



Overcoming
the challenges
to strengthen

OUR vision

SUSTAINABILITY REPORT 2022

B

Grupo BAL is a cluster of state-of-the-art companies that incorporates a diversified group of businesses: Profuturo (pension funds), Grupo Nacional Provincial (insurance), Peñoles (mining, metallurgical, and chemical industries), Fresnillo (mining), Grupo Palacio de Hierro (department stores), TANE (jewelry), Valmex Soluciones Financieras (financial services), Valores Mexicanos (brokerage house), Crédito Afianzador (bonds), Compañía Agropecuaria Internacional (agricultural businesses), Médica Móvil (pre-hospital care), Instituto Tecnológico Autónomo de México (education), PetroBal (exploration and hydrocarbons production), and Energía Eléctrica BAL (power generation). In each of these companies, we strive to reach the higher percentile in our industry regarding profitability, and to create value to all stakeholders, offering our customers exceptional products and services, supporting the personal and professional advancement of our employees and contributing to the progress of Mexico.



Contents

This 22nd Sustainability Report describes our approach and results in environmental, social and governance (ESG) issues for the fiscal year from January 1 to December 31, 2022.

We developed our Cultural Evolution strategy with the aim of caring for our people and being more efficient, fully committed to results, co-creation and work in ecosystems.

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The following symbols will be used throughout the report:

- IP = Industrias Peñoles
- t = metric tons
- Mt = million metric tons
- tCO₂ = metric tons of carbon dioxide
- tCO₂e = metric tons of carbon dioxide equivalent
- MtCO₂e = million metric tons of carbon dioxide equivalent
- tCH₄ = metric ton of methane
- tN₂O = metric ton of nitrogen oxide
- m = meters
- ha = hectares
- m³ = cubic meters
- Mm³ = million cubic meters
- l = liters
- ML = megaliters
- Mwhe = megawatt hour equivalent
- Gwhe = gigawatt hour equivalent
- US\$ M = million dollars

ESG Disclosure



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Performance



We increased from 47.8% in 2021 to **49%** in 2022 the share of electricity used from renewable sources.

Environmental

CLIMATE CHANGE [🔗](#)

1st report following the TCFD principles.



1,343,921 tCO₂e
Scope 1 GHG emissions

1,733,069 tCO₂e
Scope 2 GHG emissions

WATER STEWARDSHIP [🔗](#)

We reuse **76%** of the **water** that is recirculated from operations and internal services.



Met-Mex Peñoles was recognized with the Exceptional Companies award, for using

4.6 Mm³ of treated urban wastewater, which is equivalent to producing metals with a very competitive fresh water footprint.



CONSERVING BIODIVERSITY [🔗](#)

We involve communities in **biodiversity** protection activities in the projects, and we have two **wildlife** properties or facilities where we carry out the conservation of species identified in the IUCN Red List.

MANAGEMENT OF MINING-METALLURGICAL WASTE [🔗](#)

We implemented a governance system inspired by MAC and ICMM.

15% of tailings generated were reused in mine backfilling processes and to replace material borrowed to upraise tailings storage facilities.



MINE CLOSURE [🔗](#)

We have an economic reserve for the mine closure stage.

15,456 plants from the region were used to reforest **10.42 hectares** at the **Bismark** unit, and we placed **1,345 m** of stone barriers for soil conservation works.

Social

HUMAN RIGHTS [↗](#)

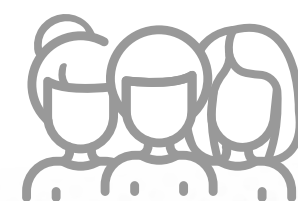
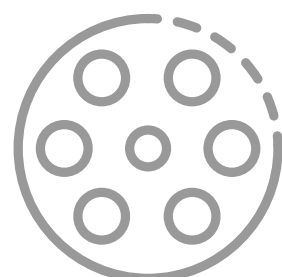
We have adopted our **Equity and Non-discrimination Policy** that ensures our commitment to be the best employment option for all people.



COMPREHENSIVE WELL-BEING [↗](#)

We implemented a strategy consisting of

six dimensions that reflect the development of a life: **Intellectual, Emotional, Physical, Transcendental, Cultural** and **Professional**.



DIVERSITY, EQUITY AND INCLUSION [↗](#)

We created the **Women for Women** Mentoring program and **Prevention of Sexual and Workplace Harassment** initiative, through which we provide training on diversity, equity and inclusion.

12.90%

of our workforce are women, including unionized, non-unionized and contractor women.



SAFETY AND HEALTH [↗](#)

We seek to eradicate fatal accidents with the **High Potential Strategy**. The strategy allows us to continuously and systematically reduce incidents by focusing our efforts on risk management, which includes three mutually reinforcing dimensions that are supported by visible leadership:

- i) critical risk management and controls,
- ii) behavior management,
- iii) incident management.

Governance

VALUE CHAIN [↗](#)

The **Third-Party Code of Conduct** is a firm step towards establishing compliance performance expectations for the value chain, compliance based on ethical behavior and integrity, human and labor rights, occupational health and safety, respect for communities and the environment.



We maintain our **LBMA certifications**, which demonstrate to customers and investors that the **precious metals chain** is conflict-free. We also increased the scope of our metallurgical business to base metals through the LME's responsible sourcing program.

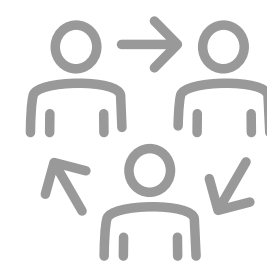


LIVING OUR COMMUNITY [↗](#)

We contribute with

67% local employment

58% local suppliers



STRONG CORRELATION [↗](#)

Company and union have agreed on the co-design and implementation of a new work model called **Labor Modernity**, based on three axes: **ethical, safe** and **productive work**.

ETHICS AND INTEGRITY [↗](#)

Peñoles ranks **1st** in the IC500 index and is on the list of Mexico's most ethical companies. Our whistleblowing line **Línea Correcta** hotline is a means of reporting unethical behavior anonymously, managed by an Honor Commission.

We have implemented third-party due diligence, a risk-based verification and mitigation process.



Letter from the CEO



**Rafael Rebollar
González**
Chief Executive Officer

Meeting challenges to strengthen our vision

At Peñoles, we produce metals and chemicals that are essential to the well-being of society. Because our commitment to society and the environment inspires what we do and how we do it, we have made it our mission to assist in transitioning to a low-carbon emissions economy.

Our purpose is to generate opportunities and well-being by sustainably supplying essential resources

Our precious and industrial metals value chain meets the supply criteria of the London Bullion Market Association (LBMA) and the London Metal Exchange (LME), and we are committed to the principles of the UN Global Compact and its Sustainable Development Goals (SDG). In Mexico, we have been awarded the Ethics and Values prize, and we lead the rankings in corporate ethics.

What do we do?

Create opportunities and well-being

COVID-19

Since the start of the pandemic, we have prioritized the welfare of our people, solidarity with our communities and cooperation with health authorities. In 2020, Peñoles' leadership was crucial in working with authorities to develop the Mexican protocol to prevent contagion in the mining and metallurgical industry. Today we continue to reinforce preventive measures with a focus on promoting and bringing vaccines closer to our employees and communities.

In recognition of the measures we take to protect our people from COVID-19, our operations received the Health and Safety distinction from the Mexican Social Security Institute (IMSS).

Health, safety and comprehensive well-being

Peñoles aspires to operate a safe, accident- and illness-free work environment. Our health and safety programs are inspired by a zero-damage mentality and the pursuit of comprehensive wellness for our people. We took a big step forward to this end with a participative exercise in which we identified six paths of development: emotional, physical, intellectual, professional, cultural and transcendental.

Our occupational health strategy is based on prevention; we identify critical risks to health in order to eliminate, reduce and/or control them at their root. In Mexico and around the world, the COVID-19 pandemic exacerbated risks to mental health, which is why we have intensified our efforts to foster comprehensive wellness and emotional containment, and reducing work stress.

We deeply regret to report three fatal accidents in 2022. We know that we still have a long way to go to achieve our goal of eradicating this type of accidents.

In all of our operations, projects and explorations, we have taken a participative, evidence-based approach to identifying high-potential accident risks—those which may result in a fatal accident. We co-created critical controls to build trust and promote behaviors that reinforce these controls. With our people, we verify their onsite application and effectiveness, encouraging accountability and learning from high-potential incidents. We have prioritized the practice of visible leadership among our senior management and operating staff as agents of change; we also strengthened on-site supervision to ensure implementation of our safety strategy. For Peñoles, life and physical integrity of all our people is fundamental.

The metallurgical and chemical operations of Industrias Peñoles received the IMSS Safe and Healthy Workplace distinction.

Our health and safety programs are inspired by a zero-damage mentality and the pursuit of comprehensive wellness for our people.

Cultural evolution

To continue advancing, overcoming challenges and strengthening our vision, in 2022 we launched a cultural evolution strategy seeking accountability, co-creation and work in ecosystems.

Also during the year, we adopted a policy on equality and non-discrimination that mandates an equitable, inclusive, respectful work environment with equal opportunities for all, in which everyone feels valued and inspired to contribute to their fullest potential.

Committed to developing the talent of women in leadership positions, we began a mentoring program called Women for Women, whose aim is to empower their abilities and build and strengthen a network based on solidarity and empathy.

Living the Community and Alliance for the Common Good

Peñoles is intent on building mutually beneficial relationships with neighboring communities, responsibly managing our impacts, addressing their concerns and involving ourselves in causes that are important to them.

We believe education is fundamental for social unity and the future of our communities. In 2022, we promoted 23 robotics teams supported by schoolteachers and company mentors. In these courses, students also learn values like cooperation. Last year they competed in the FIRST Robotics Laguna Regional Tournament, organized by Peñoles in Torreón, Coahuila, involving 586 young people, 150 teachers and company employees.

Our Laguna del Rey Center for Technical Studies (CETLAR) trains youth in communities to work as specialized technicians, opening opportunities to future leaders in our communities. Since the program began, 890 young people have graduated.

Health is fundamental for the prosperity of communities. In synergy with Fundación UNAM, we organized health weeks in mining communities, offering free medical checkups and care for neighbors.

In partnership with Alliance for the Common Good, we coordinated with authorities to set up the most successful vaccination center in La Laguna, and certainly one of the best examples of government-business collaboration during the pandemic. We also worked together with health authorities to organize vaccination days, benefiting our people and the communities of mining operations at Penmont and Ciénega, in addition to San Julián, where we benefited the Raramuri communities of the region. All together, these centers applied more than 347,000 vaccine doses.

Furthermore, in the regions where we operate, we prioritized local job opportunities and sourcing, while contributing to the development of regional capacities through the mining cluster associations to which we belong.

Our Laguna del Rey Center for Technical Studies (CETLAR) trains youth to work as specialized technicians, opening opportunities to future leaders in our communities.

How do we do it?

By sustainably supplying essential resources

Climate change

Climate change is one of the greatest global challenges today, and it poses both risks and opportunities to Peñoles. Our strategy includes initiatives to reduce emissions and build capacities to plan climate change adaptation. Our efforts to reduce emissions pursue energy efficiency in all our processes, through measures like electricity from wind farms, cogeneration, the use of natural gas to replace diesel in trucks, and intelligent ventilation systems in our mines, among others. In 2022, we published our first progress report on climate change, following the principles of the Task Force on Climate-related Financial Disclosures (TCFD).

Water

Water is a finite resource, and given its socioeconomic, environmental and cultural value it is of utmost relevance to our stakeholders. Peñoles is committed to responsible water stewardship. We are voluntarily forming a governance framework based on best industry practices and deploying a strategy focused on care for water, which includes efficient management, cooperation with our stakeholders and transparent reporting of our performance.

In early 2023, our strategy for reusing wastewater from the city of Torreón, Coahuila was recognized with the Exceptional Enterprise Award, given by the Consejo Coordinador Empresarial, the Consejo de la Comunicación and the Instituto para el Fomento de la Calidad.

Tailings dams

We at Peñoles are committed to adopting best practices in governance and engineering to improve safety and reduce the risks of our tailings dam infrastructure, ultimately with the aim of causing zero damage to people and to the environment.

We have introduced a tailings dam management system with a lifecycle approach, based on the internationally recognized principles of: i) accountability, responsibility and competence; ii) resource planning and assignment; iii) risk management; iv) change management; v) emergency preparedness and response; and vi) inspection and assurance.

We strengthened our internal capacities by creating a team of tailings dam experts whose presence ensures sound governance, the enforcement of controls, reviews and independent inspections. The independent panel of experts is a crucial governance practice. We have also forged strategic partnerships with internationally recognized consultants who can serve now and in the future as engineers of record.

At Peñoles, we are convinced that doing the right thing to ensure sustainable operations will benefit present and future generations. Accordingly, we intend to continue on this path, meeting the challenges to strengthen our vision, inspired by our values of confidence, responsibility, respect, integrity and loyalty.



Rafael Rebollar González
Chief Executive Officer

Creating value

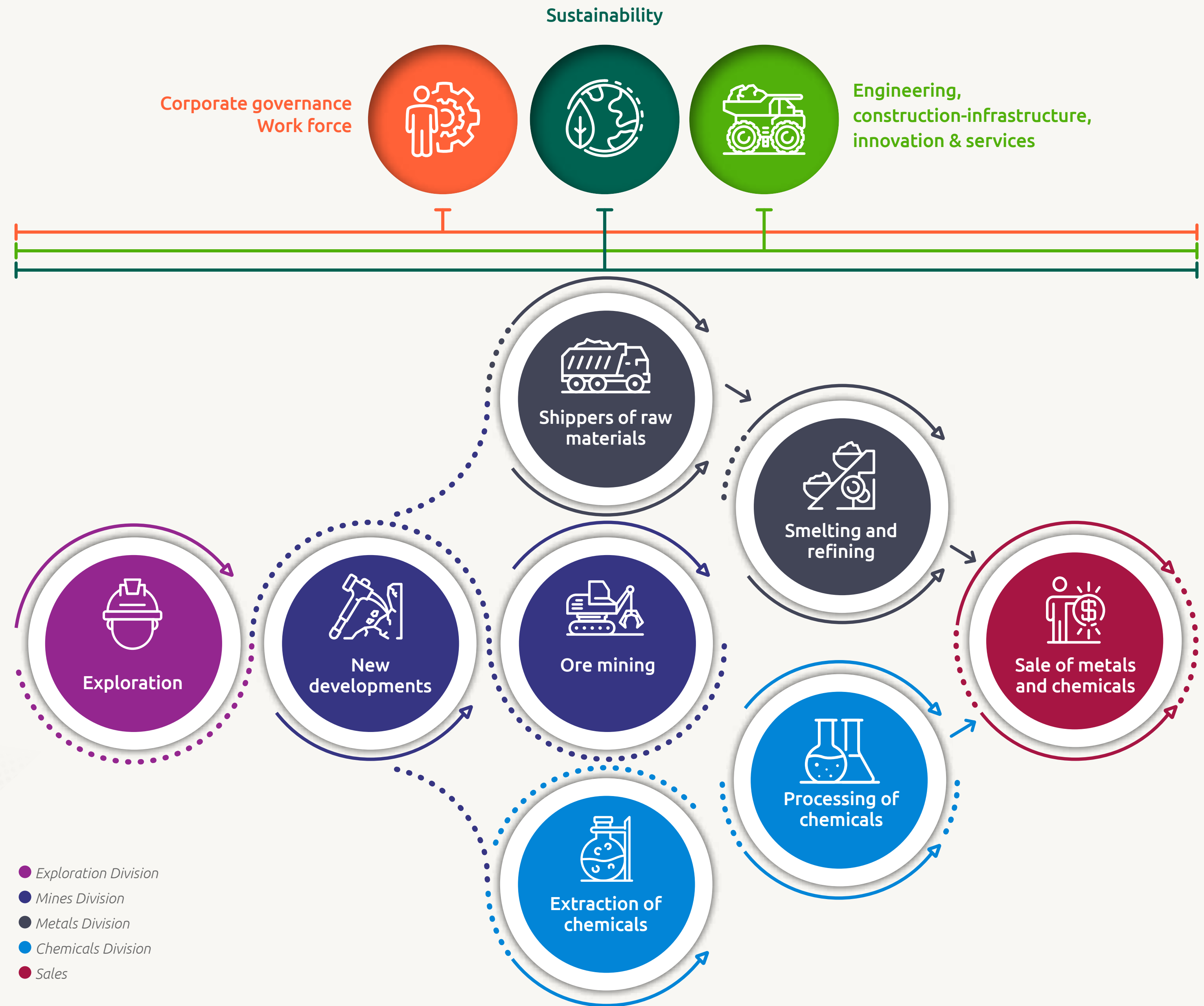


Business model

Industrias Peñoles, S.A.B. de C.V. is a mining-metallurgical-chemical group founded as a mining company in 1887. We have integrated operations that range from exploration to production and sale of refined metals and other products. Our portfolio incorporates polymetallic products, from smelting and refining non-ferrous metals such as zinc, lead, silver and gold, to the preparation of inorganic chemicals—primarily sodium sulfate, magnesium sulfate and magnesium oxide.

We focus on operating at low cost and continually investing in exploration, capacity expansions and operational efficiency throughout the business cycle. This strategy, combined with new initiatives in sustainable development, continuing to work with and train talented people, and maintaining a healthy capital structure and solid corporate governance practices, have distinguished us and enabled us to build long-term value for our shareholders.

Peñoles' shares have been listed on the Mexican Stock Exchange since 1968 under the ticker symbol PE&OLES. Our subsidiary Fresnillo plc is listed on the London and Mexican stock exchanges. The group is made up of four main divisions: Exploration, Mines—Peñoles and Fresnillo plc—Metals and Chemicals.



- **Exploration Division:** Engaged in detecting, locating, acquiring, studying, analyzing and developing polymetallic, copper, gold and silver deposits in Mexico and South America—mostly in Peru and Chile—where we have mining concessions that support future growth by generating new mining projects.
- **Mines Division:** Activities are concentrated in the mining and processing of ore with metallic content of gold, silver, lead, zinc and copper, to produce concentrates of lead, zinc and copper, and copper cathodes. Peñoles has four underground mines in Mexico: Velardeña, in Durango; Sabinas, in Zacatecas; Capela, in Guerrero, and Tizapa, in the State of Mexico—which is 51% company-owned. Milpillas currently operates leaching pads for the production of copper cathode.

The Bismark and Madero units are in the process of transitioning toward restoration and closure. Fresnillo plc has seven underground and open-pit mines. The underground mines are Fresnillo, Saucito and Juanicipio (56%), located in Zacatecas; Ciénega, in Durango; and San Julián, on the border between Chihuahua and Durango. The open-pit mines are Herradura and Noche Buena, in Sonora.

- **Metals Division:** Comprises metallurgical operations that process concentrates from company-owned mines, subsidiaries and other mining shippers to produce refined metals of high quality and purity, certified for sale on international markets. It operates Met-Mex, a metallurgical complex located in Torreón, Coahuila, which has a lead foundry, a lead-silver refinery and an electrolytic zinc refinery, which produce mainly refined gold, silver, lead and zinc. It also operates the Aleazin plant, located in Ramos Arizpe, Coahuila, which produces special zinc alloys; and Bermejillo, in Durango, where other byproducts are processed and sulfuric acid, cadmium, bismuth, antimony trioxide and liquid sulfur dioxide are produced.

- **Chemicals Division:** The main products of Química del Rey, located in Laguna del Rey, in the municipality of Ocampo, Coahuila, are sodium sulfate, magnesium oxide and magnesium sulfate. Industrias Magnelec, located in Ramos Arizpe, Coahuila, is also part of this division. It produces magnesium oxide in electric and electrofused grades.

In 2022, Industrias Peñoles—including its subsidiary Fresnillo plc—reported a total of US\$ 5,523.36 million in ordinary sales revenues.

Peñoles has corporate offices in Mexico City and in Torreón, Coahuila, and two commercial offices in the United States and Brazil.



US\$ 5,523.36 M
in ordinary sales revenues.

Location of operations

Peñoles, a proudly Mexican company with an international presence, promotes development and creates opportunities in the regions where it has operated for more than thirteen decades.



135 years
generating development
and creating opportunities

Mining operations

Base metals

- 1 Velardeña
- 2 Sabinas
- 3 Tizapa
- 4 Capela
- 5 Milpillas

Precious metals

- 6 Herradura
- 7 Ciénega
- 8 Fresnillo
- 9 Soledad-Dipolos*
- 10 Saucito
- 11 Noche Buena
- 12 San Julián
- 13 Juanicipio

* Operations in these units are suspended.

Chemical operations

- 14 Química del Rey
- 15 Fertirey
- 16 Industrias Magnelec

Metallurgical operations

- 17 Metalúrgica Met-Mex
- 18 Bermejillo
- 19 Aleazin

Mines in transition or project

- 20 Naica*
- 21 La Industria

Infrastructure

- 22 Coahuila-Durango Railway
- 23 Termoeléctrica Peñoles
- 24 Termimar
- 25 Fuerza Eólica del Istmo
- 26 Eólica de Coahuila
- 27 Eólica Mesa La Paz

Offices

- 28 Exploration
- 29 Corporate headquarters

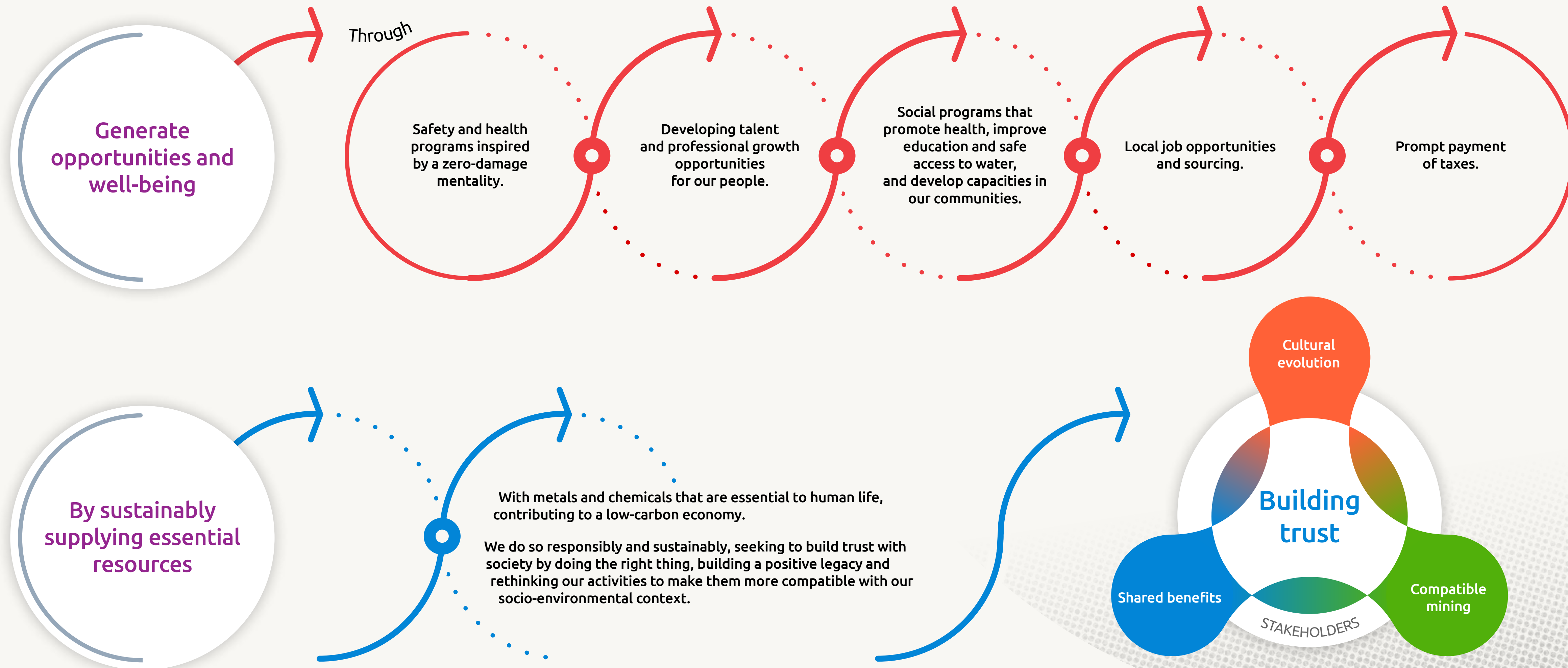
Commercial offices

- 30 Bal Holdings
- 31 Wideco
- 32 Quirey do Brasil



Our purpose

Our purpose **“To generate opportunities and well-being by sustainably supplying essential resources”** guides all of our strategic decisions, balancing our own needs with those of our stakeholders and the environment.



