

Corporate governance

Our corporate governance is solid, reliable, responsible for its decisions, and actively supervised and supported by an experienced, diverse management team, all of which has been fundamental to the company's success.

By mitigating risks, building trust, keeping channels of communication and dialogue open, and fostering a climate of transparency and accountability, we can better respond to the needs of all our stakeholders and create long-term value.

Our board members, committees and members of senior management set the tone for the entire organization by establishing and promoting standards of conduct, administration and operation.

Industrias Peñoles has a system of corporate governance that ensures the quality of information to the Board of Directors, consistent with the recommendations of the Code of Principles and Best Corporate Governance Practices issued by the [Business Coordinating Council](#). [↗](#)



In support of its corporate governance structure, Peñoles has a Corporate Integrity Manual, which is available to the public, along with the Code of Conduct, on our website. Both documents establish the means for prevention, compliance, oversight and accountability to avoid acts stemming from administrative failures—for example, collusion, conflicts of interest, influence-peddling, bribery, corruption and discrimination. The Code of Conduct also serves as a guide to employees in their dealings with outside parties, particularly with government agencies and public servants, in keeping with articles 24 and 25 of the General Law on Administrative Responsibility and best corporate practices applicable to Peñoles's operations.

For more information about the duties and responsibilities of the board, board members and committees, the category of board members and their professional background, see our website at www.penoles.com.mx [↗](#) Corporate governance section and the 2022 Annual Report.

All these documents are consistent with the vision, mission and values of this corporation. They conform to general considerations about its organizational structure, corporate leadership, training and communication programs, and mechanisms for assessing, verifying, and tracking compliance with internal and external rules and regulations, and they are applicable to all of the companies of the group.

The highest body of corporate authority at Peñoles is the Shareholders’ Meeting, which approves and ratifies all of the company’s acts and operations, and meets regularly under the terms required by Mexican law and the corporate bylaws.



The Board of Directors is the governance body responsible for defining the company’s vision and strategy, establishing policies and guidelines, and overseeing the management of our businesses and our operating and financial results. The CEO and the management team are in turn responsible for executing business in accordance with the policies and strategies approved by the board. Board members are appointed by a majority vote in ordinary shareholders’ meetings, which are held at least once a year. The board consists of 13 regular members, five of which are independent—equivalent to 38% of board membership, which is above the 25% minimum established in the Securities Market Act—and 12 alternate board members, with the same level of responsibility and independent status as the regular member to which they are assigned.

Shareholders with voting rights who individually or jointly hold 10% of the company’s capital stock have the right to appoint or revoke a board member and their respective alternate in the ordinary general meeting. Board members remain in their posts for a period of one year, or until the new board member assumes that position. They may be reelected for an indefinite number of terms.

The Board of Directors elects a chairperson from among its members. Since last year, this position has been held by Alejandro Baillères. If the chair is unable to attend the meeting, he or she will be replaced by the alternate board member appointed by a majority vote of the other board members. The chairperson represents the company before all types of authorities, and is responsible for due execution of the decisions of the shareholders meeting and the board. As chairman of the board, Alejandro Baillères is not a member of the organization’s senior management.

The Board of Directors is assisted in its activities by various committees, one of which is the Audit and Corporate Governance Committee. The Board of Directors meets in ordinary sessions at least four times a year and, in an extraordinary meeting, whenever called at the request of the Chairman of the Board no less than three days in advance. In 2022, the board met four times.



Board meetings may be legally called to order when a majority of its members are present and its resolutions and proposals are valid when approved by the majority of its members. In the event of a tie, the chairperson casts the deciding vote. In 2022, board meeting attendance was notably high, with an attendance of more than 92%.

The Board of Directors appoints an Audit Committee, which is also made up of board members. Among its duties are to review the company’s financial statements and internal controls and evaluate the external audit services. The last ordinary meeting was held on April 27, 2023, and the notice of that meeting was issued through the official gazette of the federation, on April 4, 2023.



In ordinary meetings, shareholders deliberate on matters such as the maximum amount that may be allocated to repurchase the company's own stock; qualifying the independence of independent board members; appointing the chair of the Audit and Corporate Governance Committee; and approving relevant transactions by the company.

The ordinary general shareholders' meeting may be legally called to order when at least half of the subscribed and outstanding capital stock is present, and its resolutions are valid and binding by the majority vote of those present. In order for an extraordinary general meeting of shareholders to be considered legally called to order, at least three-quarters of the capital stock must be represented at that meeting, and its resolutions will only be binding when passed by the vote of shares representing half of the subscribed and outstanding capital stock.

The organization also has an Executive Committee, made up of seven members of the Board of Directors, appointed at the shareholders meeting. The Executive Committee acts as a collegiate body and meets whenever its chairperson instructs, in which case the majority of members must be present. Decisions by this committee may be approved by the favorable vote of the majority of those present.

The Executive Committee reports to the Board of Directors, at least once a year, on agreements passed, or when there are events or acts that are highly relevant to the organization.

The Chief Executive Officer is responsible for management, guidance and execution of the company's businesses, subject to the strategies, policies and guidelines approved by the Board of Directors, while the Audit and Corporate Governance Committee is in charge of overseeing those decisions.

- The following are some of the main activities of the Board of Directors:
- Appointing and dismissing the Chief Executive Officer and their management team.
 - Deciding on comprehensive compensation and approving policies for appointing and compensating the Chief Executive Officer and other key members of senior management. To annually compensate members of the Board of Directors for their services, the general shareholders' meeting decides on an amount, considering performance criteria, for example in matters of safety and health.
 - Approving reports and sustainability metrics as well as the financial documents required by national and international laws and regulations, and proposing initiatives on revenues, sales, profits and loss.

