy in order to fulfill our pledge of minimizing our water footprint. This strategy is sustained by three basic pillars, which in turn determine goals and programs to improve water security in the regions where we operate. These pillars are aligned with the International Council of Mining and Metals ICMM Position Statement on Water Stewardship, and Sustainable Development Goal 6 of the United Nations.

Transparency and governance in water management

- Implement ESG networks.
- Use the Water Accounting Framework (WAF) for performance reporting.

Effective management of water in our operations

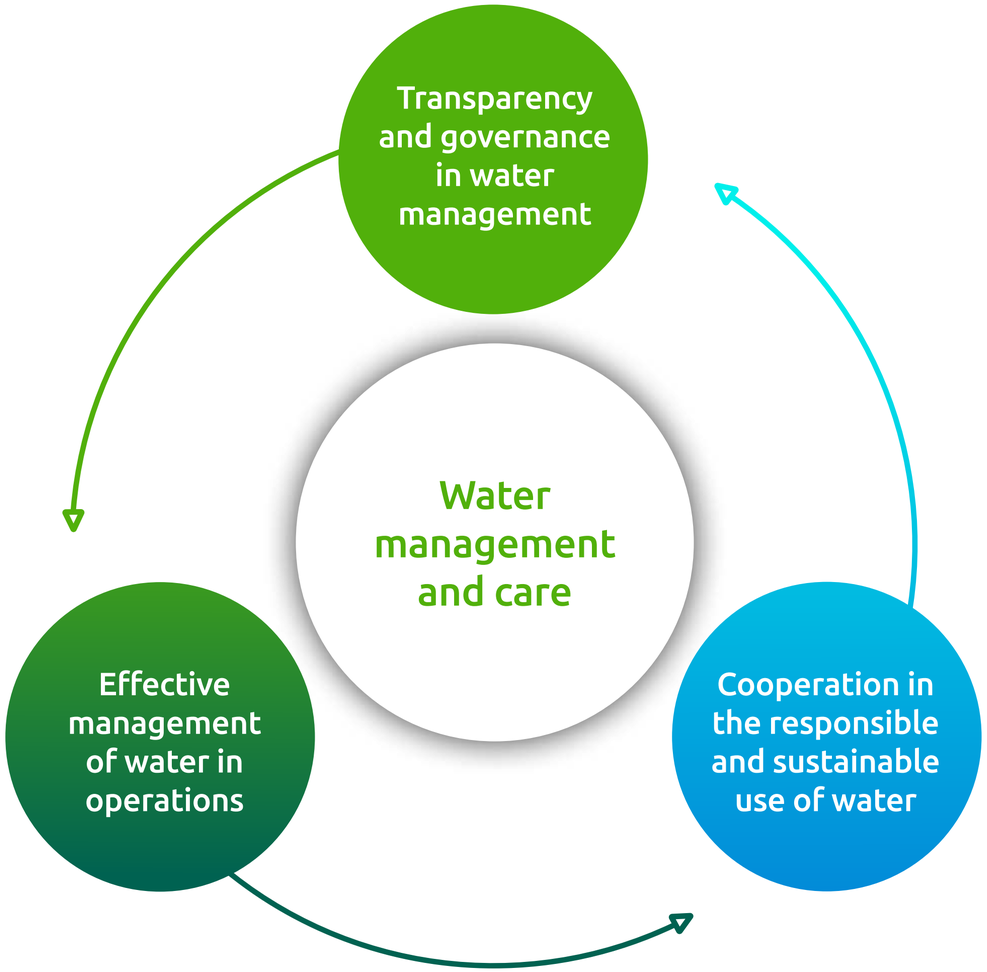
- Improve water efficiency, reducing fresh water in operations located in water-stressed areas, and use wastewater from municipalities and our own facilities in our processes.
- Reuse water through closed circuits that include high-compaction thickeners and water recirculation, to improve its availability in areas near our operations.
- Mitigate water-related environmental and social impacts.
- Explore new technologies, like filtered tailings.

Cooperation in the responsible and sustainable use of water

- Manage water under a collaborate approach with stakeholders.
- Carry out social and environmental assessments.
- Promote water stewardship.

In 2022, we focused on improving our water management strategy in order to fulfill our pledge of minimizing our water footprint.