Culture and values

In 2021, we launched the first phase of our Cultural Evolution strategy, which involved preparing a diagnosis of our current culture and, based on the results, defining the necessary competencies and the methodology to be applied to close the gap between the actual and desired culture.



In 2022, we began to apply those competencies and methodology with the firm goal of caring for our people while improving our efficiency. Our aim is to foster accountability, co-creation and work in ecosystems.

Our values of trust, responsibility, respect, integrity and loyalty, embedded in our culture, are the foundation of this strategy. They encourage resilient strategic relations, foster responsibility and accountability, shield us from the negative effects of unethical behavior and enable us to build long-term relations of mutual trust and benefit with our stakeholders.



The following are the common principles for our people, which will thrive winning behaviors and give life to the desired culture.





Strategy implementation process

LEARN

Guarantees that our people are informed of the expected values and behaviors involved in the Cultural Evolution.

1.....

UNDERSTAND

Ensures that our people understand the expected values and behaviors of the Cultural Evolution and how they relate to their day-to-day work.

2.....

ACCEPT

Ensures that our people accept and identify with the company's expected values and behaviors, and are willing to put them into practice.

3.....

ACT

Have our people embody and enact the expected values and behaviors in their day-to-day work, ensuring that they are congruent with the company's culture.

4.....



Monitoring culture

Our culture supports open-mindedness, collaboration, innovation, transparency, accountability and operational excellence, which promotes productivity while lowering costs and reducing our environmental and social footprint. By continually monitoring our culture, we can take prompt preventive and corrective actions.

Monitoring mechanisms:

- Barrett Values Survey
- Psychosocial Risk Factor Survey
- Ethical culture assessment (Ethisphere® Ethics Quotient)
- Diversity survey – KPMG and Aequales
- Reports to Línea Correcta
- Diversity metrics
- Comprehensive well-being metrics
- Turnover rate



Monitoring results:

- Identification of personal and collective values relevant to the company.
- Broader communication and awareness of risk identification, analysis and prevention.
- Strategies to improve and promote a healthy workplace.
- Initiatives to support workplace diversity, equity and inclusion.

Success story: Champions Program

This program, launched in 2022, is designed to inspire change in people and promote their overall wellbeing through leadership and the positive influence of our leaders to promote the Cultural Evolution strategy.

Our champions conduct workshops to promote the elements of the desired culture, train new champions and spread the key messages of our strategy in their network of contacts.

We have been able to create a community that shares a way of embodying the values and the behaviors that define the desired culture, along with experiences and lessons based on trust and cooperation.



Stakeholders

Our commitment is to forge positive relations with all our stakeholders—employees, communities, customers, suppliers, shareholders and the government—based on ethical behavior, honesty, transparency, and respect for human and labor rights. By being aware of their expectations, we strive for proactive involvement and decisions on how to create value. We also expect each of these groups to behave ethically, in keeping with the principles listed in our Code of Conduct and Third-Party Code of Conduct.

We have identified our stakeholders on the basis of how they may influence or how they may depend on the company’s success. With all of them, we maintain open channels of communication to foster trust and dialogue. We are committed to responding promptly and efficiently to each of them, with reliable information. In this section we will list our stakeholders, their relevance, and the engagement mechanisms and activities we provide to maintain solid relations with them.

Goal/relevance for the company	Mechanisms	Metrics	Activities and efforts	Results	Potential risks
<p>To be the best place to work, a company they can feel proud of, which dignifies them by offering opportunities for development, respect and recognition in a safe and team environment.</p> <ul style="list-style-type: none"> • An experienced and motivated workforce that offers good ESG performance. • A workforce committed to safety and health improvement measures. • Commitment of the workforce, including senior management, offers valuable information for decision-making. • Diversity improves creativity, innovation, retention and productivity. 	<ul style="list-style-type: none"> • Strategic and operational planning • Code of Conduct • Regular work team meetings • Talent Development, Evaluation and Performance System • Labor modernization program focused on results and productivity <p>Internal communication mechanisms</p> <ul style="list-style-type: none"> • Materiality analysis • Annual reports: Financial and Sustainability • Whistleblowing line Línea Correcta • Training and development in administrative, human and technical competencies • Workplace environment survey 	<ul style="list-style-type: none"> • Fatal accidents • Total recordable injury and lost time injury frequency rates • New cases of work-related illness • Turnover rate • Gender diversity • Whistleblowing line reports 	<ul style="list-style-type: none"> • Creation of crisis management teams to supervise COVID-19 prevention measures. • Union participation in collective bargaining, prevention of harassment, outsourcing reform, cultural evolution, health and safety committees, and critical controls in the workplace. • Symposium on occupational health and safety with involvement of unionized employees. • Training in cultural evolution to encourage accountability and teamwork. • Comprehensive program to identify, prevent and address workplace harassment. • Creation of a Committee to Prevent Discrimination. • Surveys to better understand the concerns of our workforce. • Interviews and focus groups to better understand our employees perceptions regarding the company’s performance in the communities where we operate. • Whistleblowing line. • Mentoring program for women. 	<ul style="list-style-type: none"> • Positive relations with workers and unions. • No strikes or labor conflicts that affected our operational capacity. • Reduced impact from COVID-19 due to actions to prevent and reduce propagation. • Reduction of total recordable injury and lost time injury frequency rates. • A board level mechanism for workforce involvement. 	<ul style="list-style-type: none"> • Union relations • Safety: unsafe acts or conditions • Exposure to COVID-19 • Changes in responsible mining practices

1. EMPLOYEES



Our goal is to have communities committed to their development and to the company, that prosper and are owners of their destiny, and feel proud of having Peñoles as a neighbor.

Goal/relevance for the company

Mechanisms

Metrics

Activities and efforts

Results

Potential risks

<p>To have communities committed to their own development and to the company, that prosper and are owners of their destiny, who appreciate and are proud of having Peñoles as a neighbor and partner.</p> <ul style="list-style-type: none"> • Relations with local authorities and NGOs are crucial to the successful implementation of health and education programs and the development of skills and abilities in our communities. • Arriving at a fair commitment to give indigenous peoples access to new projects is a concern of regulators, NGOs, investors and society at large. • Leaving a positive legacy beyond the lifecycle of our mining operations is crucial for earning and maintaining the company's social acceptability. 	<ul style="list-style-type: none"> • Social Management System • Grievance mechanisms • External communication channels and media monitoring • Meetings with social leaders • Annual reports: Financial and Sustainability • Socioeconomic diagnosis • Perception survey • Materiality analysis • Self-development promotion 	<ul style="list-style-type: none"> • Economic value distributed • Perception surveys • Local employment and procurement • Payment of taxes to the Sustainable Development Fund for Mining States and Municipalities • Community investment 	<ul style="list-style-type: none"> • Support for health campaigns in our communities. • Involvement of parents and school authorities in ensuring a safe return to school. • Social investment with an emphasis on education, health and sports, skill-building and access to water. • Commitment to leaders, local and regional authorities to identify, discuss and take action regarding their concerns, aspirations and needs. • Conduct regular social studies to identify and evaluate community needs. • Operate grievance mechanisms to address concerns and inquiries from the communities. 	<ul style="list-style-type: none"> • Community investment. • Local employment and procurement. • Economic value distributed in the regions where we operate in the form of salaries and benefits, payments to contractors and suppliers, and federal, state and municipal taxes. 	<ul style="list-style-type: none"> • Access to land: Increased expectations of compensation, influence of outside interests in negotiations, effective consultation processes with indigenous peoples, and risks of lawsuits from agrarian communities. • Licence to operate: Deficient social and environmental performance and/or presence of anti-mining activism increases the risk of opposition and conflict. • Water availability: Climate change alters the availability of water resources where we operate.
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Goal/relevance for the company

Mechanisms

Metrics

Activities and efforts

Results

Potential risks

3. GOVERNMENT

Establish cooperative, mutually beneficial and institutional relations by promoting open dialogue for the common good with legislators and representatives of local, state and federal governments.

- Address a wide range of strategic issues such as safety, environmental permits, taxes, promotion of local business, creation of a responsible value chain, positive public recognition of mining and of the company, public policies favorable to current and future operations, process for drafting legislation, community support and mediation, among others.
- Build a solid reputation and open communication with policymakers to offer our perspectives and information when drafting new laws or legal reforms.
- Create an Alliance for the Common Good, strengthening our vision of shared responsibility with regional governments, for the good of all mining communities.

- External communication channels and media monitoring
- Meetings with local, state and federal authorities
- Annual reports: Financial and Sustainability
- Socioeconomic diagnosis
- Perception survey
- Executive meetings

- Economic value distributed: payment of taxes and fees
- Royalties paid in keeping with the Federal Royalty Law

- Meetings with organizations such as CAMIMEX (Mexican Mining Chamber), CONCAMIN (Mexican Confederation of Industrial Chambers) and the CCE (Business Coordinating Council) and sustainability associations like CESPEDES (Mexican Chapter of the World Business Council for Sustainable Development) and the CCA (Mexican Water Advisory Council); meetings through mining cluster associations, Coparmex offices and independent hearings.
- Information provided to decision makers based on reliable data on the mining industry and an open-door approach to our processes.
- Meetings with local, state and federal authorities regarding operating safety, mining royalties, environmental permits, mining regulations, tax issues and successful implementation of public policy for the industry in the regions where we operate.
- Meetings with the corresponding tax authorities.

- The company carried out a new restructuring to meet new labor and tax obligations, ensuring a segment of the workforce that is essential to our strategy, preserving employees' rights and cooperating with authorities in fulfilling contractors tax obligations.
- Excellent track record of compliance in health, safety and environment, as evident in national awards and certifications.

- **Potential government actions:** Changes in regulations and delays in their passage, which may have an adverse impact on obtaining the corresponding mining and water permits, rights and concessions; energy policies and reforms and connection to the electrical network; regulations on outsourcing; tax changes; burdensome tax obligations, including responsibilities on contractor compliance; environmental and property taxes, permits for explosives, reforms to the mining law and other important secondary laws that may affect the current way we do business; declaration of other further strategic minerals besides lithium, etc.
- Social climate adverse to operations due to lack of state support.



Create an Alliance for the Common Good, strengthening our vision of co-responsibility with regional governments.

Goal/relevance for the company

Mechanisms

Metrics

Activities and efforts

Results

Potential risks

<p>4. CUSTOMERS</p>	<p>Be a strategic partner that offers comprehensive solutions and inspires the trust needed to do business over the long term.</p> <ul style="list-style-type: none"> Mutually beneficial relations with a deep ethical commitment, which build trust and long-term cooperation with our various clients. 	<ul style="list-style-type: none"> Customer administration system Service and satisfaction surveys Technical visits Product catalogue External communication channels and media monitoring Annual reports: Financial and Sustainability Process certifications Socioeconomic diagnosis Perception survey Materiality analysis 	<ul style="list-style-type: none"> Economic value distributed: total sales Local and international customers 	<ul style="list-style-type: none"> Conduct LBMA and LME responsible supply audits. Supply the required products and services with the highest quality and timeliness possible. Conform to current Peñoles policies and procedures. Maintain quality, trust and process improvements. 	<ul style="list-style-type: none"> LBMA and LME certifications guaranteeing a conflict-free supply chain. Positive relations between the company and its customers. 	<ul style="list-style-type: none"> Fluctuation in the prices of commodities like metals. Longer shipping times due to stricter regulations and permits. New purchasing trends and needs. Changes in logistics and transport.
<p>5. SHAREHOLDERS</p>	<p>To be the best investment option in the medium and long term, by guaranteeing cost competitiveness, growth, profitability and business continuity.</p> <ul style="list-style-type: none"> Constructive dialogue and constant cooperation of shareholders are fundamental to our operations. Ensuring equal treatment for all company shareholders. Environmental and social performance are today considered decisive investment criteria. Partnering with the community of businesses that invest in Mexico can have a positive impact on public policies and Mexican business. 	<ul style="list-style-type: none"> Shareholders' meetings Board meetings Meetings with committees that support the Board Executive meetings External communication channels (web page) Financial and performance reports to investors Annual reports: Financial and Sustainability CEO Reports 	<ul style="list-style-type: none"> Return on investment Dividend payments Asset optimization Profitability 	<ul style="list-style-type: none"> Provide information for decision makers based on concrete, reliable data regarding the performance of the company and the mining industry, and offer them an open-door policy on our industrial processes and our business strategy. 	<ul style="list-style-type: none"> Positive relations between the company, shareholders and other stakeholders. Clear accounting through quarterly and annual reports and presentations. Solid corporate governance that builds confidence among the investing public. Increasing interest in disclosure of ESG performance in investor reports. Long-term performance and profitability. 	<ul style="list-style-type: none"> Rapid evolution of financial markets. Differing regulations in international trade and markets. Stricter environmental regulations.

Goal/relevance for the company

Mechanisms

Metrics

Activities and efforts

Results

Potential risks

6. SUPPLIERS

To be a strategic partner, whose business relations are based on good commercial practices and ethical commitment, with whom suppliers can establish mutually beneficial, long-term relationships.

- Solid environmental and social performance by every component of our value chain is fundamental for minimizing negative impacts and conflicts.
- A lasting ethical culture expressed in our actions is the foundation for building trust with our supply chain

- Trusted supplier catalogue
- Visits and audits
- Due diligence evaluations
- Opinion surveys
- External communication channels and media monitoring
- Annual reports: Financial and Sustainability
- Training workshops
- Training and advice
- Socioeconomic diagnosis
- Perception survey
- Materiality analysis

- Responsible value chain
- Local, regional and international suppliers

- Hire suppliers and contractors based on quality, profitability, service, technical capacity, competitiveness and experience criteria.
- Keep all information received from suppliers and contractors strictly confidential during the entire process of accepting bids for the assignment of purchase orders and contracts.
- Share ethical and socially responsible business practices, with strict adherence to the Code of Conduct and respect for human rights.
- Due diligence and ESG questionnaires applied to critical suppliers.

- We continue to work on incorporating new suppliers according to Canacindra, and our DC3 certification program for welding, according to Cecati 83.
- Our Third-Party Code of Conduct is a solid strategy for establishing Peñoles' expectations for its entire value chain and ensuring these are met.
- We have introduced a due diligence process for responsible sourcing of gold and silver and reviews of permits and concessions.
- Positive relations between the company and its suppliers.
- Local employment and procurement.

- Price fluctuations due to international situations.
- Society, regulators and investors are increasingly interested in human rights protection, diversity, equity and inclusion throughout the value chain.
- Changes in regulations and delays in their passage may make it harder to obtain the necessary social and environmental permits.

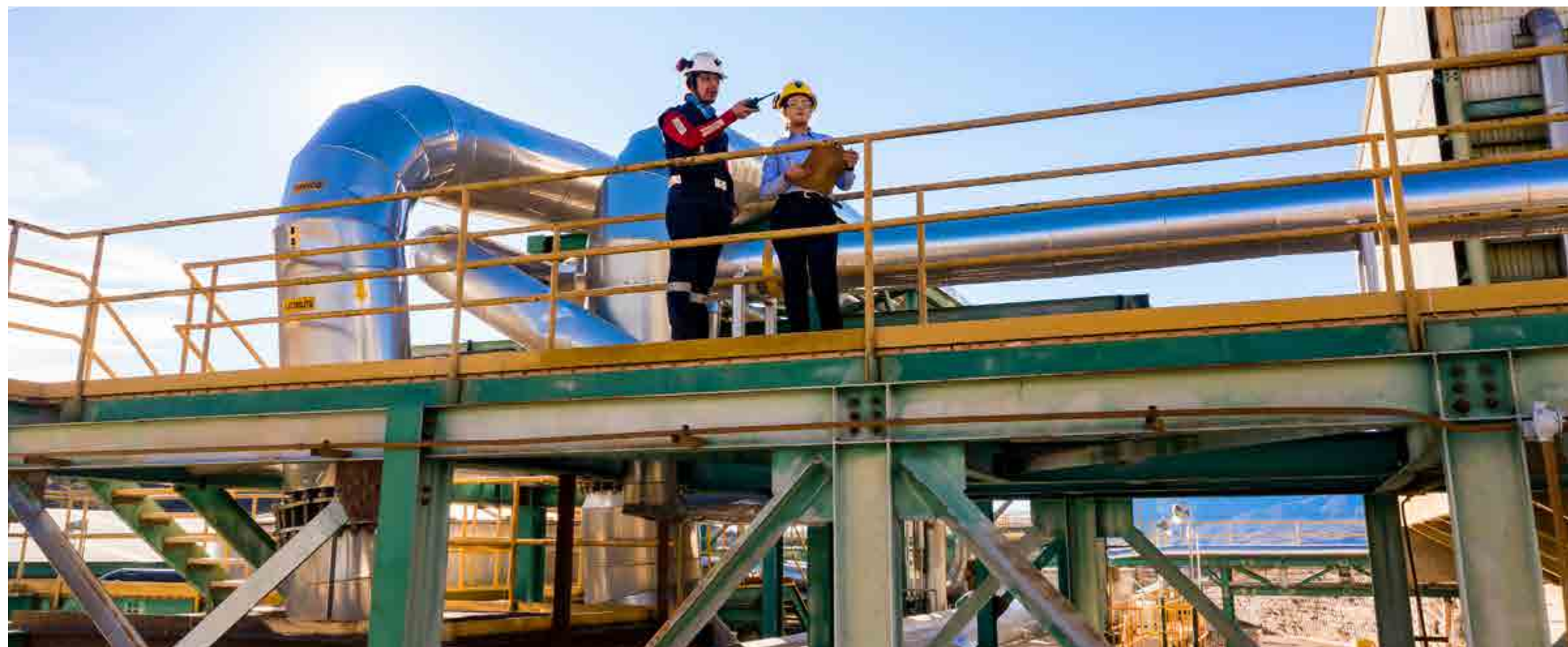
Our Third-Party Code of Conduct is a sound strategy for establishing and meeting the performance expectations Peñoles has for its entire value chain.



Zero-damage mentality

At Peñoles, we remain firmly committed to our goal of achieving zero damage from our activities by focusing on the well-being of our people and the environment. Our aim is to attain a culture of safety and visible leadership where our people—employees or contractors—feel empowered to do the right thing in the face of any potentially unsafe condition. We seek to minimize the risks of occupational accidents and illnesses by effectively managing our safety and occupational health programs.

Our safe tailings dams management program is inspired by the goal of zero damage, implementing best governance and engineering practices to minimize risks to our people, communities, and the environment. Our projects, operations, and closures are managed so as to minimize the impact of our activities on the environment and communities, always seeking partnerships to generate a positive legacy for communities and biodiversity.



Sharing value

Commitment

Our purpose is to generate opportunities and well-being by sustainably supplying essential resources. We recognize that our activities have a positive economic impact in the regions where we operate.

Direct economic impacts

The direct economic impact and its distribution among stakeholders reflects our social commitment and how we share the benefits of mining. Wages and benefits of our workforce, payments to contractors and suppliers, and payments to the federal and local governments are considered direct economic impacts.

Social investment is an indirect economic impact of our activities and so we present this information in the [Living the Community](#).

In order to maximize the profitability of our business, we consider the contracting of external works and/or services and the most efficient channeling of our own resources to be strategic. The different divisions have contractors for various works related to engineering services and projects, construction and services for operation, maintenance, mining, exploration, energy and technology projects.

For more information on our relationship with our stakeholders, please see the [Stakeholders section](#)



Economic value distributed

	US\$ M
Wages and benefits	513.05
Payments to value-chain partners*	1,109.19
Local taxes	70.05
Federal taxes**	273.34
Total	1,965.62

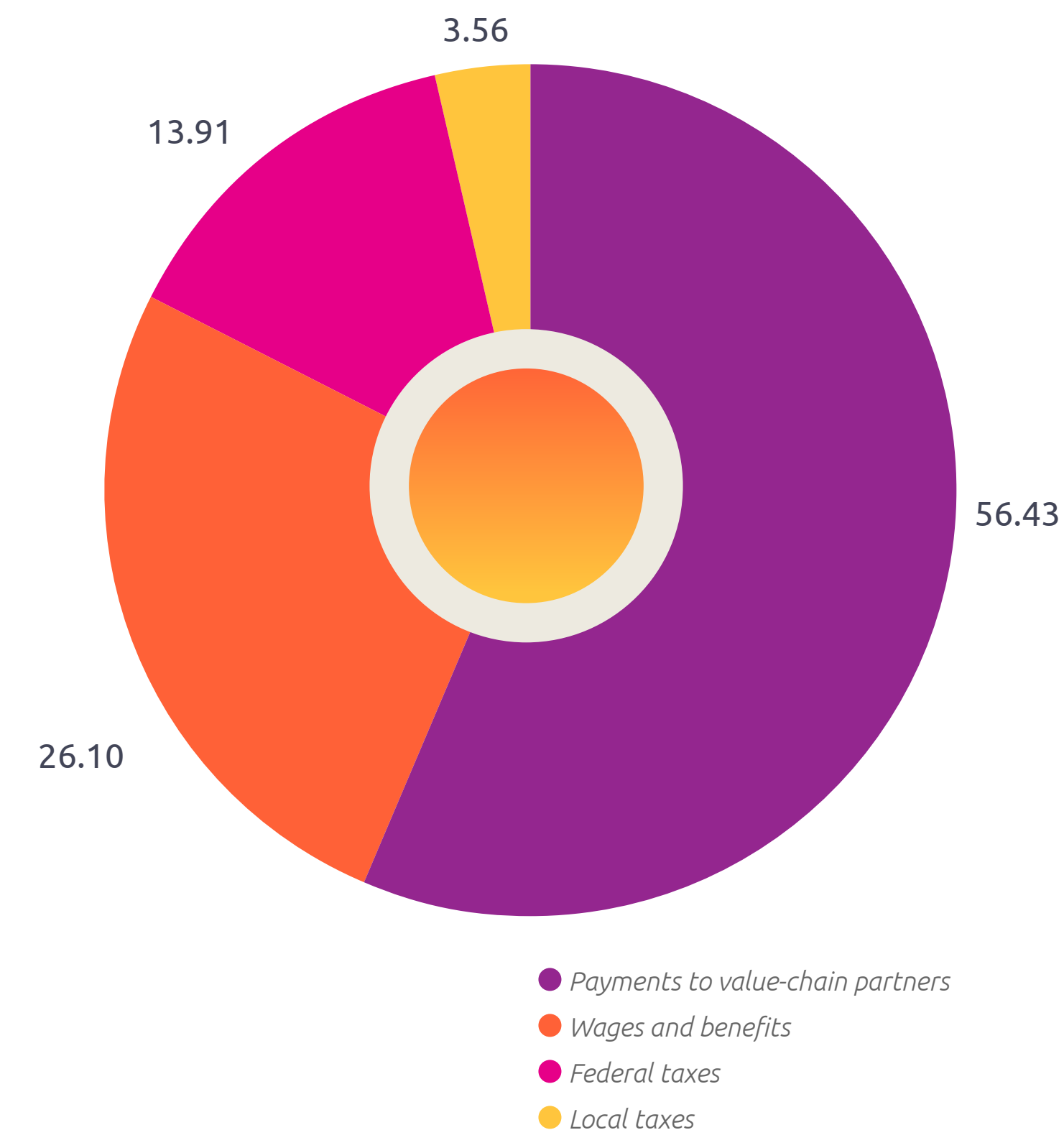
* Contractors and suppliers.

** Taxes incurred; for more information, please see the financial statements in the Annual Report.

Note: Our financial statements were externally audited.

