

Responsible value chain

Society expects a greater contribution from companies to prevent corruption, respect human rights, use water responsibly and mitigate the impacts of climate change. This expectation of society extends to the value chain of companies, so Peñoles has taken actions to implement initiatives to increase the visibility of its value chain in order to minimize risks and identify opportunities. Our Third-Party Code of Conduct is a firm step in establishing Peñoles' performance expectations for its value chain.

Value chain



Third-Party Code of Conduct and due diligence

Our code sets out the expectations of responsible business conduct for all third parties doing or wishing to do business with Peñoles. Our suppliers, contractors, and raw material shippers must meet our expectations for ethical behavior and integrity, human and labor rights, occupational health and safety, and respect for communities and the environment. Before entering into a business relationship with a third party, we conduct a due diligence procedure to determine the level of risk and the corresponding measures. As part of the due diligence process, our third parties agree to comply with Peñoles' Third-Party Code of Conduct. During the year, we invested in information technology to support this process. We also offered our suppliers training courses on our Code of Conduct and culture of integrity.

Supply chain

Critical suppliers are those that provide Peñoles with goods and services that have the greatest impact on operating costs, whose quality could affect our processes, that are scarce or single-source, and that have purchasing and/or import restrictions. For these critical suppliers, we implement a monitoring and evaluation program to identify strengths and areas of opportunity in their organizational structure. From these assessments, we identify suppliers subject to capacity-building programs.

In 2022, Peñoles implemented its first ESG questionnaire for suppliers, in order to have greater visibility of their maturity in these areas.

Local suppliers

This year we tried to integrate a greater number of local service companies in order to reduce costs and strengthen our social license in the regions where we operate. An example of this initiative is the Capela unit's local entrepreneur development program, which already has entrepreneurs capable of offering their services with the required quality and with less need for assistance from the company.

Our metallurgical complex has a supplier development process, whose purpose is the growth of local companies in order to obtain a better service with more qualified personnel. We continue to have an agreement with Canacindra to provide induction courses for new suppliers, as well as the DC3 Certification Program in welding, in agreement with Cecati 83.



Raw material shippers

By complying with responsible sourcing guidelines for gold and silver, our precious metals metallurgical business is certified by the London Bullion Market Association (LBMA), whose responsible sourcing programs are based on the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidelines, which allow us to demonstrate to customers and investors that the precious metals chain is conflict-free. This program includes annual audits, in which refiners must demonstrate their efforts to combat money laundering and prevent the financing of terrorism and human rights abuses, besides respecting the environment.

Our refinery is audited annually in a process that includes interviews with people responsible in our major precious metals mining operations on the implementation of measures to protect the human rights of indigenous peoples, manage impacts to communities and the environment, labor practices, and ethics and integrity programs. In 2022, we increased the audit scope of our metallurgical business to base metals through the London Metal Exchange (LME) responsible sourcing program, which includes interviews with our main zinc mining operation.

We implemented a due diligence process based on the Responsible Gold and Silver Sourcing Guidelines which consisted in verifying concessions and permits, asking shippers to answer questionnaires about their operations and their environmental, safety and occupational health practices, as well as community relations. These assessments provide a better understanding of the level of risk, as they may include visits to shippers' operations.

Contractors

At our mining operations, all new contractor personnel receive a five-day safety induction course. They also participate in specific courses such as rock mechanics, firefighting, search and rescue, first aid, and evacuation. We organize annual meetings to recognize the safety performance of our contractors and encourage them to implement safety recognition mechanisms for their personnel. We also require contractors to implement an annual medical examination program for their personnel. During the

pandemic, we established protocols to detect cases of COVID-19 in a timely manner and reduce contagion at our operations. At our mining operations, we require contractors to provide their workers with adequate working conditions, accommodation, food, services, and recreation. One example of these practices is the Capela unit, which encourages contractors to use a contractors' canteen provided by the company to improve their quality of life.

Química del Rey, the Chemicals Division's largest business unit, has

a collective bargaining agreement with the National Union of Workers of Service Providers for Industries, Companies and Corporations of the Mexican Republic, which establishes a salary based on a table of market salary indicators by category. The contract includes benefits and salaries higher than those established by the Federal Labor Law. During the year, contractor companies, mostly local, were evaluated, and safety, health and environmental controls were established. Contractors also received awards for zero accidents.