Water stewardship model



Risks and opportunities

A key part of our strategy is understanding and mitigating our physical, regulatory and reputational risks in the watershed regions where we operate. Risk management is fundamental to building long-term value in our company, so each business unit will perform its own evaluation of potential water-related risks regarding the water it uses in its activities.

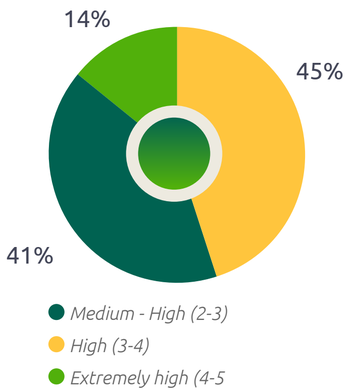
Metrics and results

During the year, we updated our identification of zones with water stress and water risk in our operating units using the online Aqueduct tool provided by the World Resources Institute. The results indicate that 36% of our operations are located in zones of extremely high water stress, and 27% in zones of high water stress. Regarding water risk, 41% of our business units fall into the extremely high category and 45% in the high category. Fresh water refers to surface water and groundwater (mine water, bore fields and municipal water system).

Water management includes good practices, which enable us to reduce operating costs, maximize efficiency in the reuse of water in recirculation and closed-circuit processes, and minimize fresh water consumption, ensuring regulatory compliance and preserving or improving the company's reputation.

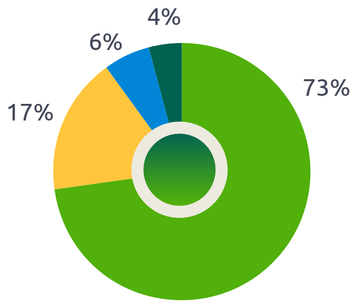
We work constantly to optimize our water consumption; for example, we have standardized maintenance checklists to avoid leaks in our systems, and put in place measurement devices and facilities for treating wastewater from our internal processes to recirculate it.

Water risk category



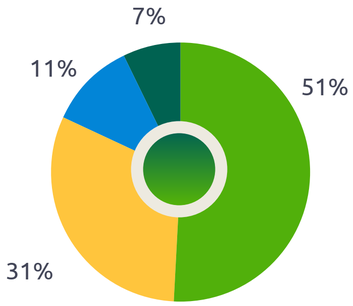
Extraction of fresh water

by location and water stress category



Consumption of fresh water

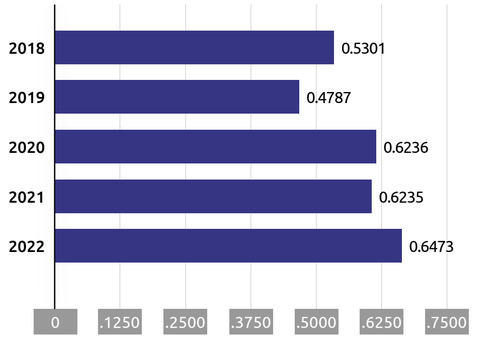
by location and water stress category



The distribution ratio of the percentage of extraction and consumption of fresh water is calculated in megaliters.

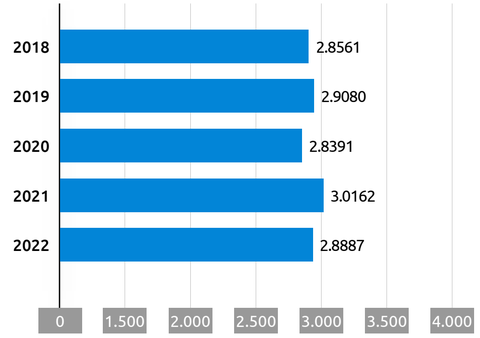
Water intensity Mines Peñoles

(m³ water / t of ore milled)



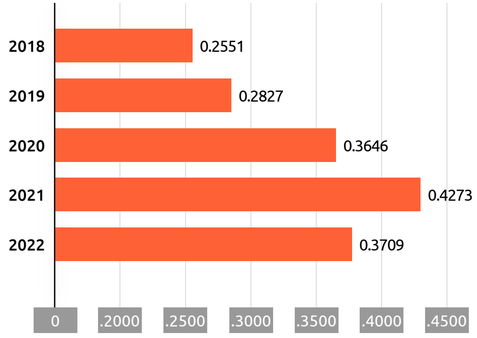
Water intensity Chemicals

(m³ water / t of production)