Economic value distributed

(%)



Materiality

Assessing the materiality of the company allows us to reveal the importance and impact that certain non-financial issues have for the business and for our stakeholders. Today, companies, investors, rating agencies and even civil society are interested in **how we manage resources on ESG issues**.

In 2022, we conducted an in-depth and detailed research on trends in our industry using external sources and studies. Once this information was evaluated and documented, we conducted an internal survey to gather opinions and expectations on the most relevant ESG issues to Peñoles throughout its value chain. The results help us **to continue evolving toward a more sustainable future**, to rebuild our corporate sustainability strategy, including management of the new trends in the opportunities and risks we are facing, and to improve our reporting to make it more effective, transparent and inclusive of stakeholder interests and needs.

Main applications of our materiality assessment



Materiality assessment process

1 Identifying issues

- Stakeholder relations are the most important mechanism for identifying ESG issues that are a priority for the company.
- We validate and complement relevant topics, considering current trends (national and international regulations, questionnaires, benchmarking, etc.) in our industry.

1

2 Evaluation

- We conducted an online survey to prioritize the material issues identified in a pre-selected group of employees in senior and managerial positions, including the senior managers of all Peñoles divisions.
- Participation of 50% of the surveyed universe.

2

3 Results

- **32 material issues were prioritized.**
- Peñoles' socio-environmental compatibility and management teams reviewed the data collected.
- The most relevant issues were grouped into 20 thematic areas that are developed throughout this report.

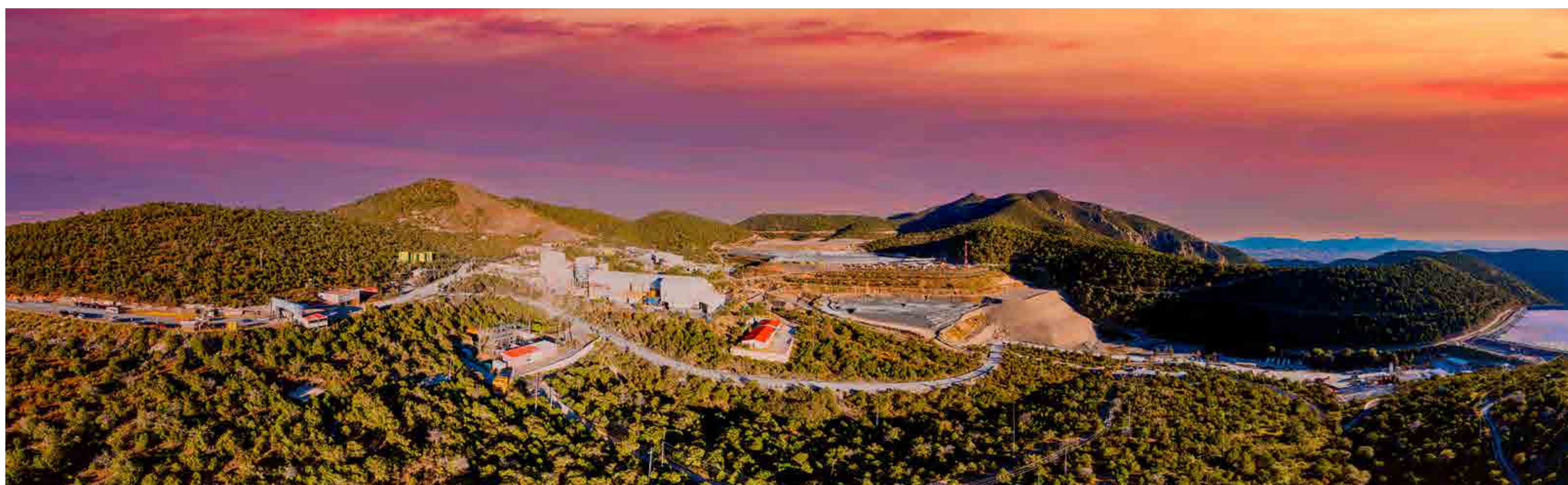
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The following table shows the 32 material issues identified and prioritized, according to their internal and external relevance. As this is the first time that we use this methodology, we will not report changes with respect to last year's list.

#	Material issues	
1	Climate change and GHG emissions	●
2	Water management	●
3	Health and occupational safety	●
4	Business ethics and integrity	●
5	Work/family balance and employee well-being	●
6	Human rights of communities and indigenous peoples	●
7	Soil contamination	●
8	Remuneration transparency and accountability	●
9	Risk and crisis management	●
10	Human capital development	●
11	Employment generation and local procurement	●
12	Living wage (fair remuneration)	●
13	Asset security	●
14	Prevention of forced or compulsory labor	●
15	Cybersecurity	●
16	Air quality (SO _x , NO _x , PM emissions, etc.)	●
17	Consultation with indigenous groups, and respect for their culture, traditions and lands	●
18	Labor and union relations	●
19	Talent attraction, development and retention	●
20	Hazardous and non-hazardous waste management	●
21	Tailings deposits and mineral waste management	●
22	Government relations and lobbying	●
23	Compliance with international labor standards	●
24	Hazardous materials management	●
25	Equal salary for women and men	●
26	Asset and mine closure	●
27	Acid drainage	●
28	Fiscal strategy	●
29	Environmental policy and management system	●
30	Suppliers and contractors	●
31	Biodiversity (natural areas, flora and fauna)	●
32	Diversity and non-discrimination	●

These 32 material topics were organized in the following 20 thematic areas to present our performance, metrics and management in this report:

ENVIRONMENTAL	SOCIAL	CORPORATE GOVERNANCE
Climate change	Occupational health and safety	Ethics and integrity
Water management	Human rights	Governance and ESG risk management
Mineral waste	Living the Community	Value chain
Biodiversity	Diversity, equity and inclusion	Corporate governance
Mine closure	Our people	
Hazardous and special-handling waste	Comprehensive well-being	
Air quality	Alliance for the Common Good	
Environmental excellence	Strong correlation	



Contribution to the SDG

The United Nations Sustainable Development Goals (SDG) align the interests of governments, businesses, civil society, and communities around the world, inviting them to take concrete actions to achieve social inclusion, sustainability, and economic development.

At Peñoles, the SDG are strategically aligned with our impacts and priorities. While we can contribute positively to all 17 SDG we have prioritized the goals that enhance our positive impact to our business and where we must responsibly manage our impacts.



We indirectly promote the rest of the objectives through collaboration with other stakeholders.



For more information on our priority SDG, please visit the following sections:


SDG	Section
	Safety and health, Comprehensive well-being, Living the Community
	Living the Community
	Diversity, equity and inclusion
	Commitment to climate change
	Sharing value, Living the Community
	Value chain
	Water stewardship, Living the Community
	Commitment to climate change
	Environmental excellence, Conservation of biodiversity



Assurance

We present to all our stakeholders our Annual Sustainability Report, which covers the period from January 1st to December 31st, 2022. This report shows the ESG performance of Industrias Peñoles S.A.B. de C.V., information on the impacts of the organization and its contribution to sustainable development considering the sustainability standards prepared by the Sustainability Accounting Standards Board (SASB) for the Metals and Mining sector, version 2021, as well as the principles for the preparation of reports established by the Global Reporting Initiative (GRI), so no material information was omitted; GRI was notified that we have used their standards.

Increasingly high stakeholder expectations on ESG issues demand reliable, accurate and verifiable information, and assurance has become a business necessity. In order to provide reliable information, Deloitte Asesoría en Riesgos S.C. was selected for the limited assurance of our Sustainability Report 2022, in accordance with the International Standard for Assurance Engagements (ISAE 3000), other than audits or reviews of historical financial information issued by the International Auditing and Assurance Standards Board (IAASB).

For more financial information please refer to our Annual Report published on our website: www.penoles.com.mx. 

Since 2004, Peñoles has submitted its Sustainability Reports to independent external review in order to provide reliable information and confidence to its stakeholders.

Independent assurance report



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Independent Practitioner's Limited Assurance Report for selected sustainability information of Industrias Peñoles, S.A.B de C.V.

Information Subject to the Assurance Engagement

We have been engaged by Industrias Peñoles, S.A.B de C.V. ("Peñoles" or the "Entity") to perform a limited assurance engagement on selected sustainability information included in the 2022 Annual Report for the year ended December 31, 2022.

Our work was performed by an independent, multidisciplinary team including assurance practitioners and sustainability specialists.

Our limited assurance engagement was performed solely in respect of the selected sustainability information included in Appendix A. Our assurance report does not extend to information from previous periods or other information included in the 2022 Annual Report, including other information related to such report that may contain images, audio or videos.

Criteria used for the preparation of the information subject to the assurance engagement ("Criteria")

The selected sustainability information included in Appendix A has been prepared and presented in accordance with the guidelines of the Global Reporting Initiative ("GRI") and Sustainability Accounting Standards Board ("SASB").

Peñoles' Responsibility for selected sustainability information

Peñoles is responsible for the preparation of the selected sustainability information in accordance with GRI and SASB. This responsibility includes the design, implementation and execution of internal controls over the relevant information for the preparation of the selected information that is free from material misstatement, whether due to fraud or error.

Inherent limitations to the Assurance Engagement

Selected sustainability information is subject to inherent uncertainty due to the use of non-financial information, which is subject to greater inherent limitations than financial information, given the nature of the methods used to determine, calculate, sample, or estimate such information. In preparing the selected information, the Entity makes qualitative interpretations about the relevance, materiality and accuracy of the information that are subject to assumptions and judgments.



Deloitte se refiere a Deloitte Touche Tohmatsu Limited, sociedad privada de responsabilidad limitada en el Reino Unido, y a su red de firmas miembro, cada una de ellas como una entidad legal única e independiente. Conozca en www.deloitte.com/mx/conozcanos la descripción detallada de la estructura legal de Deloitte Touche Tohmatsu Limited y sus firmas miembro.



Our Independence and Quality Control

We have complied with the independence and ethical requirements of the *Code of Ethics for Public Accountants* issued by the *International Ethics Standard Board for Accountants* (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The Firm applies *International Standard on Quality Management 1 (ISQM 1)* and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on selected sustainability information for the year ended December 31, 2022, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000- *Assurance Engagements other than audits or reviews of historical financial information* ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board (IAASB). That standard requires that we plan and perform this engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of Peñoles' use of GRI and SASB as the basis for the preparation of the selected sustainability information, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluation of the appropriateness of quantification methods, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above, we:

- Performed inquiries, through which we obtained an understanding of the Entity's internal policies related to the selected sustainability information.
- Performed inquiries, through which we obtained an understanding of Peñoles' control environment and information systems relevant to the preparation of selected sustainability information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test operating effectiveness.
- Evaluated whether Peñoles' methods for developing estimates are appropriate and had been consistently applied in the preparation of the selected sustainability information.
- Performed substantive tests on the selected sustainability information referred in this report, to corroborate that the data has been adequately measured, recorded, compiled, and reported through:
 - Inspection;
 - Observation;
 - Re-calculations;



Deloitte.

The procedures performed in a limited assurance engagement vary in nature and opportunity from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Peñoles' selected sustainability information has been prepared, in all material respects, in accordance with the guidelines provided by GRI and SASB.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

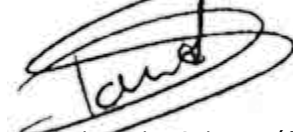
Limited Assurance Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected sustainability information for the year ended December 31, 2022, was not prepared, in all material aspects, in accordance with the Criteria section of this report.

Restriction on Use and Distribution

Our report is intended solely for the management of Industrias Peñoles, S.A.B de C.V., in accordance with the terms of our engagement letter and should not be used by, or distributed to, any other party.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited



C.P.C. David Alejandro Solano Zúñiga
Mexico City, Mexico
June 2, 2023



Appendix A

The following include the GRI and SASB non-financial metrics, scope of the limited assurance engagement, determined by Peñoles' Management.

GRI Indicator	Metric
2-7 - Employees	Peñoles (without Fresnillo): - 64 women and 387 men in managing and director positions - 1,066 women and 7,224 men who are employed (unionized and non-unionized) - 1,192 women and 6,738 men who are contractors* - 2,322 women and 14,349 men in total Fresnillo: - 14 women and 168 men in manager and director positions - 1,119 women and 6,769 men who are employed (unionized and non-unionized) - 1,496 women and 12,143 men who are contractors - 2,629 women and 19,080 men in total Total: - 78 women and 555 men in manager and director positions - 2,185 women and 13,993 men who are employed (unionized and non-unionized) - 2,688 women and 18,881 men who are contractors* - 4,951 women and 33,429 men in total <small>* To estimate the percentage of women contractors in Peñoles, data from January 2023 was used. This information does not include Buj Holdings (40) or the associate Línea Coahuila-Durango (268)</small>
2-22 - Statement on sustainable development strategy	Qualitative review of the statement on sustainable development strategy
3-2 - List of material topics	We reviewed that the entity included in the report the list of material topics that was determined internally by management
2-3 - Reporting period, frequency and contact point	Qualitative review of the reporting period, frequency and contact point
2-26 - Mechanisms for seeking advice and raising concerns	Qualitative review of the mechanisms for seeking advice and raising concerns* - 217 complaints, of which: - 68 are corroborated facts - 39 are cases under review - 110 are non-corroborated facts <small>*The review was limited to information from Peñoles. Cases from Fresnillo were not verified.</small>
2-30 - Collective bargaining agreements	- 68% of workers covered by collective bargaining agreements
201-1 - Direct economic value generated and distributed	- Direct economic value generated (revenue) of \$5,523.36 - Economic value distributed (expenses) amounting to \$1,965.62
204-1 - Proportion of spending on local suppliers	- 58% of suppliers are local
205-3 - Confirmed incidents of corruption and actions taken	- 217 complaints*, of which: - 68 are corroborated facts - 39 are cases under review - 110 are non-corroborated facts <small>*The review was limited to information from Peñoles. Cases from Fresnillo were not verified.</small>
302-1 - Energy consumption within the organization	Total energy consumption of 8,100,970 MWh
303-3 - Water withdrawal	- 45,224.01 megaliters of water withdrawal
303-4 - Water discharge	- 17,179.08 megaliters of water discharge
303-5 - Water consumption	- 28,064.93 megaliters of water consumption
304-4 - IUCN Red List species and national conservation list species with habitats in areas affected by operations	- We confirmed that there are 10 endangered species that appear in the IUCN Red List and national conservation lists with habitats in areas affected by operations, which include the 4 species mentioned in the success story



305-1 - Direct (Scope 1) GHG emissions	- 1,343,921 tCO ₂ e emissions from fuel combustion (mobile and stationary sources) and from the process
305-2 - Energy indirect (Scope 2) GHG emissions	- 1,733,069 tCO ₂ e of electric energy emissions
305-4 - GHG emissions intensity	- GHG emissions intensity of 0.0260 tCO ₂ e/ t of ground ore for Peñoles Mines - GHG emissions intensity of 0.0244 tCO ₂ e/ t of ground ore for Fresnillo Mines - GHG emissions intensity of 0.8941 tCO ₂ e/ t of production for Metal Division - GHG emissions intensity of 0.4521 tCO ₂ e/ t of production for Chemicals Division
306-3 - Waste generated	- 19,698,999 tons of tailings produced - 122,660,307 tons of waste rock generated - 1,465,733 tons of other mineral waste generated - 24,194.68 tons of hazardous waste generated - 337,876.23 tons of special handling waste generated
306-4 - Waste diverted from disposal	- 1,738,679.22 tons of tailings reused (Peñoles) - 1,070,362.80 tons of tailings reused (Fresnillo) - 5,008.62 tons of waste diverted from disposal* * The review was limited to information from Peñoles. Hazardous and special handling waste from Fresnillo was not verified
306-5 - Waste directed to disposal	- Waste directed to disposal of 357,062.79 tons, of which: - 32,842.38 tons were handled offsite - 324,220.41 tons were handled on-site
401-1 - New employee hires and employee turnover	- 862 new hires, of which: 1 was a director, 6 were managers, 50 were area heads, 573 were professionals and 232 were non-professionals - 24% of new hires were women and 76% were men - The total employee turnover rate was 11%, the turnover rate for unionized workers was 11.68% and the turnover rate for non-unionized workers was 9.49%
402-1 - Minimum notice periods regarding operational changes	We reviewed that the organization does not have a minimum notice period established to give notice regarding operational changes. However, we validated that effective and transparent communication regarding relevant changes is guaranteed through the unions.
404-1 - Average hours of training per year per employee	- 31.58 average hours of training per employee per year - 37.62 average hours of training per employee per year (non-unionized) - 47.82 average hours of training per employee per year (unionized) - 12.64 average hours of training per employee per year (contractors) * The review was limited to information from Peñoles. Trainings from Fresnillo were not verified.
405-1 - Diversity of governance bodies and employees	- 5.3% women under 30 years old and 27.3% men under 30 years old - 7.5% women between 30 and 50 years old and 48.8% men between 30 and 50 years old - 0.7% women over 50 years and 10.4% men over 50 years old - 13.46% employed women and 86.54% men in total
403-9 - Work-related injuries	- 3 fatalities due to work-related injuries - Lost Time Injury Frequency Rate ("LTIFR") of 11.42 - Total Recordable Injury Frequency Rate ("TRIFR") of 5.54
403-10 - Work-related ill health	- Zero fatalities due to work-related ill health - 62 cases of work-related ill health, of which 24 were in Fresnillo and 38 were in Peñoles.
411-1 - Incidents of violations involving rights of indigenous peoples	- Zero incidents of violations involving rights of indigenous peoples
413-1 - Operations with local community engagement, impact assessments, and development programs	Qualitative review of the operations with local community engagement, impact assessments, and development programs
SASB Indicators	
EM-MM-110a.1 - Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	- 1,343,921 tCO ₂ e gross global Scope 1 emissions
EM-MM-130a.1 - (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	- Total energy consumed of 8,100,970 MWh - 7% grid energy - 16% renewable energy



EM-MM-140a.1 - (1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	- 45,224.01 megaliters of freshwater withdrawn (90% in regions with High or Extremely High Baseline Water Stress) - 28,064.93 megaliters of freshwater consumed (82% in regions with High or Extremely High Baseline Water Stress)
EM-MM-150a.4 - Total weight of non-mineral waste generated	- 24,194.68 tons of hazardous waste generated - 337,876.23 tons of special handling waste generated * The review was limited to information from Peñoles. Hazardous and special handling waste from Fresnillo was not verified.
EM-MM-150a.5 - Total weight of tailings produced	- 19,698,999 tons of tailings produced, of which: - 14,160,415 tons of tailings were in Fresnillo - 5,538,584 tons of tailings were in Peñoles
EM-MM-150a.6 - Total weight of waste rock generated	- 122,660,307 tons of waste rock generated, of which: - 3,235,922 tons were in Peñoles - 119,424,385 tons were in Fresnillo
EM-MM-150a.7 - Total weight of hazardous waste generated	- 24,194.68 tons of hazardous waste generated - 337,876.23 tons of special handling waste generated * The review was limited to information from Peñoles. Hazardous and special handling waste from Fresnillo was not verified.
EM-MM-150a.8 - Total weight of hazardous waste recycled	- 562.38 tons of hazardous waste recycled - 4,445.74 tons of special handling waste recycled * The review was limited to information from Peñoles. Hazardous and special handling waste from Fresnillo was not verified.
EM-MM-150a.9 - Number of significant incidents associated with hazardous materials and waste management	- One incident associated with hazardous materials and waste management
EM-MM-160a.1 - Description of environmental management policies and practices for active sites	Qualitative review of the description of environmental management policies and practices for active sites
EM-MM-310a.1 - Percentage of active workforce covered under collective bargaining agreements, broken down by U.S. and foreign employees	- 68% of active workforce covered under collective bargaining agreements
EM-MM-320a.1 - (1) MSHA all-incidence rate, (2) fatality rate, (3) near miss frequency rate (NMFR) and (4) average hours of health, safety, and emergency response training for (a) full-time employees and (b) contract employees	- 85,560,784 hours of risk-exposure - 474 lost time injuries - 977 total recordable injuries - Lost Time Injury Frequency Rate ("LTIFR") of 11.42 - Total Recordable Injury Frequency Rate ("TRIFR") of 5.54 - Fatality rate of 0.035 - 131,501.51 total hours of health, safety and emergency response training



Governance



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.



ESG governance

Peñoles purpose is to generate opportunities and well-being by sustainably supplying essential resources. This purpose inspired us to create a Socioenvironmental Compatibility Strategy, with the following goals:

- 1

Governance: Deliver results through strong internal coordination and synergy.
- 2

Socio-environmental performance: Anticipate to meet our stakeholders' expectations, transforming our business to achieve excellent social and environmental performance.
- 3

Recognized leaders in ESG matters: Consolidate our 'ESG way' to build trust and ensure business' success in the long-term.

ESG governance framework structured into three levels



ESG risk management

We know that risks are inherent to our business and that effective risk management is essential to achieve our strategic objectives. Based on our experience in identifying, assessing and managing climate change risks, we have decided to apply the same risk approach to other material socio-environmental issues, simplifying their interoperability with Enterprise Risk Management (ERM).

Our approach to ESG risks consists of four stages: i) identification, ii) assessment, iii) risk approach and iv) implementation of the risk framework. We will use the [bow-tie method](#) to identify and/or establish the control measures for the assessed risks, as well as to define those responsible for these controls.



Ethics and integrity

In keeping with our values of Trust, Responsibility and Respect, Integrity and Loyalty, we are on the right track to foster an ethical conduct that gives us a strategic advantage over our competitors and ensures that we survive and prosper in the long term. Peñoles' culture is grounded in these values and the Code of Conduct, and it is reflected in the recognitions we received in 2022.

- 1st place with top score in the Corporate Integrity Index (IC 500)
- Member of the Most Ethical Companies ranking by AMITAI and *El Financiero*, for the third year in a row
- 18th place in Industry Ethics and Value: Trajectory 2022
- Finalist in the Exceptional Companies contest, category 5, with the practice: **Fostering transparency**



The Committee on Ethics and Corporate Values, made up of company executives, supervises and monitors compliance with the Code of Conduct and addresses cases of unethical conduct, establishing sanctions when there has been a violation. The Compliance Officer reports to the Board of Director's Audit Committee on the status and performance of the Integrity and Compliance Program.

Peñoles' culture is based on its institutional values and Code of Conduct.

Governance

Our Code of Conduct, which is based on our values, sets expectations for ethical conduct and integrity for all the people who work or have a business relationship with Peñoles. We also have a set of policies, guidelines and procedures to prevent fraud, corruption, bribery, misuse of donations and sponsorships, illegal dealings with governments, personal data breaches, discrimination, conflicts of interest and retaliations.

Set of policies, guidelines and procedures

Code of Conduct	Third-Party Code of Conduct	Integrity and Compliance Policy
Anti-corruption and Anti-bribery Guideline	Anti-retaliation Guideline	Labor Equality and Non-discrimination Policy
Personal data management directive procedure	Fraud prevention and deterrence procedure	Donations and sponsorships procedure
Conflict of interest management procedure	Government relations procedure	



Integrity and Compliance Program

Preventing, detecting and mitigating integrity and compliance risks is the basis on which we earn the trust of our stakeholders and ensure the success of our business. Our program consists of three lines of defense:

- **First line:** Supported by responsible areas, processes, controls and technology, and focused on daily operations to avoid incidents and guarantee compliance with current laws and regulations.
- **Second line:** Includes supervision, reporting and indicators from comptrollers, risk management, the Compliance and Legal Affairs Departments, among others.
- **Third line:** Represented by the Internal Audit area, which provides independent assurance to the audit committee and management team regarding risk mitigation, control effectiveness and efficiency, and corporate governance.

Peñoles participated for the first time in Ethisphere’s World’s Most Ethical Companies evaluation with the initiatives of our Integrity and Compliance Program.



Awareness-building and training

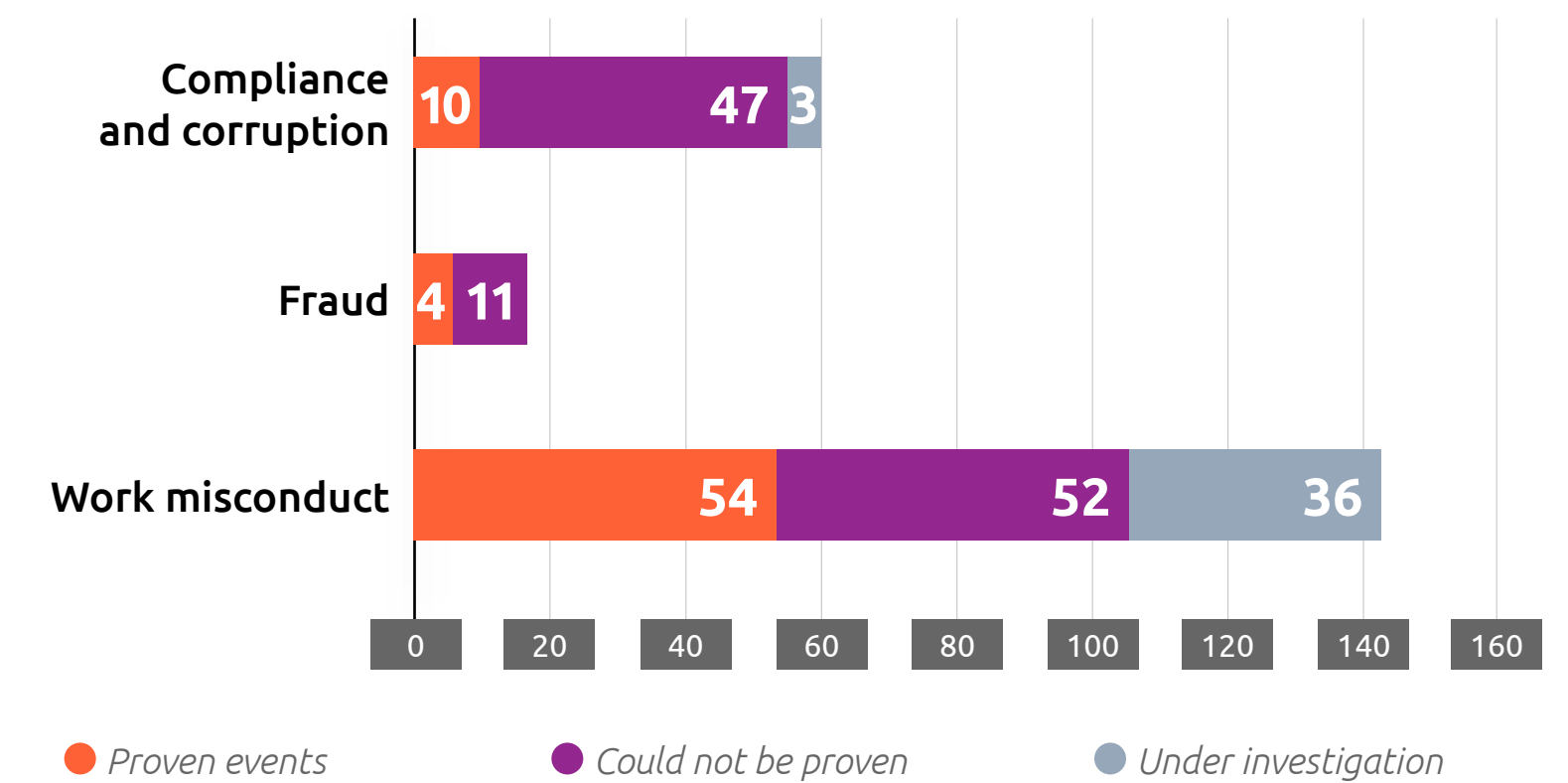
We held our first integrity week in 2022, called Encuentro CRIL 2022, a significant event that involved nationally and internationally recognized experts in various aspects of integrity and compliance.

We want to inculcate our organizational culture in newly hired personnel and go further by communicating it to our various stakeholders. During the year, we extended this effort to suppliers of products and services who are a basic part of our value chain. In each of these training actions, we endeavor to teach people about our integrity and compliance program, which is the key to our success. We carry out ongoing communication programs regarding this initiative, in order to foster the culture we want within the company and with our stakeholders.

Línea Correcta

Peñoles expects all of its employees and stakeholders to abide by and defend the values and behaviors established in our Code of Conduct, by doing the right thing and complying with the established rules and policies, as well as laws and regulations that apply to us. Línea Correcta is the channel we have created for reporting unethical conduct, confidentially, securely, easily, and, if the user chooses, anonymously. The system is operated by Ethics Global, an independent company and leader in Mexico specializing in grievance management and reporting.

Peñoles grievance statistics
(Number)



Corrective actions

Written reprimands	6
Verbal reprimands	10
Direct employee dismissal	15
Improvement plan	21
Indirect employee dismissal	6
Termination of commercial relationship	4
Temporary suspension	1
Total	63

Note: Regarding acts of corruption, two were confirmed, one of which was associated with seven complaints, and in connection with which three employees were fired. We are not aware of any legal notification or action regarding corruption.

Preventing corruption and bribery

Bribery and corruption strike at the heart of the free market and erode public trust in companies and government. Obviously, when a company engages in corrupt practices, the bad publicity and negative perceptions that result can damage its reputation. For this reason, Peñoles, whose vision is to pursue ethical business dealings as a differentiating factor, cooperates with authorities in investigating any alleged violations, issuing the corresponding sanctions and taking the necessary corrective actions.

Peñoles' corporate compliance structure takes a preventive approach coordinating strategies and initiatives to prevent bribery and corruption, and monitoring compliance with the applicable internal regulations. These efforts include processes, areas and responsible

parties who, due to the nature of their operations and degree of exposure, must take antibribery and anticorruption measures. This is the case, for example, with the comptroller's areas, those that have dealings with outside parties—procurement, raw materials, contracts—and treasury, human resources, legal (second line of defense) and internal audit (third line of defense).

Our anti-bribery and anti-corruption mechanisms are based on best international practices and directives, like the United Nations Global Compact, the Basic Conventions of the International Labor Organization, the Guidelines on Business Responsibility drafted by the Organization for Economic Cooperation and Development and the United Nations Organization.

Third-party due diligence

Peñoles has a process for checking mitigation risks and mitigation measures among the outside parties we deal with. For more information, see the section on Value chain responsibility.

Money laundering prevention

We continued to comply with current regulations on transactions involving proceeds of dubious origin by closely tracking operations and presenting notices of vulnerable activities. We will continue to track this group's vulnerability to such transactions and adapt as necessary to emerging regulatory changes.

In 2022, there were no pending legal actions related to monopolistic or antitrust practices nor corruption cases. We had no significant fines or penalties for non-compliance with the regulations.



Cybersecurity

For Peñoles, information is an invaluable asset that must be safeguarded and all employees share the responsibility to protect it. To this end, we have created a model of cybersecurity governance involving three lines of defense. In 2022, we continued to strengthen cybersecurity in all of our business processes, aligned with our business strategies and mindful of our responsibility to safeguard digital security as a second line of defense in all of our technological processes.

Our governance initiatives continued to strengthen regulatory capacities for protecting information and technological assets at all levels of the organization. These initiatives encompass all three types of technology we work with: information technology, operating technology, and specialized technology. Through our operating initiatives, we strengthen and keep our technological capacities up to date through tools, processes and procedures that enable us to operate securely and responsibly throughout our organization's entire value chain.

We have also built a solid foundation for compliance with the Federal Law on Protection of Personal Data Held by Private Parties. We began the process of certifying our personal data management system with the firm NYCE and obtained satisfactory results in the first phase of the audit.

We maintain continuous oversight in cybersecurity by monitoring the threats around us in order to analyze, identify and effectively remediate failures based on our management of vulnerabilities. We are in constant communication and participation with the companies of Grupo BAL to share experiences, respond to challenges and enhance cybersecurity and risk culture. We have also developed methodological bases drawn from international standards for managing internal and external regulations.

Public policy

Peñoles is dedicated to the pursuit of the common good. We work together with governments and participate responsibly, on our own or through business organizations, in dialogues on public policy initiatives, seeking to support competitiveness and sustainability in our industry. We do not make, directly or indirectly, donations or another kind of payment, nor provide goods or services to candidates running for public office or political parties.

We maintain continuous communication with Grupo BAL companies to share experiences, solve challenges and increase the culture of cybersecurity and risk.

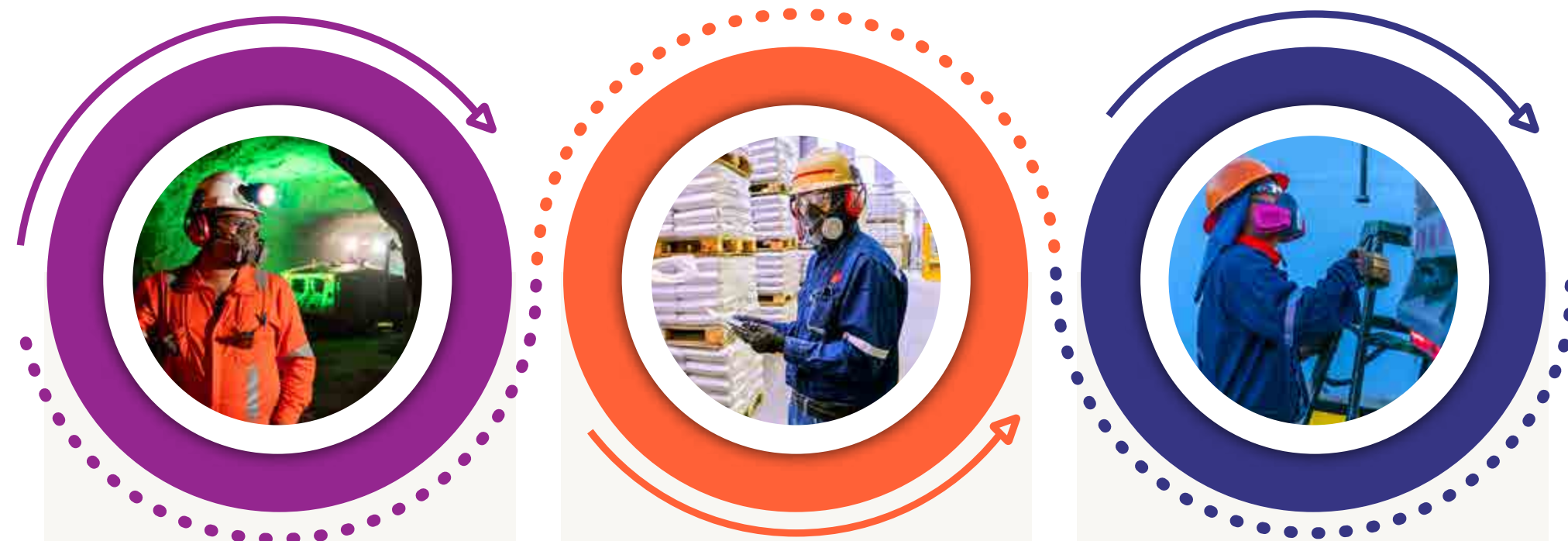


Responsible value chain

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



Raw material shippers

Mining companies that supply complex ore concentrates and other materials for processing and production of refined metals in Peñoles' metallurgical business.

Supply chain (suppliers)

Companies that provide supplies, equipment and services to our mining, metallurgical and chemical businesses.

Contractors

Companies that provide specialized services and works, other than Peñoles' main activity in its mining, metallurgical and chemical businesses.

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.

Corporate governance ESG governance ESG risk management Ethics and integrity **Responsible value chain**

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.





Commitment to climate change

Our commitment

Mining and metallurgical activities can have significant impacts on the environment and society, therefore we assume our responsibility by joining the efforts with different economic, governmental and social actors in order to achieve the goals of the Paris Agreement and prevent the worst effects of climate change. We are committed to aligning reporting with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Our strategy to mitigate emissions is based on the use of electricity from renewable sources, which, in addition to reducing emissions, contributes to providing essential metals in the transition to a low-carbon economy. Our goal for 2028 is that all our operations' electricity consumption will come from clean sources, to the extent that the national regulatory framework allows us to do so.



Contribution of mining and metals to energy transition

Some of the metals we produce play a very important role in the daily life activities of people all over the world. For example:

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

Proven and emerging technologies: Our metals are essential to technologies leading the fight against climate change, such as electric vehicles and solar panels. While silver nanoparticles stop the spread of germs in food packaging, aerosols and cosmetics, gold is used in some medical tests, and both metals are key to technologies used in water treatment.

Infrastructure: Copper, which has become one of the most widely used metals due to its excellent electrical and thermal conductivity, maximizes efficiency and savings in the transmission of energy and its use in processes.

Our goal for **2028** is that electricity consumption in all our operations will come from clean sources, to the extent that the national regulatory framework allows us to do so.

Governance

Role of the Board of Directors

At Peñoles we recognize the relevance of climate change and the importance of its consideration in the strategic decisions of the Board of Directors. We are committed to progressively incorporate climate transition considerations into our strategic plans, budgets, risk management and investment projects.

Our directors Arturo Manuel Fernández Pérez and Jaime Lomelín Guillén have relevant experience in climate change and its implications in energy, mining, metals and chemicals.

At present, Peñoles' operations have annual energy efficiency objectives that are taken into account in the evaluation of the performance and incentives of our operations, for example: savings measures implemented, energy consumption per metric ton of ore processed and/or product, and cost efficiency, among others.

For more information, see the [section Corporate governance, on page 32.](#) [↗](#)

For more information about the Socio-environmental Compatibility Strategy, see [section ESG Governance on page 35.](#) [↗](#)



Strategy

Our climate change strategy is based on the belief that we can contribute to sustainable development by sourcing essential metals, but also by developing adaptation and resilience capabilities in our business units and neighboring communities, as well as moving towards a low-carbon economy.

Our business model faces physical and transitional risks. Changes in weather patterns pose physical risks to our people, communities, and mining, metallurgical and chemical operations. Changes in national and international regulations, demand for green metals, and the expectations of our stakeholders mean risks and opportunities to transition to a low-carbon economy.

Climate change risks and opportunities

Identifying climate change risks and opportunities in our value chain is fundamental to the development of our transition strategy. To identify them, we use scenarios that allow us to explore future conditions and possible consequences. The identification of risks takes as reference time horizons compatible with the life cycle of our business and the global carbon neutrality ambition period.

Scenarios and time horizons

Our scenarios are sets of plausible representations of future climate conditions and society's responses to mitigate and adapt to the impacts of climate change. Our scenarios use combinations of representative concentration pathways (RCP) for understanding physical impacts and shared socio-economic pathways (SSP) for understanding transition risks. These scenarios were established by the Intergovernmental Panel on Climate Change as a standard framework for climate impacts analysis and policy analysis. Our scenarios should not be interpreted as forecasts.

1. Current Policy Scenario: CO₂ emissions begin to decline through 2045 and reach about half of 2050 levels by 2100, likely resulting in a global temperature increase of 2 to 3 °C. In addition, the world is on a path in which social, economic, and technological trends do not depart much from historical patterns: environmental systems experience degradation, global growth is moderate, and income inequality persists, as does vulnerability to social and environmental change.

2. 2 Degrees Scenario: Emissions follow a decarbonization pathway in line with the Paris Agreement, which limits maximum warming to less than 2 °C, achieving a net-zero global economy in the second half of the century, although this will require the removal of carbon from the atmosphere. In addition, the world is moving towards a more sustainable path that respects perceived environmental limits and where economic growth shifts towards a broader emphasis on human well-being; inequality is reduced; and consumption is oriented towards low material growth and lower resource intensity.

3. Pessimistic Scenario: Is the worst-case scenario, where existing climate and energy policies do not succeed, resulting in a significant increase in unconstrained global GHG emissions, which intensifies physical risks. In addition, competitive markets produce rapid technological progress and development, but coupled with abundant exploitation of fossil fuels and resource and energy intensive lifestyles. Social and ecological ecosystem management is driven by technology, by any means necessary.

Current Policy Scenario

RCP 4.5 IPCC Climate Scenario	SSP 2 Complementary socio-economic pathway	GHG emissions in 2050 [MtCO ₂ e] 56,000 (+13% compared to 2015) <i>* temperature anomaly with respect to 1850-1900 reference period</i>
2.0 ± 0.3 °C Average global temperature increased by 2050*	2.4 ± 0.5 °C Average global temperature increased by 2100*	

2 Degrees Scenario

RCP 2.6 IPCC Climate Scenario	SSP 1 Complementary socio-economic pathway	GHG emissions in 2050 [MtCO ₂ e] 25,000 (-50% compared to 2015) <i>* temperature anomaly with respect to 1850-1900 reference period</i>
1.6 ± 0.3 °C Average global temperature increased by 2050*	1.6 ± 0.4 °C Average global temperature increased by 2100*	

Pessimistic Scenario

RCP 8.5 IPCC Climate Scenario	SSP 5 Complementary socio-economic pathway	GHG emissions in 2050 [MtCO ₂ e] 103,000 (+109% compared to 2015) <i>* temperature anomaly with respect to 1850-1900 reference period</i>
2.6 ± 0.4 °C Average global temperature increased by 2050*	4.3 ± 0.7 °C Average global temperature increased by 2100*	

Due to the nature of our operations and, in particular, the mining life cycle, we consider a 10-year time interval for our strategic plans and take 2050 as the benchmark for carbon neutrality considerations.

Identification of risks and opportunities

We have integrated an extensive catalogue of risks and opportunities generated in workshops with multidisciplinary teams and complemented with documentary research of our industry and a physical risk study prepared by [Deloitte](#). In addition, our analysis considers the risks of our subsidiary Fresnillo plc.

Our list of relevant risks was validated by the socio-environmental compatibility team considering the possibility of having a financial materiality.








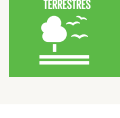
Compromise viability and profitability due to the risks associated with the transition to a low-carbon economy

- 6** Volatility in the price of energy (Fuels and electricity)
- 7** Shortage of critical supplies
- 8** Increase in water costs
- 9** Increase in insurance premiums
- 10** Loss of access to funding sources that require emissions reduction
- 11** Application of tariffs to the carbon footprint of products we export
- 12** Taxes, markets and other pricing mechanisms associated with carbon emissions
- 13** New regulations due to water stress
- 14** Greater restrictions for changes in land use
- 15** Electrical reform (disappearance of the electricity market and self-supply)
- 16** Greater expectations from the communities on the company's cooperation for climate change adaptation
- 17** Loss of confidence of our stakeholders due to lack of commitments and decarbonization targets
- 18** Shareholder loss due to low ESG ratings
- 19** Lack of technology to decarbonize key processes
- 20** Poor selection of decarbonization technology

Risk issues (Subcategories)

Business risks (ERM)

Process risks

SDG	Area	Opportunity	Short term	Medium term	Long term
	Electricity	Promotion of renewable energies (wind power)	●		
	Transportation	Efficient low-emission transportation and mobility (electric, LNG, hydrogen)		●	
	Mining	Higher copper production			●
	Waste	Circular economy Reuse of tailings	●		
	Fuels	Efficient biofuels research			●
	Biodiversity	Management of wildlife (flora and fauna) properties Native trees planting	●		
	Water	Regional treatment plants for industrial use Zero discharge circuits	●		



Demand for green metals and the expectations of our stakeholders mean risks and opportunities for the transition to a low-carbon economy.

Implications of risks and opportunities on value creation levers

Implications for the different levers of value creation for the identified relevant risks.

#	Risk	Impact on value creation levers	Time horizon
1	Extreme temperature events (heat waves and cold waves)	<ul style="list-style-type: none"> • Reduction of income • Increased production costs 	Short term (< 3 years)
2	Extreme water events (rainfall, storms, cyclones, droughts, hurricanes)	<ul style="list-style-type: none"> • Reduction of income • Increased production costs • Investments (Capex) 	Short term (< 3 years)
3	Wildfires	<ul style="list-style-type: none"> • Reduction of income • Increased production costs 	Short term (< 3 years)
4	Increase in average temperatures	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
5	Water stress	<ul style="list-style-type: none"> • Reduction of income • Increased production costs • Investments (Capex) 	Short term (< 3 years)
6	Volatility in the price of energy (fuels and electricity)	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
7	Shortage of critical supplies	<ul style="list-style-type: none"> • Reduction of income • Increased production costs 	Short term (< 3 years)
8	Increase in water costs	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
9	Increase in insurance premiums	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
10	Loss of access to funding sources that require emissions reduction	<ul style="list-style-type: none"> • Access to capital and financing 	Medium term (> 3 and < 10 years)
11	Application of tariffs to the carbon footprint of products we export	<ul style="list-style-type: none"> • Profit reduction 	Medium term (> 3 and < 10 years)
12	Taxes, market and other pricing mechanisms associated with carbon emissions	<ul style="list-style-type: none"> • Profit reduction 	Medium term (> 3 and < 10 years)



#	Risk	Impact on value creation levers	Time horizon
13	New regulations due to water stress	<ul style="list-style-type: none"> Reduction of income Increased production costs Investments (Capex) 	Short term (< 3 years)
14	Greater restrictions on land use changes	<ul style="list-style-type: none"> Reduction of income Increased production costs Investments (Capex) 	Medium term (> 3 and < 10 years)
15	Electrical reform (disappearance of the electricity market and self-supply)	<ul style="list-style-type: none"> Increased production costs 	Short term (< 3 years)
16	Greater expectations from the communities on the company's cooperation for climate change adaptation	<ul style="list-style-type: none"> Increased production costs 	Medium term (> 3 and < 10 years)
17	Loss of confidence of our stakeholders due to lack of commitments and decarbonization targets	<ul style="list-style-type: none"> Reduction of income Access to capital and financing 	Medium term (> 3 and < 10 years)
18	Shareholder loss due to low ESG ratings	<ul style="list-style-type: none"> Access to capital and financing 	Medium term (> 3 and < 10 years)
19	Lack of technology to decarbonize key processes	<ul style="list-style-type: none"> Increased production costs Profit reduction 	Medium term (> 3 and < 10 years)
20	Poor selection of decarbonization technology	<ul style="list-style-type: none"> Increased production costs Profit reduction Access to capital and financing 	Medium term (> 3 and < 10 years)

Business impact assessment, strategy, and financial planning

For our first risk impact assessment we have conducted an exercise with our environmental compatibility team using qualitative criteria of likelihood and impact. In our risk assessment we considered impacts on business (operation), strategy and financial planning.

LIKELIHOOD	IMPACT
Occurrence	Operational processes
Process expertise	Budget
Control maturity	Efficiency
	Regulatory compliance
	Reputational
	Health, safety and environment



We identified the relevant risks and their impact on value creation levers.

ERM risks - Peñoles climate change heat map



The qualitative assessment of climate change risks has allowed us to identify those with the greatest impact and likelihood in order to prioritize risk mitigation measures. The main opportunities for Peñoles in the face of climate change are related to the increase in demand for copper and Peñoles’ plans to develop copper mines such as Racaycocha in Peru.

Risks – Top 5

- 2 Extreme water events (rainfall, storms, cyclones, droughts and hurricanes)
- 5 Water stress
- 9 Increase in insurance premiums
- 13 New regulations due to water stress
- 16 Greater expectations from the communities on the company’s cooperation for climate change adaptation

Strategic implications for business resilience

Strategic implications of the scenarios

The Current Policy and Pessimistic scenarios imply a severe increase in physical risks, mainly manifested in impacts to the business in the form of reduced water availability in the regions where we operate and extreme weather events that require adaptation measures to increase the resilience of infrastructure and a rigorous physical risk control system. Transition risks, especially those related to carbon pricing, will be more uncertain, as these scenarios involve failed international coordination on policies to curb carbon emissions.

In contrast, in the 2 Degree scenario aligned with the Paris Agreement, physical risks will be contained, though not eliminated, and transition risks will be certain and material in the form of higher carbon prices resulting from policies, investment trends and social expectations for the transition to a net-zero economy. This scenario opens up great opportunities for Industrias Peñoles and its copper mining growth strategy.

In all scenarios, adaptive technologies, energy efficiency, reduced water consumption and clean technologies are key success factors.