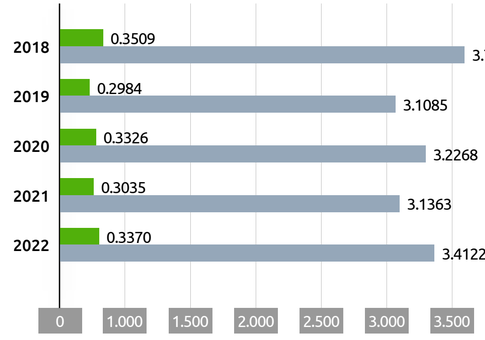
Water intensity Mines Fresnillo plc

(m³ water / t ore milled)



Water intensity Metals

(m³ water / t of production)*



* *Production includes products and by-products.*
Fresh water: Surface and underground water, internal and external sources.
Water consumption: Fresh water and treated municipal wastewater.

Water balance (Ml)	Category	Element	2018	2019	2020	2021	2022
Inputs	Fresh water	Surface water	188.36	232.41	407.80	901.52	823.59
		Groundwater	41,488.26	39,295.17	26,314.89	35,092.07	37,297.01
		Municipal water system	434.26	456.17	466.30	438.66	430.95
	Treated water	Municipal wastewater	6,625.16	6,419.49	6,876.72	6,951.38	6,692.46
	Total inputs		48,736.03	46,403.25	34,065.70	43,383.63	45,224.01
Outputs	Fresh water	Groundwater deviations	21,741.98	19,632.69	7,494.96	13,921.29	17,179.08
	Total outputs		21,741.98	19,632.69	7,494.96	13,921.29	17,179.08
	Water consumption		**26,994.06**	**26,770.56**	**26,570.74**	**29,462.34**	**28,064.93**
		Peñoles mines	5,281.90	4,867.97	4,691.91	3,998.45	4,572.73
		Fresnillo plc mines	12,892.04	12,805.20	13,329.96	16,526.69	14,584.57
		Metals	5,166.17	5,352.63	5,129.64	5,133.89	5,102.71
		Chemicals	3,653.94	3,744.76	3,419.23	3,803.32	3,804.93

Statement of operational efficiency (Ml)			2018	2019	2020	2021	2022
	Total volume to tasks		109,567.73	120,080.13	101,433.70	107,993.90	117,083.06
	Total volume of recycled water		82,573.68	93,309.57	74,862.96	78,531.56	89,018.12
Recycled water	Process	Operations	**81,701.74**	**92,007.93**	**73,067.76**	**78,162.30**	**88,572.02**
	Treated	Internal services	871.94	1,301.64	1,795.20	369.25	446.11
	Reuse efficiency		**75%**	**78%**	**74%**	**73%**	**76%**

Our business units do not discharge industrial wastewater into water bodies.

Next steps

Implementation of the Water Stewardship Strategy

1 Water management transparency and governance

- Create a Water Stewardship system based on corporate governance mechanisms.
- Identify roles and responsibilities.
- Conduct training and onsite verification.
- Correlate our Code of Conduct with policies, standards and guidelines.
- Identify and evaluate material risks and opportunities.

2 Effective management of water in our operations

- Ensure the consumption of water in our operations does not have significant adverse effects on ecosystems.

3 Cooperation for the responsible and sustainable use of water

- Ensure that the company and other stakeholders have access to sufficient clean water in the watershed regions where we operate.
- Monitor the responsible use of water.

Success story – Met-Mex Peñoles, water treatment pioneer

In 2022, Industrias Peñoles, S.A.B. de C.V. participated in the Exceptional Companies recognition, obtaining excellent results as the first plant in Mexico to treat urban wastewater for industrial processes. This underscores our commitment to and alliance with the community.

The management indicators used to administer the treatment of urban wastewater for industrial use in Peñoles' facilities in Torreón, Coahuila, are as follows:

- **100%** of Met-Mex operations use treated urban wastewater.
- **4,203,835 m³** of municipal wastewater treated.
- **397,186 m³** of internal wastewater treated.

These achievements earned us the following distinction as a company with exceptional practices:

Practice: First plant in Mexico to treat urban wastewater for use in industrial processes

Category: Contribution to the Sustainable Development Goals

Level: Exceptional Practice