Peñoles’ strategic response

A better understanding of the implications of climate change on business, strategy and financial planning has led us to review our ESG governance framework, in particular to create a climate change network to lay the groundwork for defining, in the next two years, a decarbonization roadmap that allows us to be carbon neutral. Our experience as pioneers of renewable energy in Mexico and in the mining industry, cogeneration projects, dual diesel/natural gas trucks and strategic alliances allow us to confidently undertake this strategy, which requires planning capabilities, the search for alliances and discipline in capital allocation.

We have decided to better understand the impacts of physical risks of climate change, and to design adaptation pathways to inform decision-making related to infrastructure resilience. To this end, we have identified opportunities to collaborate with the University of Arizona on climate modelling and with the reinsurance industry to improve our understanding of physical risks and their implications.

Climate change has major implications for access to water and we have strengthened the strategic linkages between our ESG climate change and water networks. This will enable synergy between initiatives that simultaneously reduce water and energy consumption. We have also renewed our water strategy with a focus on water stewardship based on efficiency (quantity and quality), collaboration with stakeholders in the watersheds where we operate, and transparency. Our water governance strategy will be anchored in the mature governance we have developed in recent years for the responsible management of tailings storage facilities.

Finally, green metals represent an opportunity to contribute to the transition to a low-carbon economy. Peñoles is actively working on copper exploration and development projects, an indispensable metal for electrification.

Risk management

Risk identification and assessment process

A fundamental aspect is the dimensioning of the impact of climate risks. To this end, we use various methodologies of a quantitative and qualitative nature.

To identify and measure physical risks, we used a study conducted by Deloitte for Peñoles' operations in Mexico. This study is complemented with water stress projections under different climate change scenarios using the World Resources Institute (WRI) Aqueduct tool.

The level of detail we have allows us to identify and assess the magnitude of climate impacts. However, the level of spatial resolution is not compatible with the climate data required for engineering reviews at the geographic scale of our operations and infrastructure. We are currently collaborating with the University of Arizona and the reinsurance industry to produce higher resolution climate projections and expand the range of physical climate change risks and other ESG issues such as biodiversity.

To measure the scope of transition risks we consider current and emerging public policy implications, as well as markets and stakeholder expectations. We use carbon price projections for our three scenarios considering current regulations, carbon price projections for Latin America, possible tariffs based on the carbon footprint of exports to the United States or the European Union, and the European carbon futures market as a proxy for a mature carbon market.

Climate change risk management framework

A robust risk management methodology is fundamental to climate change. For climate change we use our Peñoles risk management framework which consists of four stages:

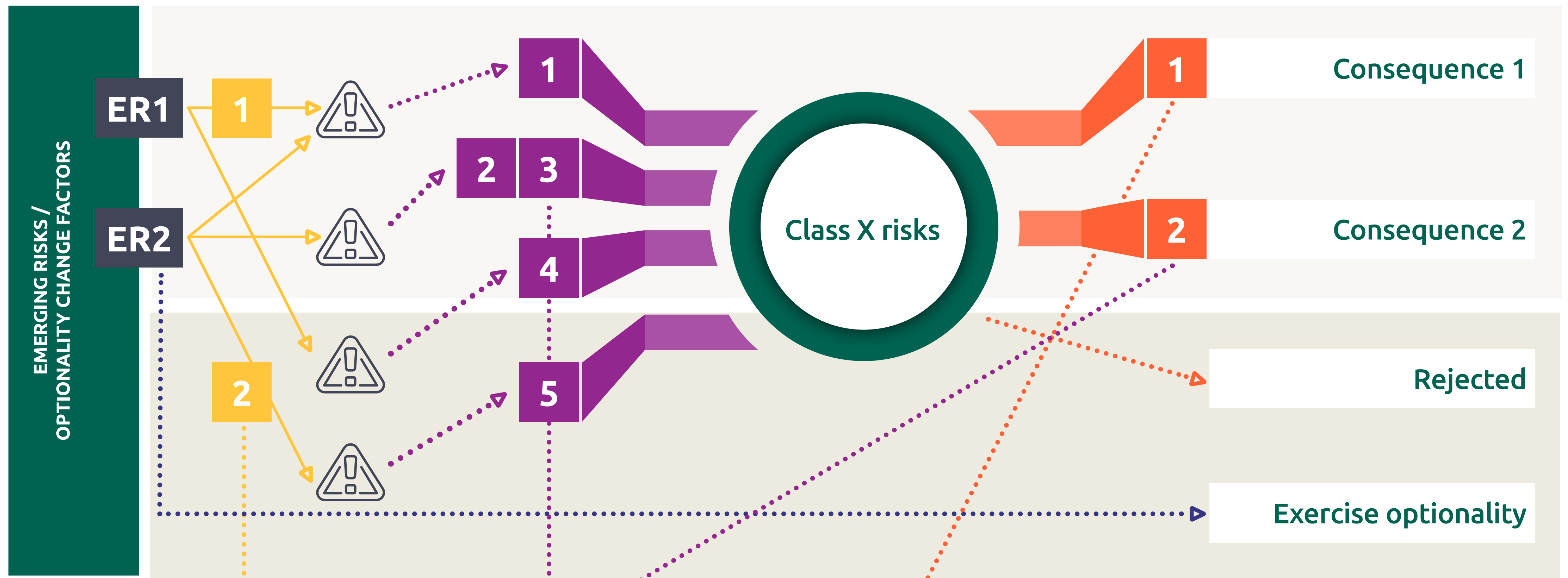
1. Identification
2. Evaluation
3. Risk treatment
4. Deployment of the risk framework







We are currently in stage 3—Risk treatment, in which we identify the consequences of risks and existing and new controls. We use the bow-tie method for preventive (PC), detective (DC) and corrective (CC) controls as well as identifying control owners. This stage precedes the deployment of the risk management framework which is our next objective in the maturity of our climate change risk management system.

We are currently in stage 3—Risk Treatment—in which we identify the consequences of risks and existing and new controls.

Risk management framework



-  Process risks
-  Preventive controls
-  Detective controls
-  Corrective controls

Risks

R-2. Extreme water events (rainfall, storms, cyclones, droughts and hurricanes)

Consequences

- Overflow of tailings storage facilities
- Tailings storage facilities rupture
- Damage to public and private infrastructure
- Increased CAPEX for infrastructure reinforcement
- Increase in CAPEX related to water management and storage infrastructure.
- Disruption of power supply
- Loss of biodiversity
- Less water resource with greater depth or greater distance

Controls to deploy

- PC-1 Climate projections
- PC-2 Climate projections baselines
- PC-3 Vulnerability assessment
- PC-10 Water balance models
- DC-1 Weather stations
- DC-2 Water volume monitoring
- CC-1 Emergency response plans
- CC-2 Increase in infrastructure resilience

R-5. Water stress

- Increased operating or production costs
- Decrease in sales due to damage to roads and operating infrastructure
- Increase in CAPEX related to water management and storage infrastructure
- Decrease in power supply
- Loss of biodiversity
- Lower water resource with greater depth or greater distance

- PC-6 Water stress projections
- PC-7 Water reuse and recirculation and discharge management
- PC-8 Hydrogeological models
- PC-10 Water balance models
- DC-2 Water volume monitoring
- CC-3 Rationing water

R-9. Increase in insurance premiums

- Increase in OPEX
- Difficulty in accessing financing or unfavorable financing costs

- CC-3 Rationing water

R-13. New regulations due to water stress

- Increased difficulty in obtaining environmental permits and water concessions
- Increased conflict with communities over access to water

- PC-6 Water stress projections
- PC-7 Water reuse and recirculation and discharge management
- PC-8 Hydrogeological models
- PC-9 Concessioned water volumes
- PC-10 Water balance models
- DC-2 Water volume monitoring
- CC-3 Rationing water

R-16. Greater expectations from the communities on the company's cooperation for climate change adaptation

- Increased conflict with communities over access to water
- Increased difficulty in obtaining environmental permits and water concessions

- PC-14 Social investment in own water or in partnership with governments
- PC-15 Collective water monitoring

**Integration with our ERM**

Our Enterprise Risks Management (ERM) consolidate climate change risks into two categories. Principal risks, identified from enterprise risks, are prioritized by Peñoles' top management team to form its follow-up list and are aligned to the organization's strategic plan, as they represent the organization's most significant risks in a calendar year. The ERM risks that cover climate change are:

1. Compromising our performance and business continuity due to the physical risks of climate change.
2. Compromising viability and profitability due to the risks associated with the transition to a low-carbon economy.



Metrics and targets

Climate change metrics

We use the following metrics to monitor energy demand and intensity, thereby, we identify opportunities for energy efficiency in our business units. We also monitor progress toward our goal of increasing the use of clean electricity in line with our target of 100% by 2028, if the regulatory framework allows us. The growth of our operations has led us to increase our energy consumption, but our decarbonization initiatives have enabled us to reduce our overall emissions.

All information below includes metrics of Industrias Peñoles and its subsidiaries, unless otherwise indicated.

Global GHG emissions

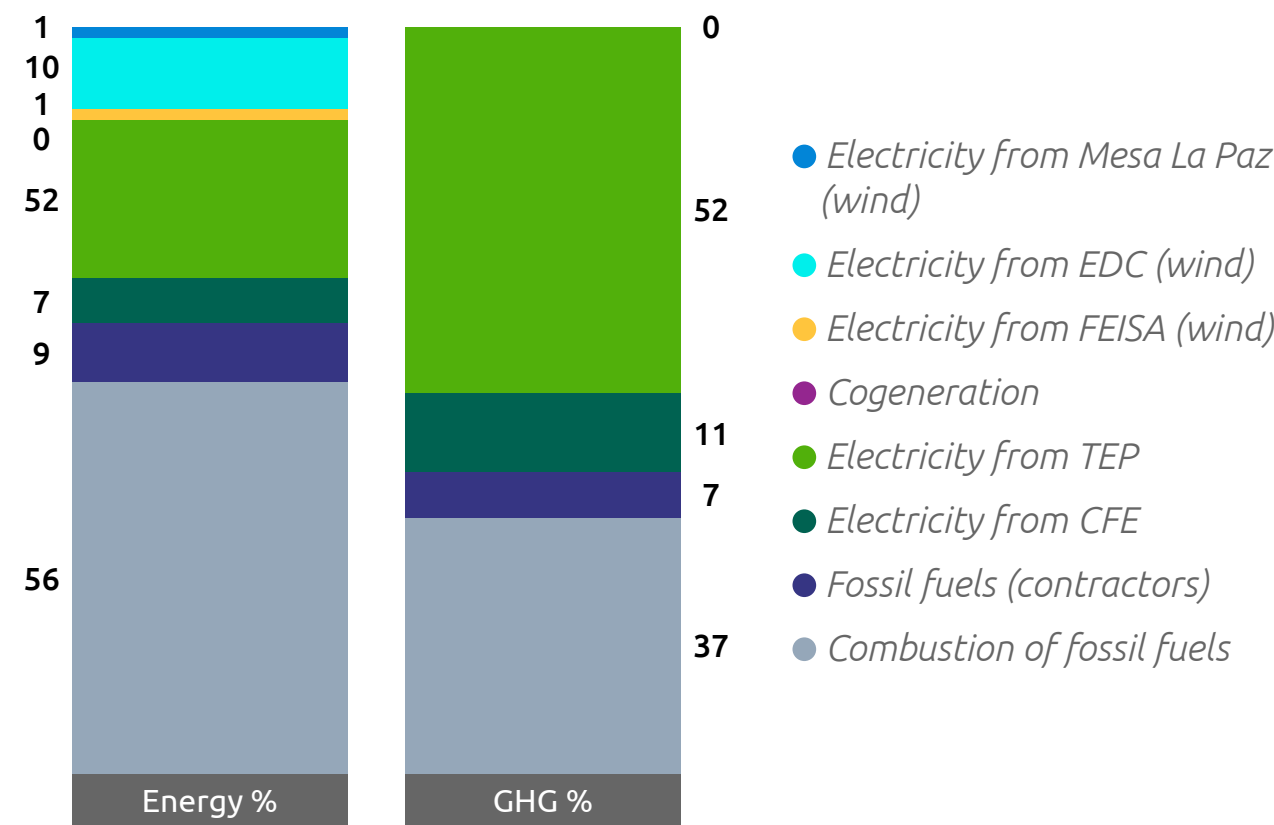
for the period January 1st to December 31st 2022

	GHG emissions (tCO ₂ e)				Energy (MWhe)				
	Reporting year				Previous year	Base year	Reporting year	Previous year	Base year
	2022				2021	2012	2022	2021	2012
	tCO ₂ e	tCO ₂	tCH ₄	tN ₂ O					
Scope 1 (direct emissions):									
Combustion of fuel (mobile and stationary sources) and process	1,343,921	1,329,019	104	35	1,325,464	823,932	4,901,305	4,783,785	3,528,900
Scope 2 (indirect emissions):									
Electricity purchased from the Mexican National Grid (CFE), Eólica Peñoles (FEISA, Mesa La Paz and EDC), and Termoeléctrica Peñoles (TEP)	1,733,069	1,729,539	44	9	1,702,658	2,073,331	3,199,665	3,137,303	2,369,421

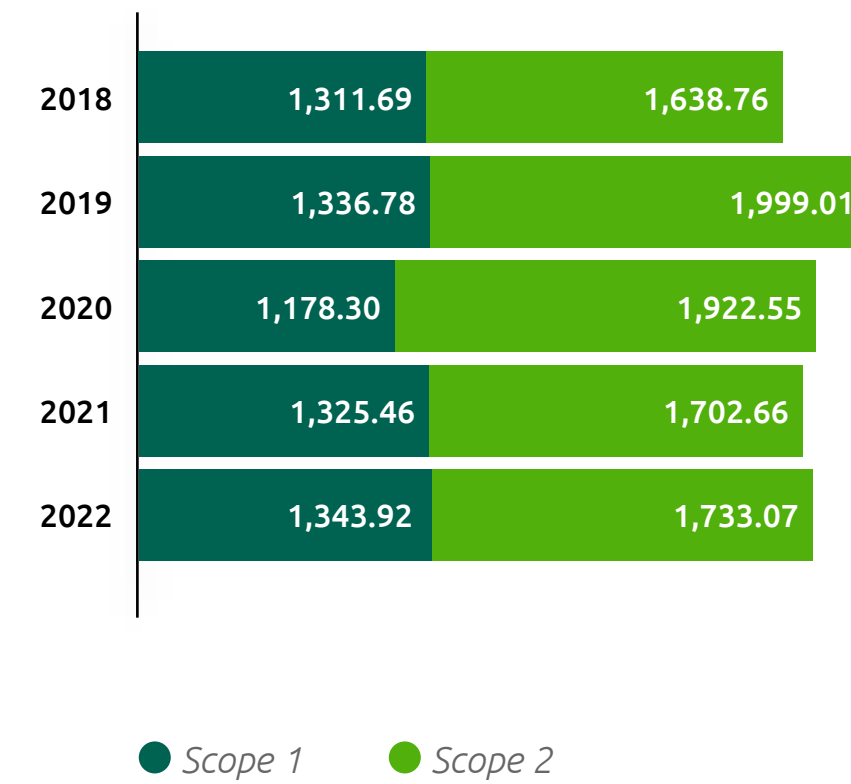
The consolidation of emissions is being presented under the criterion of financial control; the methodologies used were those established by the Greenhouse Gas Protocol in its document "A Corporate Accounting and Reporting Standard", published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), and a horizon of 100 years of the Global Warming Potential (GWP) for methane (CH₄) and nitrous oxide (N₂O) equivalents. In addition, we considered the information published by the Intergovernmental Panel on Climate Change (IPCC) and the Climate Change (IPCC) and the consideration of the applicable government entity.

*Scope 1: direct emissions
Scope 2: market-based*

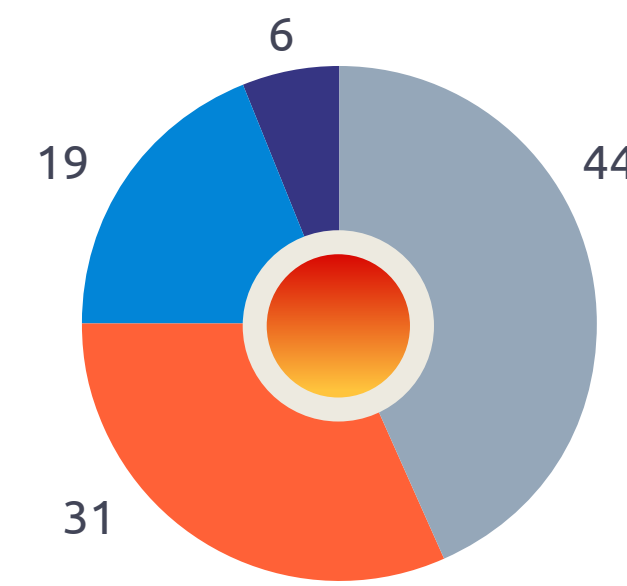
GHG Energy



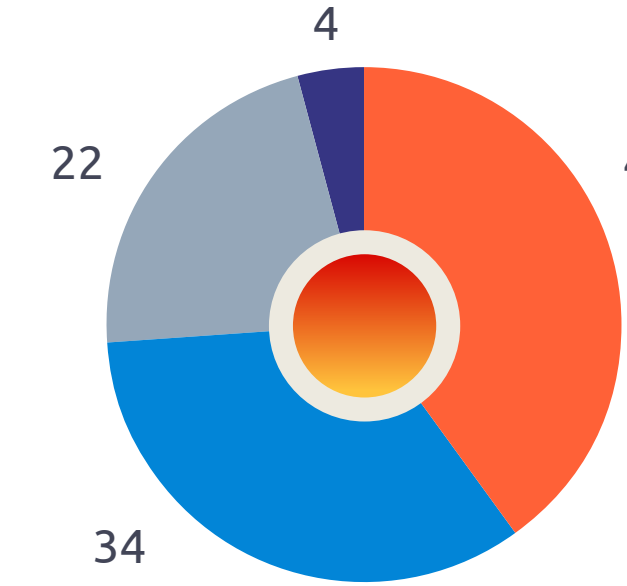
GHG Emissions (ktCO₂e)



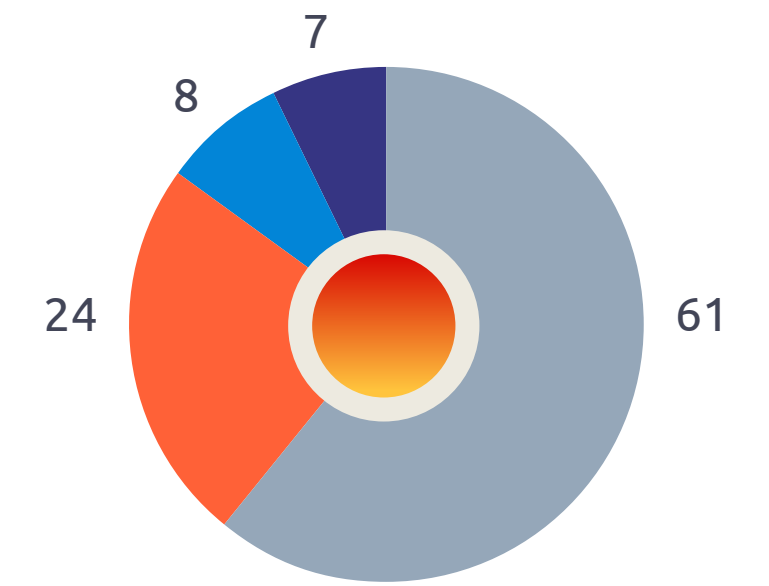
GHG (%)



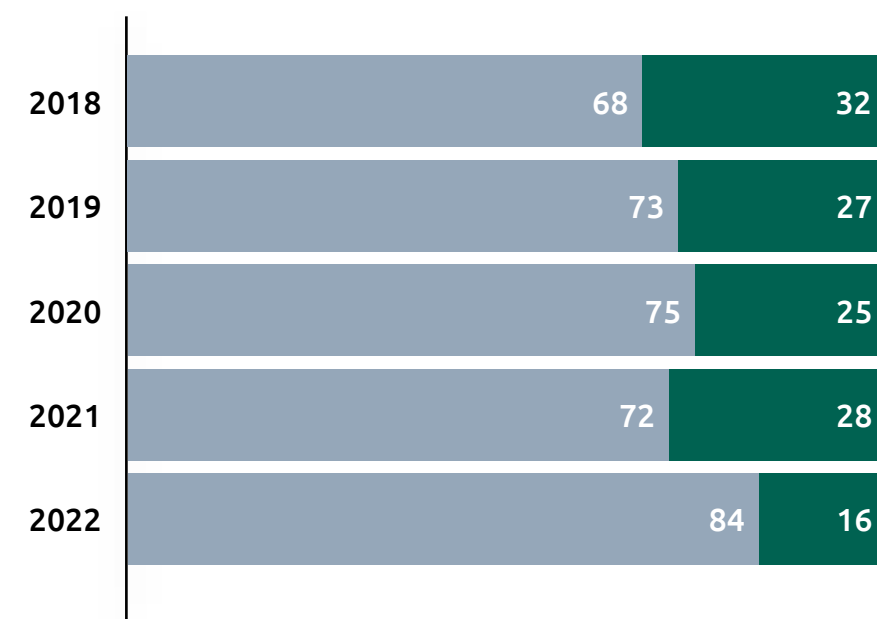
Scope 1 (%)



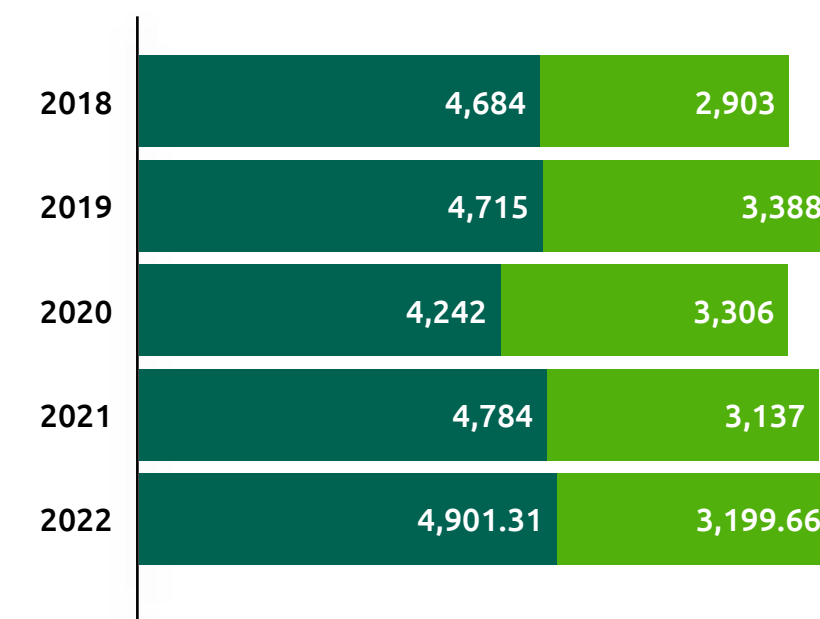
Scope 2 (%)



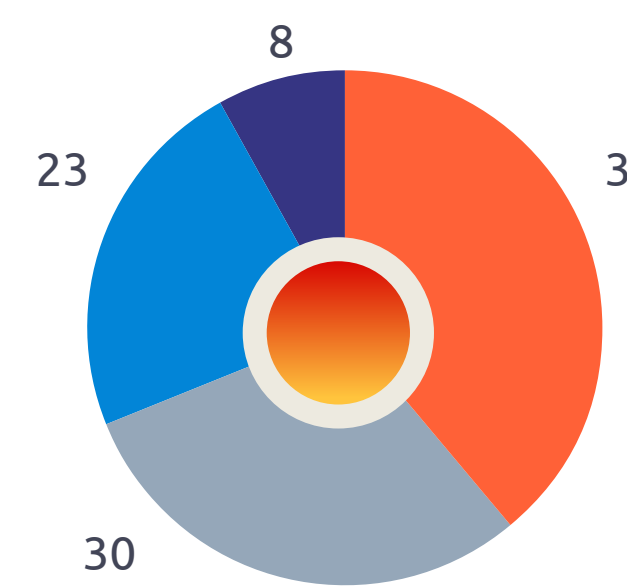
Electricity supply (%)



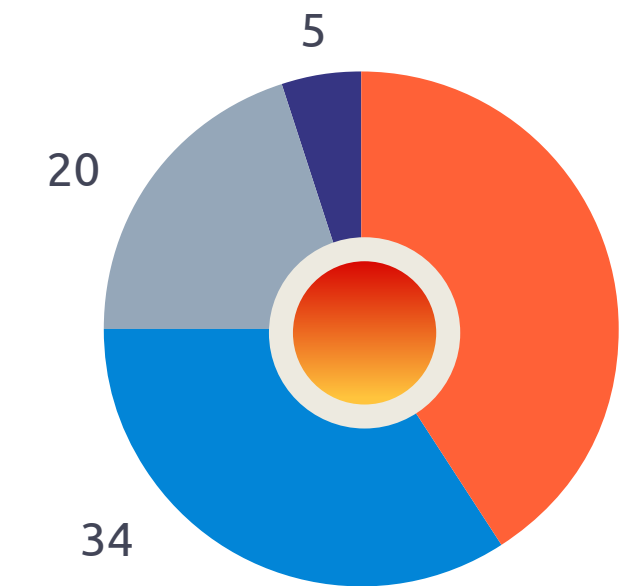
Energy (GWhe)



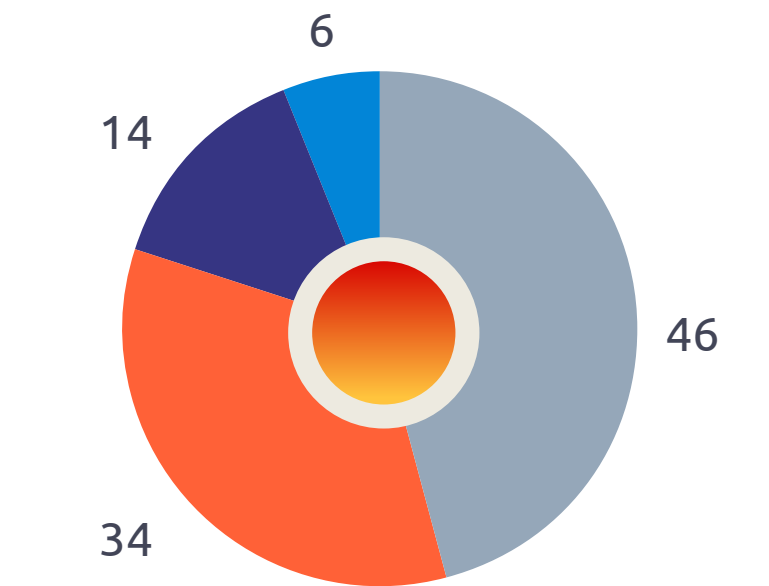
% Energy (MWhe)



% Scope 1 (MWhe)



% Scope 2 (MWhe)

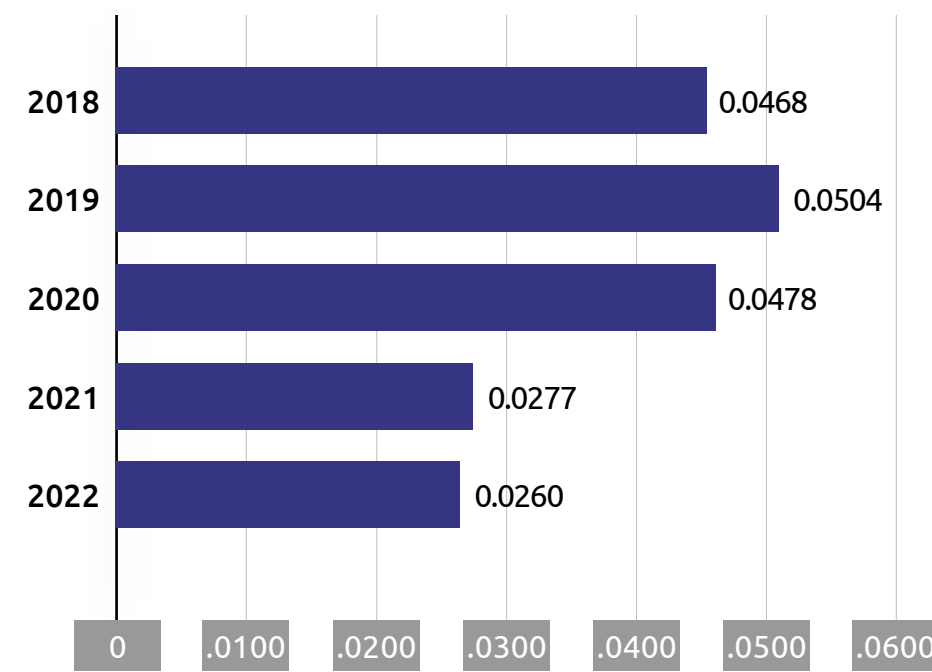


Other sources Wind energy

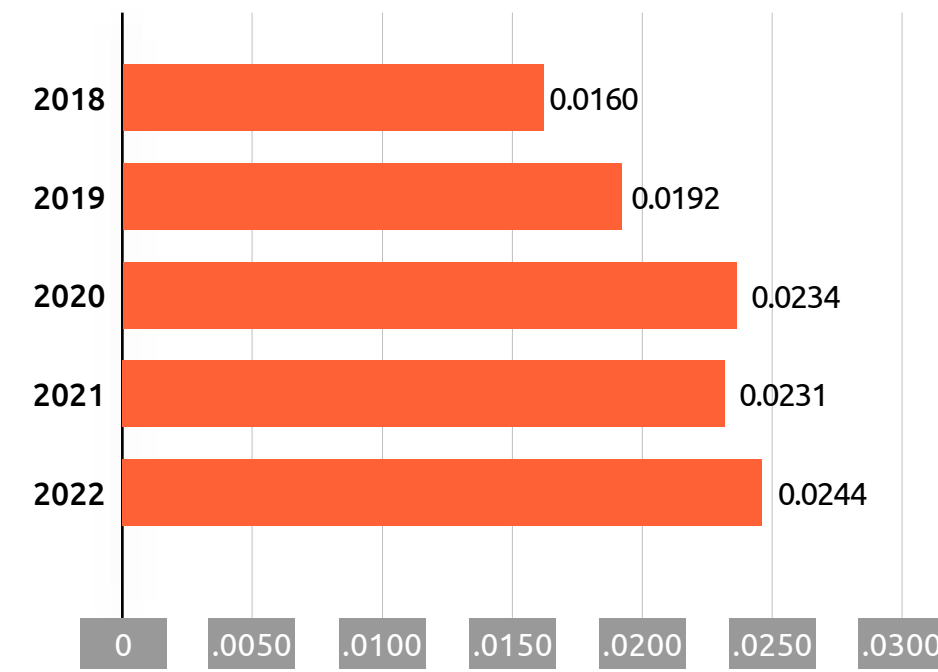
Scope 1 Scope 2

Mines Peñoles
Mines Fresnillo plc
Metals
Chemicals

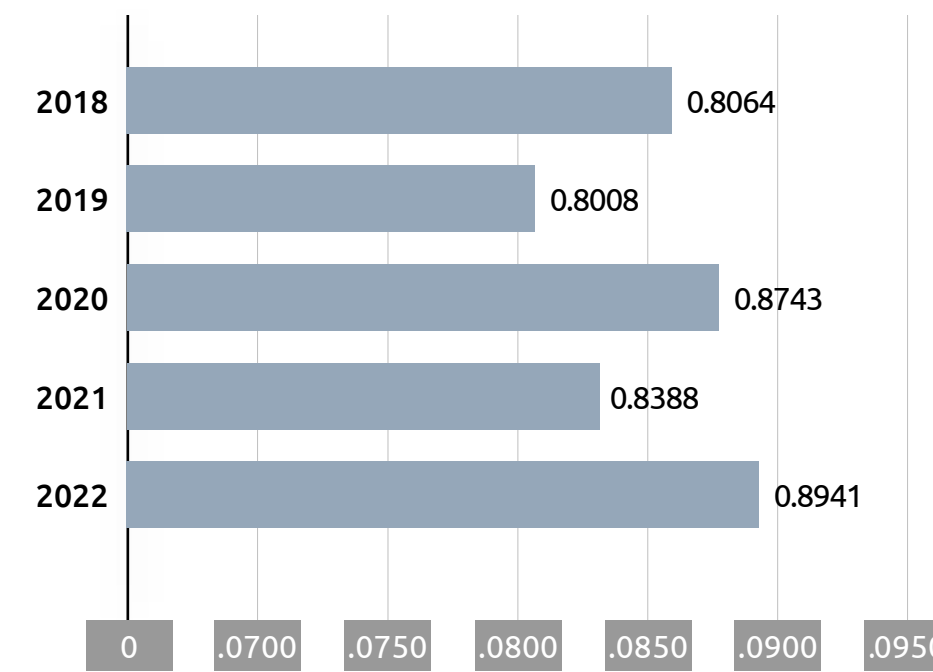
GHG intensity Mines Peñoles
(tCO₂e / t ore milled)



GHG intensity Mines Fresnillo plc
(tCO₂e / t ore milled)

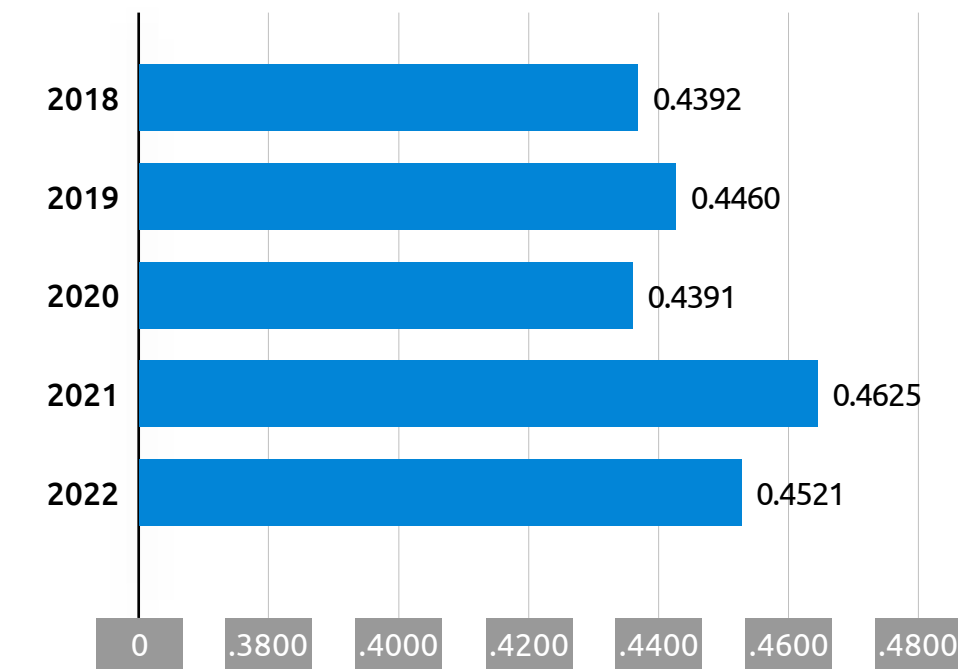


GHG intensity Metals
(tCO₂e / t of production*)

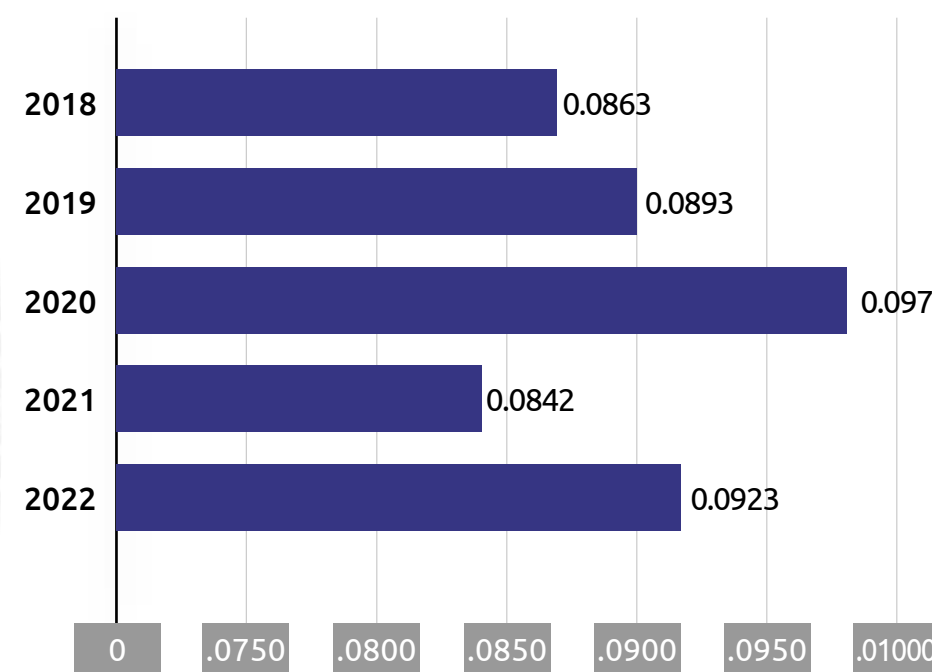


Production includes products and by-products

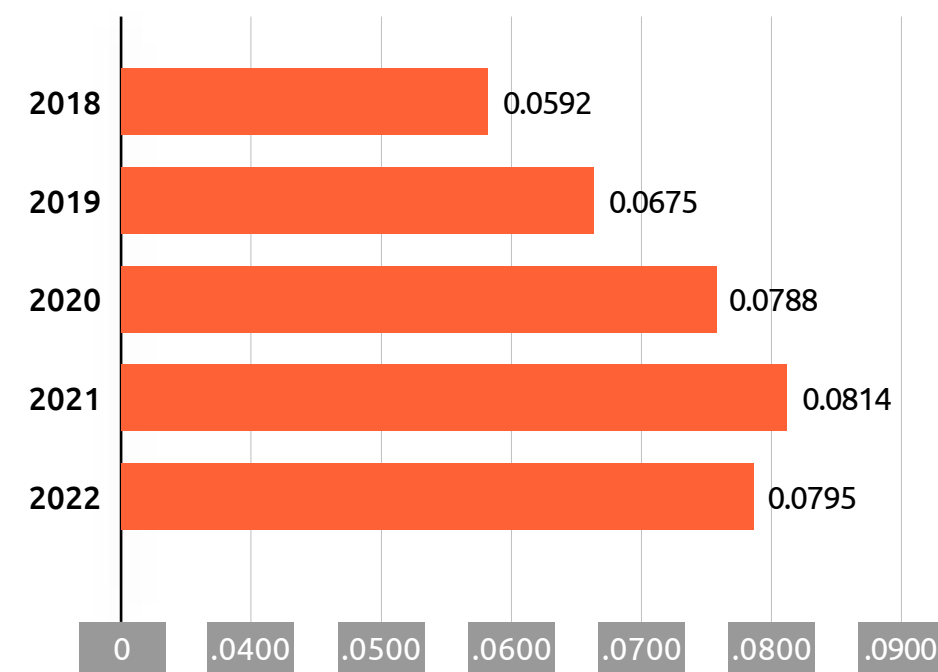
GHG intensity Chemicals
(tCO₂e / t of products)



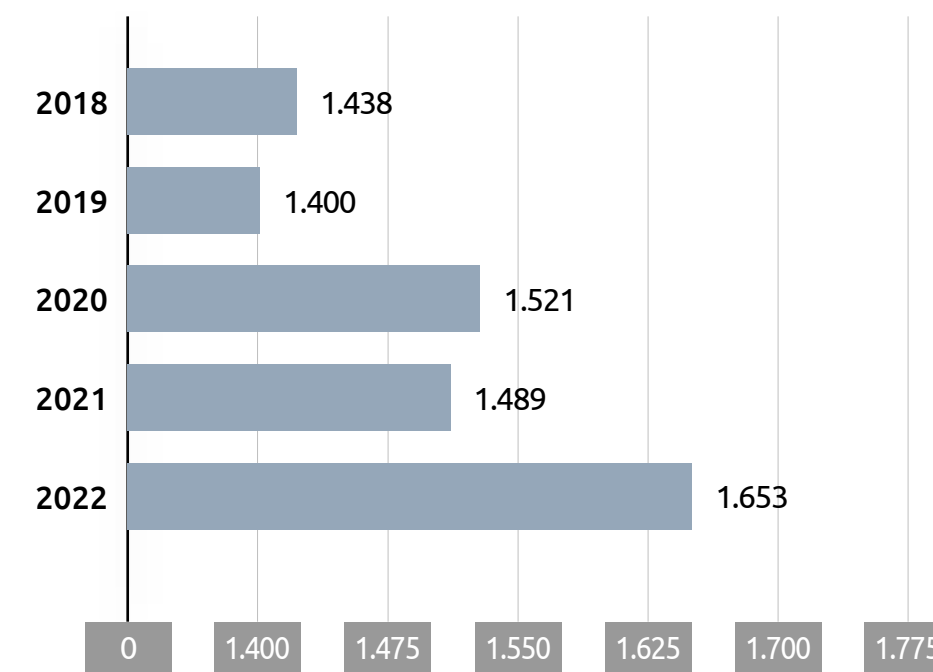
Energy intensity Mines Peñoles
(MWhe / t ore milled)



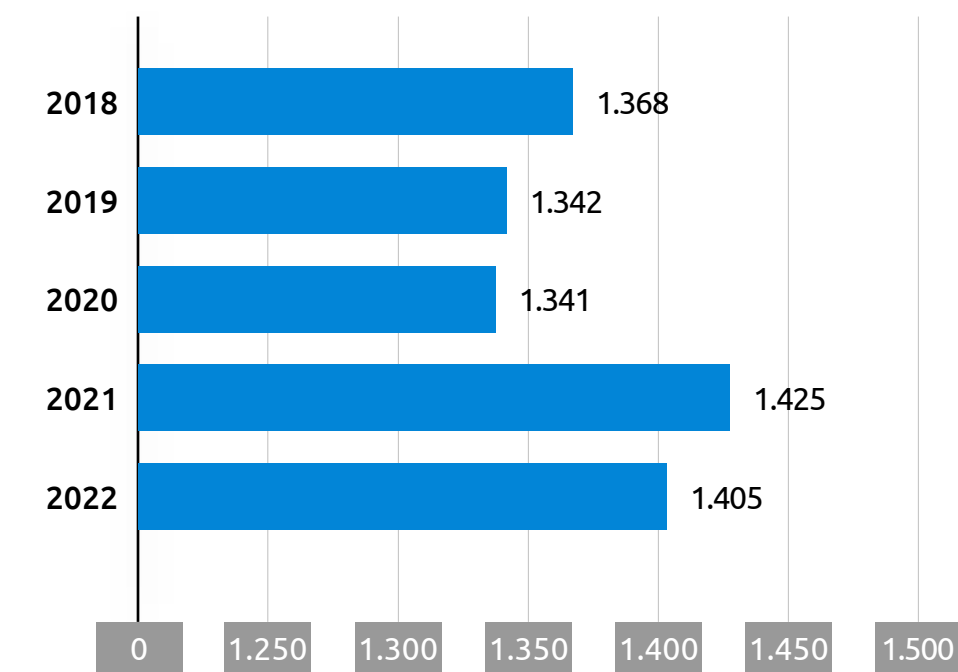
Energy intensity Mines Fresnillo plc
(MWhe / t ore milled)



Energy intensity Metals
(MWhe / t production)



Energy intensity Chemicals
(MWhe / t products)



- Mines Peñoles
- Mines Fresnillo plc
- Metals
- Chemicals

** In the case of CO₂e emissions from dolomite calcination—process emissions in the Chemicals Division—the IPCC emission factor, chapter 2, “Emissions from the mineral industry,” we used an average estimate of material purity and mineral losses in the chemical reaction.*

Annex: Progress and next steps

Industrias Peñoles is committed to maturing the implementation of the TCFD standard.

TCFD standard	Progress	Next steps
Governance	<ul style="list-style-type: none"> We established a system of board-level governance of ESG issues, including climate change. 	<ol style="list-style-type: none"> Consider climate change in strategic decisions and monitoring of risks and opportunities.
Strategy	<ul style="list-style-type: none"> We identified risks and opportunities within the organization in the short-, medium- and long-term using scenarios, including one in line with the Paris Agreement. We identified the value creation levers that would be affected by risk. 	<ol style="list-style-type: none"> Quantitatively estimate the financial materiality of each risk identified. Quantitatively estimate resilience using scenarios related to climate change, including a 2 °C or lower scenario.
Risk management	<ul style="list-style-type: none"> We implemented the risk management process that includes the identification of consequences and controls. We identified risks and evaluated them qualitatively. Climate change risks were reflected in two enterprise risk categories for integration with ERM. 	<ol style="list-style-type: none"> Implement processes to quantitatively assess the impact of risks. Deploy the controls that were identified. Deploy the business risk assessment to identify the main risks.
Metrics and targets	<ul style="list-style-type: none"> We disclosed the performance of Scopes 1 and 2. We set a renewable share percentage target. 	<ol style="list-style-type: none"> Associate indicators to the risk controls that were identified and monitor them. Mature our inventory of Scope 3. Set absolute emission reduction targets and identify other targets, e.g. reduction of water consumption.



Setting absolute emission reduction targets and identifying other targets, for example, reducing water consumption.

Environmental



Environmental excellence

Water stewardship

Conservation of biodiversity

Mining waste

Hazardous waste

Air quality

Mine closure

Environmental excellence

Commitment

Aware that the balance between the environment, society and the economy are pillars of sustainability, we conduct our activities in a responsible manner, reflecting the commitment in our Sustainability Policy.

Our commitment is to ensure continuous, productive and safe operations, as well as to respect the environment, communities and health in the context of our operations. This is based on a culture of protection and prevention, enriched through consultation and participation of workers and their representatives. Our operations must be managed through a comprehensive management system, subject to continuous improvement, in accordance with institutional standards, which include the elimination of hazards, risk reduction, compliance with legal requirements, and the commitments we make to our customers and other interested parties.

Strategy

Our Environmental Management System integrates key mechanisms for improving environmental performance, stakeholder relations, emergency response, and monitoring compliance with current legislation through a regulatory system. The system is implemented at our operations by trained and competent personnel who conduct annual site audits. In 2022, we implemented ISO 14001 in 75% of our operating units and the rest are in the process. The Exploration Division of Peñoles and Fresnillo plc in Mexico and Peru is also certified.

Division	Unit	ISO 14001
Exploration	Exploration Mexico	06/6/23
	Exploration Peru	12/11/23
Chemicals	Industrias Magnelec	04/9/25
	Química del Rey	30/10/25
Metals	Fertirey	05/8/24
	Aleazin	05/8/24
	Met-Mex Smelter	05/8/24
	Met-Mex Refinery	05/8/24
	Met-Mex-Zinc	05/8/24
	Bermejillo	05/8/24
Mining	Milpillas	In process
	Sabinas	26/3/24
	Tizapa	21/11/23
	Roble	05/9/25
	Capela	In process
	Ciénega	In process
Fresnillo plc	Herradura	20/8/25
	Noche Buena	20/8/25
	Fresnillo	25/6/25
	Saucito	07/6/24
	San Julián	In process
	Exploration Fresnillo plc	24/5/24



Reporting environmental incidents

We have a standardized outline which includes the following environmental incidents:

- Waste and material spills
- Water contamination
- Air emissions
- Forest fires

“A material environmental incident is one that exceeds the maximum permissible limit indicated by the applicable legislation on soil, air, water and waste issues and, consequently, must be reported and attended to immediately, evaluating the need to carry out remediation actions, which must be submitted for consideration to the Ministry of the Environment and Natural Resources.”

Environmental incidents

Company	Incident	2022
Peñoles	–	0
Fresnillo plc	Waste spills	1
	Total	1

None of these spills caused significant impacts to the environment, nor were there any residual impacts.

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.

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

Transparency and governance in water management

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

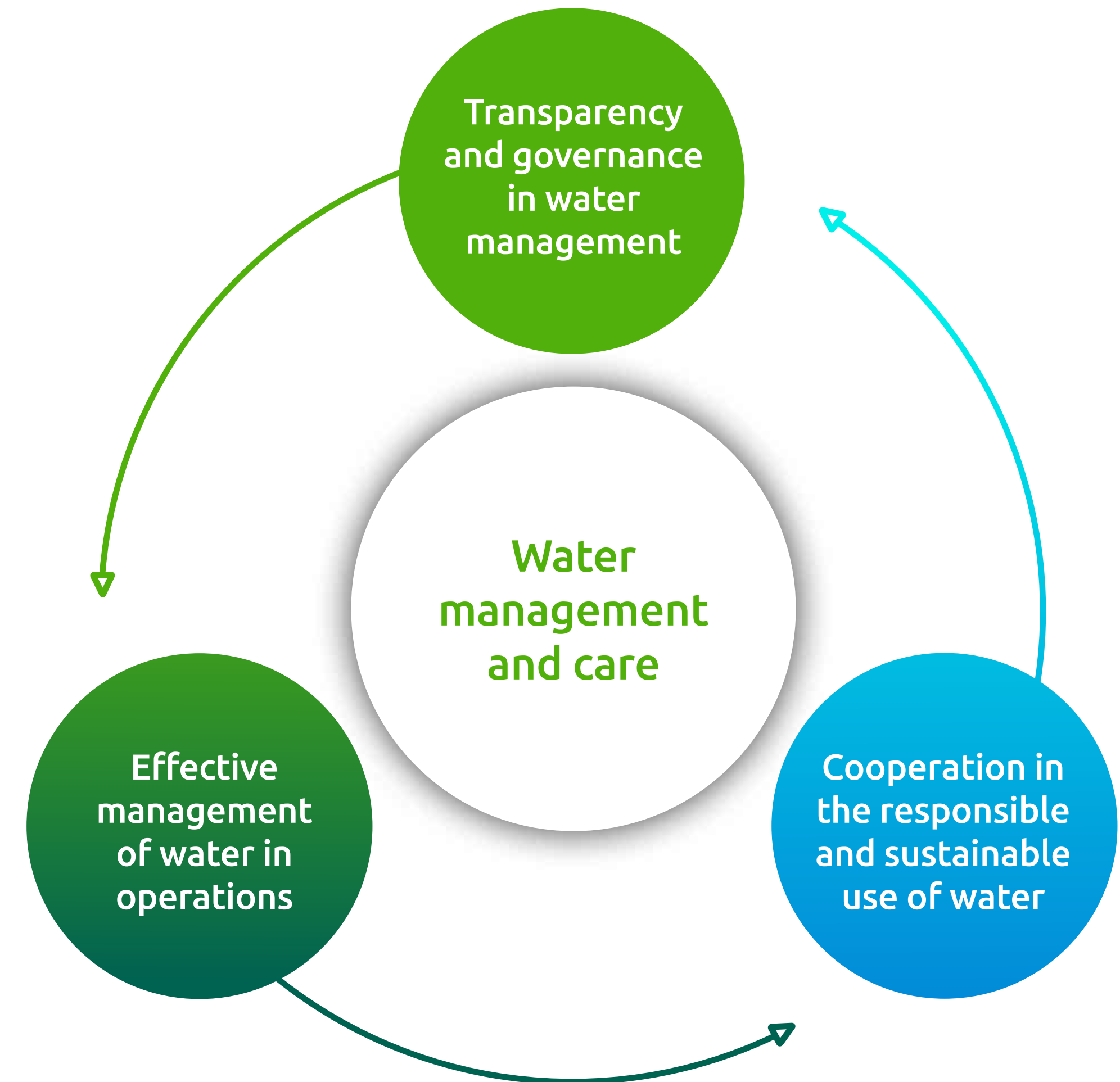
Effective management of water in our operations

- 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.

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.

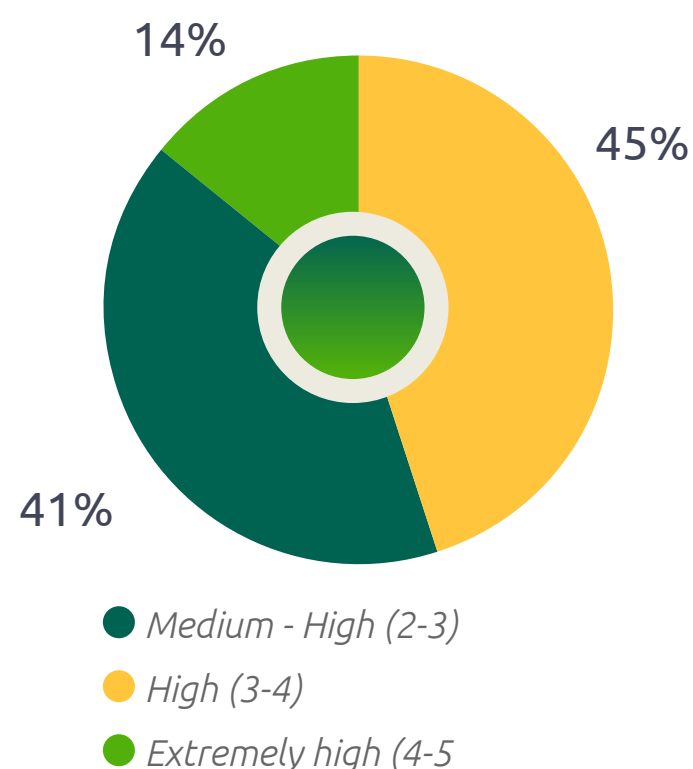
We work constantly to optimize our water consumption; for example, we have standardized maintenance checklists to avoid leaks in our systems, and put in place measurement devices and facilities for treating wastewater from our internal processes to recirculate it.

Metrics and results

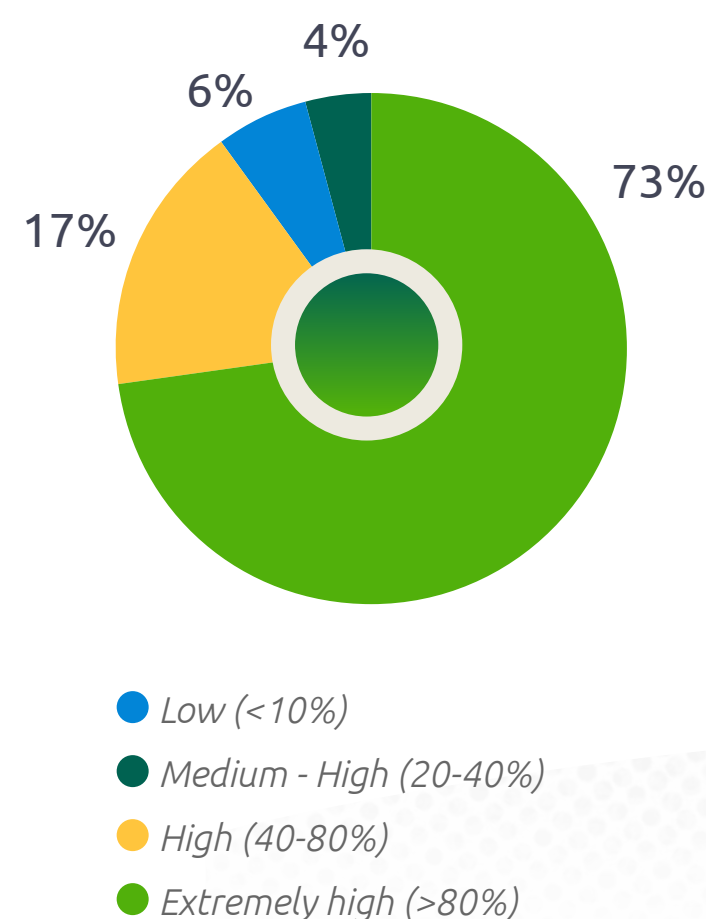
During the year, we updated our identification of zones with water stress and water risk in our operating units using the online Aqueduct tool provided by the World Resources Institute. The results indicate that 36% of our operations are located in zones of extremely high water stress, and 27% in zones 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.

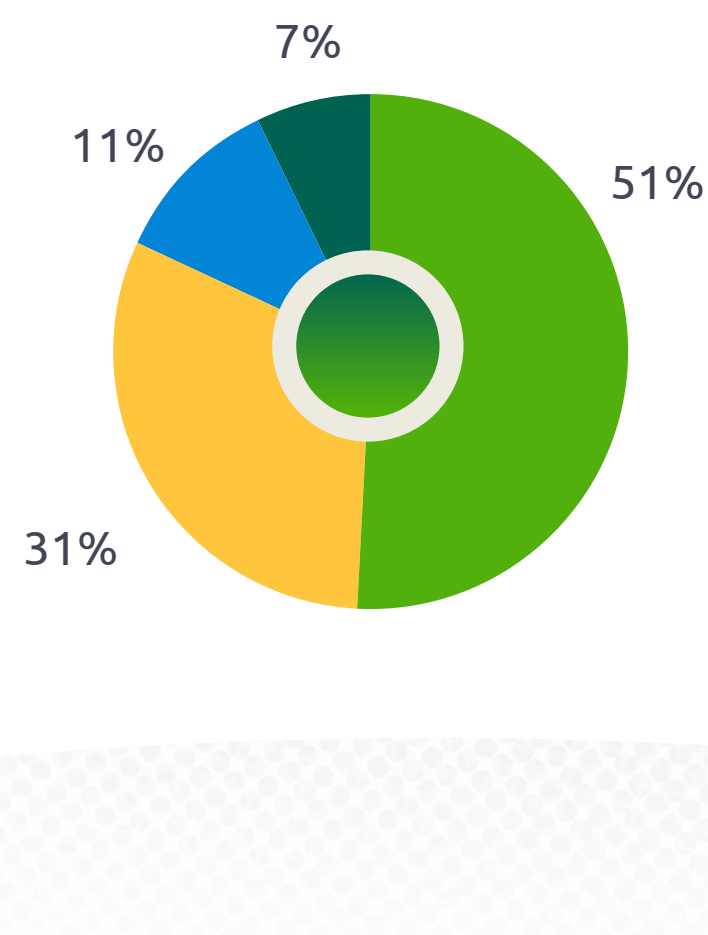
Water risk category



Extraction of fresh water by location and water stress category

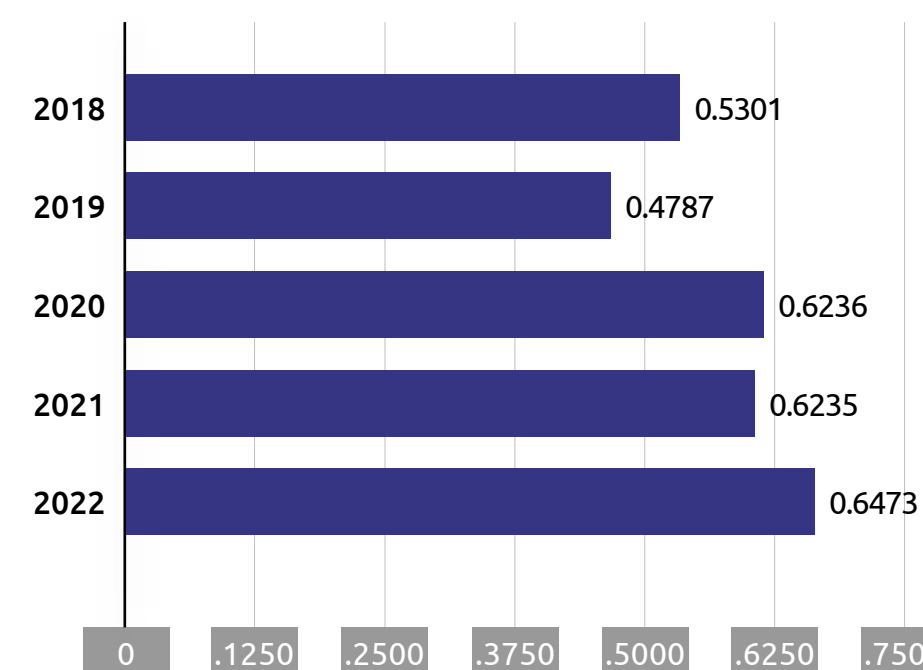


Consumption of fresh water by location and water stress category

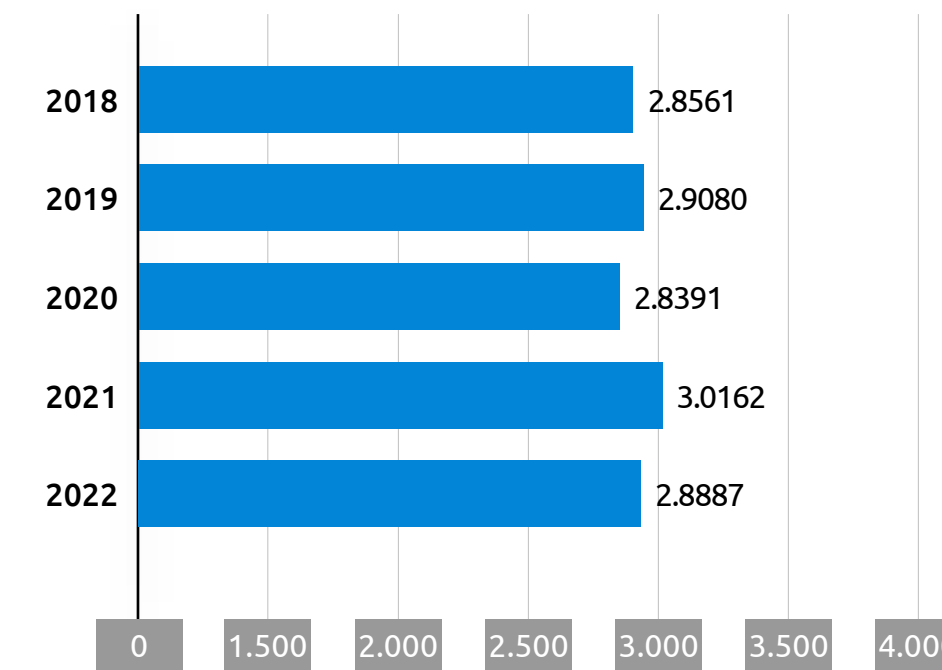


The distribution ratio of the percentage of extraction and consumption of fresh water is calculated in megaliters.

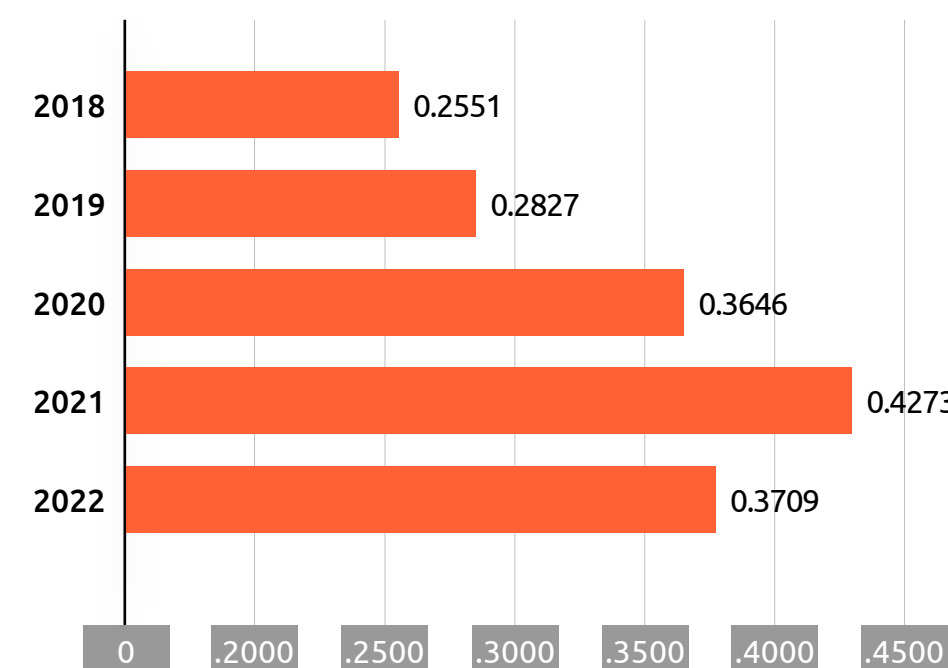
Water intensity Mines Peñoles (m³ water / t of ore milled)



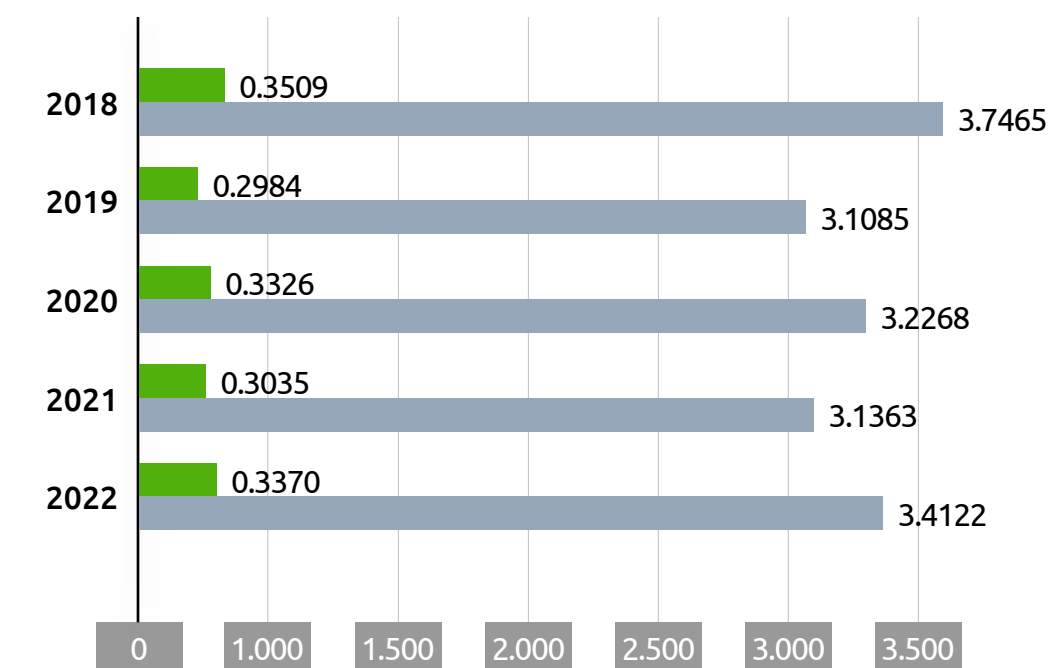
Water intensity Chemicals (m³ water / t of production)



Water intensity Mines Fresnillo plc (m³ water / t ore milled)



Water intensity Metals (m³ water / t of production)*



● Fresh water consumption
● Water consumed

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

Environmental excellence

Water stewardship

Conservation of biodiversity

Mining waste

Hazardous waste

Air quality

Mine closure



Water balance (MI)	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 (MI)			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

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.

1.....



Effective management of water in our operations

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

2.....



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.

3.....



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

Conservation of biodiversity

Commitment

We know that our activities can potentially affect biodiversity and ecosystems in the sites where we operate. For this reason, we are committed to taking measures to minimize our environmental impact and create positive impacts through a mitigation hierarchy and adoption of best practices for managing preservation. These measures are applied in every phase of the business value chain and throughout the lifecycle of our operations.

We have made a firm pledge to refrain from occupying areas or carrying out activities where environmental risk might compromise the integrity of key species or irreversibly affect ecosystems. All of our operations are conducted outside of natural protected areas (NPA).

In 2022, we focused on reviewing and innovating management guidelines intended to protect and preserve biodiversity where we operate.

At our mining units, we have processes for relocation, reforestation and donation, actions that will enable us to produce traceability and biodiversity value indicators beginning in 2023.



Next steps

Governance

- Creation of an Internal Biodiversity Committee.

Strategy

- Authorized publication and distribution of the Biodiversity Management Guideline throughout the organization.
- Identification of significant biodiversity aspects at all sites where we operate and application of the mitigation hierarchy to ensure a positive net impact.
- Verification by an independent specialist to ensure and improve biodiversity protection and preservation measures at all of our operating sites.

Management

- Introduction of a Biodiversity Management System, which includes the following:
 - Drawing boundaries to mark out forest areas with environmental permits.
 - Rescue and release of wildlife species.
 - Rescue and relocation of vegetation.
 - Training and education of employees.
 - Installation and maintenance of signage regarding protected species.
 - Reforestation with native trees to replace vegetation removed during operations.
 - Soil conservation and protection to reduce the effects of erosion and encourage overgrowth.
 - Restoration with geomembrane and hydroseeding, among others, as part of our progressive closure activities.
 - Tracking and monitoring of biodiversity in all currently operating and closed business units.



**Categories of IUCN species (fauna),
Velardeña PIMVS**
(%)



**Categories of IUCN species (flora),
Metalúrgica Met-Mex PIMVS**
(%)



Success story

During the year, we carried out work on conserving species at authorized off-site facilities for wildlife preservation (PIMVS) at the Velardeña unit, in the Mines Division; for flora and fauna at Metalúrgica Met-Mex Peñoles, in the Metals Division. Some of these PIMVS are working with species found on the IUCN Red List.



Our PIMVS currently handle four “EN” (endangered) category species for propagation and conservation: the golden barrel cactus, *Echinocactus grusonii*; the water buffalo, *Bubalus bubalus*, the spider monkey, *Ateles geoffroyi*, and the black bear, *Ursus americanus*. The other species are categorized as NT (near threatened) and LC (least concern).

Mining-metallurgical waste management

Commitment

Our commitment is to have a process for improving safety and reducing the risks involved in handling mining-metallurgical waste by applying current best practices and control technologies available in engineering, operation and governance of tailings storage facilities, heap leaching and water storage facilities, as part of our Comprehensive Tailings Management

System. Through continuous development and management, we intend to review and implement cutting-edge technologies, practices and methods in our facilities, with the goal of causing zero damage to people or the environment.

Our system is based on various guidance documents recognized by the industry available at the time it was created, which are referred to in the following sections. We will be updating this system to incorporate future changes in industry approaches and practices, in order to meet with global expectations for safe mining waste.

Governance

Our governance defines and documents roles, competencies, responsibility and accountability of the governance team responsible for the facility's safety throughout its life cycle. The team is organized into the following groups:

- i. Site management:** Mine managers (dam owners) are the risk owners responsible for operating the facility according to internal rules. The Regional Tailings Manager is the Responsible Tailings Facility Engineer (RTFE) while a qualified engineer of record provides the technical experience to guarantee that the facility is managed safely and according to appropriate governance and best practices. Site management and the tailings operations team work together to guarantee the safe operation and implementation of our system.
- ii. Corporate tailings team:** This is a group of experts who develop and administer corporate governance and controls, including implementation of inspections and external reviews. The Deputy CEO of technical services at Baluarte Minero leads the team, with the support of the Assistant Vice President of Infrastructure, as well as corporate tailings specialists and managers.
- iii. External reviews:** Our governance framework is supported by independent experts, inspectors, reviewers and auditors who confirm that our requirements for best engineering and governance practices are being met. Our independent review process includes an Independent Tailings Review Panel, dam safety inspections by the Engineer of Record and safety reviews of our dams by independent reviewers.
- iv. Group level oversight:** The Executive Tailings Dam Review Committee supervises general governance and operations. This committee, made up of members of senior management, seeks out the advice and assessment of independent experts for a continuous review of operating, governance, inspection, review and audit reports. The chief executive officer is the senior executive in charge of tailings management and the development and implementation of the systems necessary for responsibly managing tailings storage facilities.



Strategy

Our strategy for responsible tailings management is to adopt best engineering practices and management principles from MAC, CDA, ICOLD and ICMM. We apply the following basic principles to achieve a culture of safe tailings management throughout our facilities' lifecycle:

- i. Accountability, responsibility and competency:** The associated responsibilities and competencies are defined to support identification and management of the facility's risks.
- ii. Planning and resourcing:** The financial and human resources needed to ensure continuous management and governance are kept available throughout the life cycle of the resource fund.
- iii. Risk management:** Management of the risks associated with the facilities, including risk identification and an appropriate system for control and verification of performance targets.
- iv. Change management:** The risks associated with possible changes are evaluated, controlled and communicated to avoid inadvertently compromising the safety of the facilities.
- v. Emergency preparedness and response:** Processes for recognizing and responding to imminent failures in the facilities and mitigating the impact of a potentially catastrophic failure.
- vi. Review and assurance:** Internal and external processes for review and assurance so that the facility's risk controls can be comprehensively evaluated and continuously improved.

Risk management

The standards of design, construction, oversight, maintenance and external review include requirements on protection of human health and the environment, and parameters for closure of the mining operation. Engineering of storage facilities includes the lining, system for interception of downstream drainage, and channels for diverting surface water. We also have environmental oversight programs aligned with our Management and Compliance System.

In 2022, we organized our first risk analysis workshop, dealing with Potential Failure Mode Analysis (PFMA). Our operating and management teams and the Engineer of Record together analyzed possible failure modes in the tailings storage facilities of the Saucito unit. With this structural knowledge, we have been able to define preventive and critical controls which, although still in the process of being implemented, provide greater certainty of the general state of the facilities and enable us to discern the most important and urgent matters.

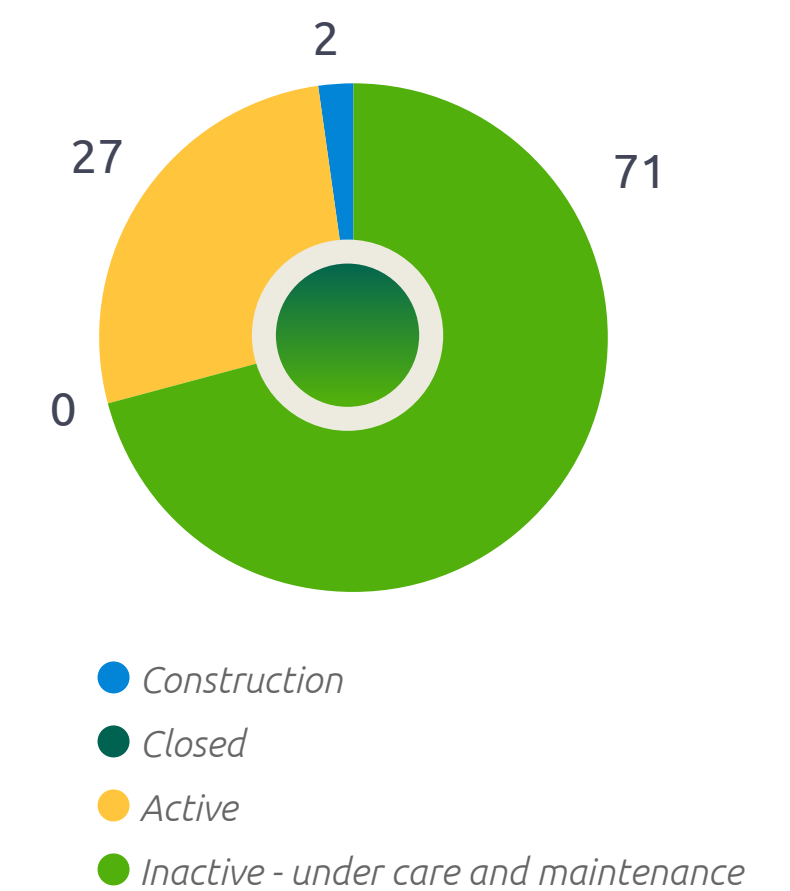
The PFMA risk workshop is aligned with best industry practices and international tailings management standards. With this, we can determine the status of each of our facilities in detail and make informed decisions based on the identified risks. We expect to complete this process this year and then extend it to the other facilities of the group.

Performance and metrics

We completed our inventory of tailings dam facilities in 2022, covering 71% of the group's facilities that are currently inactive—under care and maintenance—and 12 active facilities.

In our tailings storage facilities, record-keeping provides us with a reference for determining the status and useful life of the mines. In 2022, we had an onsite disposal of **19.1** million metric tons of tailings, **2.8** million metric tons of which were reused in mine backfilling processes and to replace material borrowed to upraise tailings storage facilities. The resulting indicator was **15%** of the tailings generation in 2022. Some **122.6** million metric tons of sterile rock were generated, which were used for mine backfilling.

Status of tailings storage facilities (%)



In 2022, we disposed onsite of **19.1** million metric tons of tailings, **2.8** million metric tons of which were reused in mine backfilling processes and to replace borrowed material.

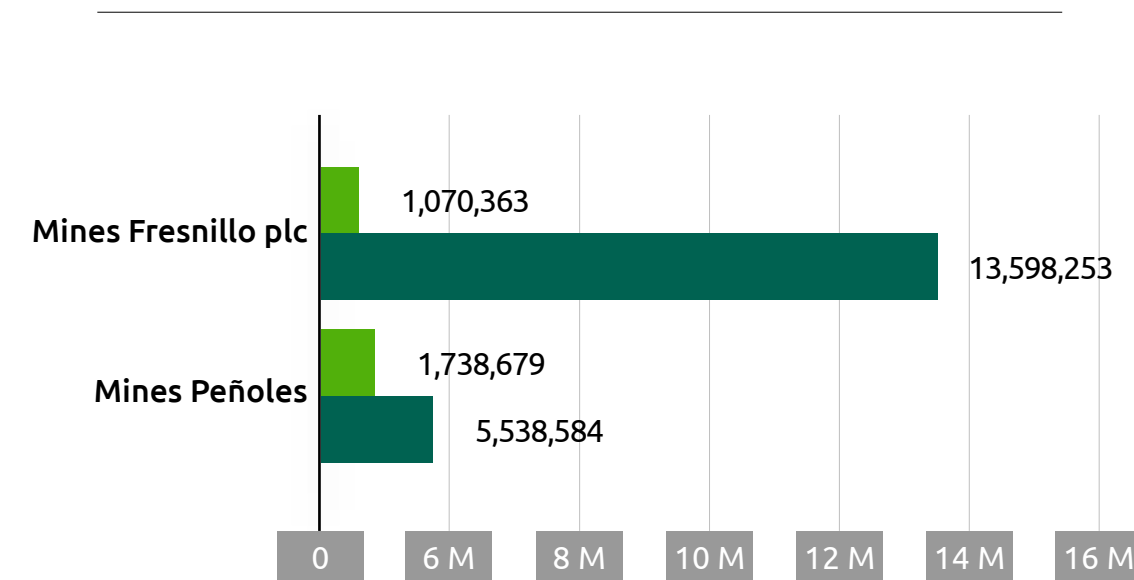


Final on-site disposal of mining and metallurgical waste (t)

	Tailings	Waste rock	Other metallurgical waste*
Mines Peñoles	5,538,584	3,235,922	–
Mines Fresnillo plc	14,160,415	119,424,384	–
Metals	–	–	1,465,733
Industrias Peñoles	19,698,999	122,660,307	1,465,733

* 97% of waste generated is jarosite and grease from furnaces that come from the zinc electrolytic plant and the smelter, which are disposed of on site.

Generation vs. reuse of tailings (t)



Disposal in leaching pads (t)

	2020	2021	2022
Mines Peñoles	694,219	–	894,745
Mines Fresnillo plc	20,570,573	28,641,642	29,345,382
Industrias Peñoles	21,264,792	28,641,642	30,240,127

Our facilities include active leaching pads. In 2022, the Milpillas unit, which belongs to Peñoles, resumed operations. Leaching pad management is a key aspect of its record-keeping, because it provides information on the necessary care, maintenance and closure processes, when processed leachates become mining/metallurgical waste.



Success story – Enhancing our management capacity

More than two years ago, we began the process of improving management of the south dam at Metalúrgica Met-Mex Peñoles. Today, this facility has the appropriate governance and defined roles and responsibilities, as well as increased integration and synergies among the teams responsible for designing, building, operating, maintaining and managing these facilities.



With this robust structure, the south dam now has an operating staff of trained personnel, which is improving the performance of this facility every day. The management team, supported by the future engineer of record, has provided technical support to ensure optimally safe and efficient structures. Geotechnical research has also been conducted to characterize and understand the short- and long-term behavior of the waste deposited at this facility. Today, we have procedures and quality specifications to guarantee safe and stable disposal over the years. All of this with the goal of causing zero damage to people or the environment.

Hazardous and special-handling waste

Commitment

Industrias Peñoles handles and disposes of its waste in an appropriate and responsible manner, not before trying to reduce and recycle it.

Strategy

All units are aligned with the current regulatory framework for hazardous waste at the federal level, and special-handling waste at the state level, from generation, temporary storage, transportation and final destination, in order to eliminate hazardous and special-handling products.

Hazardous waste

All units manage the handling of this type of waste at the federal level. We have special areas to prevent their dispersion, as well as temporary warehouses. We emphasize the verification of the suppliers that offer handling, transportation and final disposal services, in accordance with legal compliance and the assurance of their correct handling.

Special-handling waste

All Peñoles units also have areas for segregating waste, as indicated by the corresponding legal administration in the states where we operate. As in the case of hazardous waste, service providers handle waste in accordance with the applicable state legislation.

Metrics and results

In the Mines, Metals and Chemicals operating divisions, during 2022 Peñoles generated **24,000** metric tons of hazardous waste, **70%** of which comes from the metallurgical processes of the zinc electrolytic plant, the smelter and the refinery—referred to as contaminated debris and hazardous white sludge. In the case of special-handling waste, **337,000** metric tons were generated, **96%** of which came from gypsum and dolomite fines from the Chemicals Division.



Waste by type of disposal (t)

Division	Classification	2022			
		External final disposal	Internal final disposal	External recycled	Internal recycled
Mines Peñoles	Hazardous	406.95	–	459.94	–
Mines Peñoles	Special-handling	686.79	–	2,762.05	–
Metals	Hazardous	23,078.09	–	63.51	–
Metals	Special-handling	8,465.91	–	1,380.83	–
Chemicals	Hazardous	147.26	–	38.93	–
Chemicals	Special-handling	57.39	324,220.41	302.86	–
Total	Hazardous	23,632.30	–	562.38	–
Total	Special-handling	9,210.08	324,220.41	4,445.74	–
Total	–	32,842.38	324,220.41	5,008.62	–

For more information about waste disposal, see our website [Environmental performance section](#). [↗](#)

Air quality

Commitment

At Peñoles, we are committed to reducing emissions of polluting gases in addition to GHG and particulate matter.

Strategy

All of our operations have the necessary equipment to monitor our emissions and keep them within the maximum permissible emission limits mandated by the Federal Environmental Protection Agency (Profepa).

The company's main stack emissions come from metallurgical processes; therefore, we have highly efficient control systems and permanently monitor the presence of sulfur dioxide and particulate matter in ambient air in real time using an automated high-tech network. We have an emergency plan that consists of the timely partial or total shutdown of production processes in the event that, due to adverse weather conditions, the atmosphere cannot sufficiently disperse the emissions.

Chemical plant processes basically generate particles, which are captured in dust collection systems. Although mining units do not generate significant stack emissions, measures are implemented to contain emissions of flyaway dust, such as keeping the tailings storage facilities and roads watered and planted. All ore sample analysis laboratories in the mines have dust collectors and gas cleaners.



Mine closure

Commitment

The activities surrounding closure of a mining operation are an integral part of the mine's life cycle. Preparing for this phase in advance and continuously during the useful life of each project is a priority for Peñoles. We have an Office of Closure and Closed Mine Management, which works in synergy with other areas of the company to manage the closure. Throughout this process, we abide by local regulations and keep the commitments we have to neighboring communities, while complying with international

guidelines. The aim is to maintain the sites where the mine operation was located, guaranteeing the physical, chemical and biological stability of the site throughout the various phases of mining operation, including closure, with a long-term vision.

Mine closure is a multidisciplinary activity that involves many company departments, including the planning, environmental, comptrollership and operating areas, as well as neighboring communities and other stakeholders interested in the site's recovery, remediation and stabilization in

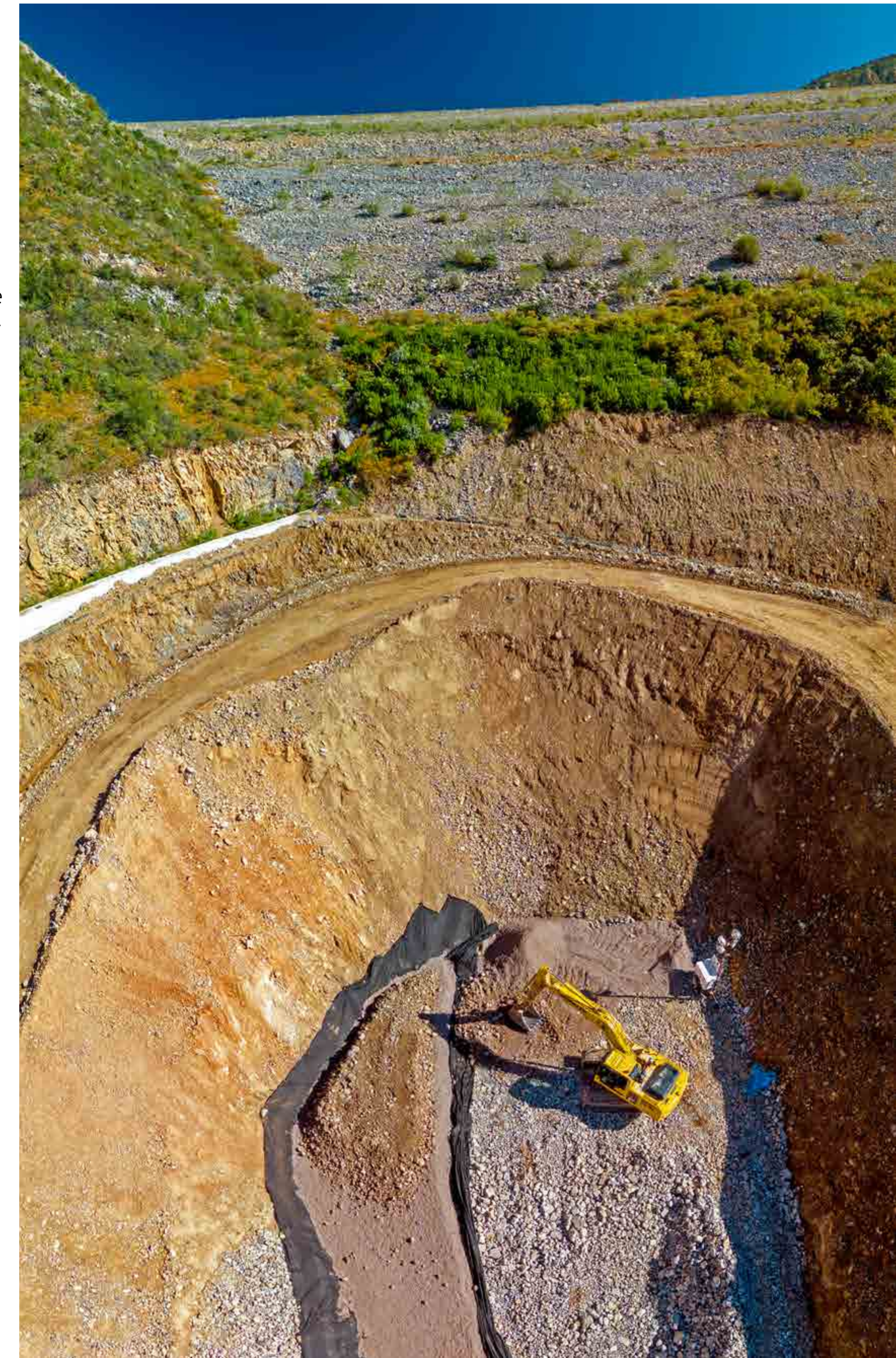
order for it to be environmentally rational, sustainable and productive in the future.

Each operating unit is unique, and its particular qualities are taken into account in preparing the methodology to ensure an environmentally safe, technically and economically viable closure, one that will leave a positive legacy in keeping with local regulations and the environmental, economic and social context, including best practices for site closure and remediation processes. The development and implementation of governance for mine closure and closed mine administration guarantees that all the necessary resources—financial, human, information technology, etc.—are made available for the closure process in the various phases and disciplines involved in each mining and metallurgical operation. This includes short-, medium- and long-term planning based on the information generated over the life of the unit, and according to the vision, principles and goals of the closure. All of these are specified in the closure methodology, and ultimately make the cost of these activities more efficient.

Management

The conceptual planning for mine closure establishes the criteria and guidelines for a successful and cost-efficient closure of the unit, preparing in advance activities such as reshaping, rehabilitating and recovering areas affected by the project. With this, they can be articulated into the landscape and into the way land is used in the region, avoiding residual environmental damage at the site.

Conceptual closure planning generally begins in the pre-closure phase, three years before the unit stops operating, and continues during the closure phase. Then is monitored and maintained according to plan during the post-closure period.



Performance

All of our mining units have a conceptual closure plan, including a guarantee fund, or environmental reserve, to cover closure activities. This fund is updated every year based on studies, projected conditions and updated costs to manage the progressive closure activities.

The closure methodology is reviewed every five years for Peñoles' mines, and every three years for those of Fresnillo plc, or when there is a significant change

in the operation. In 2022 we updated ten conceptual closure plans: eight for Peñoles and two for Fresnillo plc.

The geochemical modeling of eight Peñoles mines is currently under way, which should contribute information for designing the closure methodology. In units that are still in active operation, we maintain plant nurseries for the propagation of specimens that will be used in progressive remediation. At the Noche Buena unit, for example, we opened a plant nursery with a capacity

to grow 150,000 seedlings, which will be used to remediate the site.

Progressive closure activities enable us to fine-tune the closure methodology based on studies of the site's physical, chemical and biological stability. This ensures a future use for the land during post closure, leaving a positive legacy from the mining project.



Success story – Bismark, initial closure phase

In 2022, a total of **13.12 hectares** was restored at the **Bismark** unit, involving the following activities:



- Removal of **3.16 ha** of compacted subsoil.
- Installation of **1,345 m** of stone barriers for soil conservation work.
- Reforestation of **10.42 ha** with **15,456 plants** native to the region.

We will continue with the recovery of the affected areas through reforestation, soil conservation work and assurance of the physical stability of the tailings deposits and geochemical studies of the unit.



Social

Human rights

In recent years, society has come to expect an increasing level of accountability from companies regarding human rights. These expectations have given rise to a number of international guidelines on the way in which companies identify, prevent, mitigate and address their potential human rights impacts. At Peñoles, we are committed to respecting human rights and reporting clearly and openly on how we address the risks and opportunities in our organization, in the communities where we operate, and throughout our value chain.

As members of the UN Global Compact, we support the United Nations' Guiding Principles on Business and Human Rights. In 2022, we focused on modernizing our human rights approach based on the Due Diligence and Responsible Business Conduct Model provided by the Organization for Economic Cooperation and Development (OECD). Our due diligence framework is built on four pillars: policies and governance, risk management, training, and compliance, and performance verification. In 2023, we will begin to strengthen this framework.

Policies and governance

Our Code of Conduct and Third-Party Code of Conduct express our commitment to human rights. The Ethics and Corporate Values Committee and the Honor Commission are the highest governing bodies regarding ethical conduct and human rights.

In 2022, we adopted a Labor Equality and Non-discrimination Policy to formalize our commitment to be the best employment option for everyone, by offering real opportunities for development and recognition in a safe, equitable, inclusive and respectful work environment with equal opportunities, where our people feel valued and inspired to contribute to their fullest potential. To track our progress against these commitments, we created a Labor Equality and Non-discrimination Committee made up of representatives from various areas of the company.

Human rights risks in our industry








- Right to life
- Right to safe access to water
- Right to safe, equitable and healthy working conditions
- Right to freedom from slavery
- Right to freedom of association
- Right to land

We will continue to fortify our framework of human rights policies in 2023, and we will deploy a network of best practices to draft a human rights roadmap based on the OECD Responsible Business Conduct framework.

Risk management

At Industrias Peñoles, we responsibly manage activities in our business model and value chain that may pose a heightened risk to human rights. The table below identifies the most relevant human rights and sections of the report that document the measures we take to prevent and mitigate them, both in our own activities and in our value chain.

Additional information about our activities

- [Safety and health section](#) 
- [Water stewardship section](#) 
- [Comprehensive well-being section](#) 
- [Value chain section](#) 
- [Our people section](#) 
- [Solid correlation section](#) 
- [Human rights section - Indigenous Peoples](#) 
- [Living the Community section](#) 



In 2022, we adopted a Labor Equality and Non-discrimination Policy to formalize our commitment to be the best employment option for everyone.

Indigenous peoples

The human rights of indigenous people are among the most important issues for our company. Aware that our mining projects operate in remote and rural regions, we recognize that there is always a possibility that our operations may adversely impact the rights of indigenous peoples and communities or their territories. Therefore, it is crucial for us to determine in advance whether there are any communities that would by law be entitled to prior consultation and consent to a project. Because of this, companies that hold mining concessions must, from the planning and feasibility stage of a project, carry out a process of due diligence, obtaining official opinions to identify communities entitled to such consultation within the areas of their mining concessions.

Our organization has a protocol of action for carrying out the Prior Free and Informed Consent (PFIC) consultation. This protocol establishes the steps to follow in new projects and expansions to determine whether the company is obligated to conduct such a consultation of indigenous or Afro-Mexican peoples and communities and, when necessary, the procedure for respecting the PFIC process with those communities.

To determine whether there are indigenous communities entitled to a PFIC within our mining concessions or areas of influence, we carry out a planimetric survey of concessions in the National Statistics Institute's Geostatistical Framework, identifying the presence of such locations within the area. After that, we review the official 2020 census to identify whether there are indigenous or Afro-Mexican peoples that inhabit the area, review the catalogues of the National Commission for the Development of Indigenous Peoples and the National Indigenous Language Institute to identify whether some indigenous language is spoken in these locations, or if the mining concessions intersect with any of the 25 indigenous regions of Mexico.

We complement this analysis with an exhaustive search of laws, registries, listings or legal instruments that may have been issued at the state level, in which indigenous peoples or communities are recognized, including information from state electoral institutions.

These opinions and results provide information on whether or not local communities are entitled to prior consultation, in which case the analysis must be complemented by a study of the social, cultural and human rights impact of the project.



Percentage of proven and probable reserves in or near indigenous land

In Mexico, the obligation to have a consultation before granting environmental permits is the responsibility of the authorities. So far the authorities have requested to carry out the indigenous consultation for the construction of a water dam at the San Julián mine.

Respect for other positions and opinions

We do not tolerate any form of attack, harassment or discrimination against people whose positions or opinions vary from our own. We will not tolerate any form of threat or means of intimidation, or obtaining illicit business benefits. At the units where Industrias Peñoles operates, the company is not aware of any notification of administrative or judicial proceedings that have been initiated for violations to the human rights of indigenous peoples during 2022.

Interaction with private security forces

Based on our evaluation of risk, we employ unarmed private security forces to mitigate potential impacts.

- Confrontations with criminal groups that may pose a danger to the life of our workers and the communities.
- Violent confrontations with artisanal miners that may illegally enter our facilities.

Before hiring any private security contractors, they are first subject to a background check to ensure they have no criminal record. Our guidelines also require them to abide by our Code of Conduct.

Interaction with public security forces

In 2020, the Mexican Federal Protection Service—part of the Ministry of Safety and Citizen Protection—established a new police force specialized in mining operation security. The mining police is the result of collaboration between the afore mentioned Ministry, the Ministry of the Economy, and the Mexican Mining Chamber. The mining police are trained to protect mining facilities and human rights.

All employees are subject to criminal record background checks as part of the process of full-time employee control, reinforced for members of our own Security Department.



In 2022, the company was not subject to any legal action regarding extortion, abuse, discrimination, forced labor or slavery, unfair labor practices, indigenous rights or any other human rights complaint.

Training

We hold various workshops and training sessions on issues that impact human rights, including environment, occupational health, industrial safety, cultural evolution, diversity and inclusion, personal data protection, Code of Conduct and **Third-Party Code of Conduct**, which are given regularly.

All members of the mining police force receive 15 hours of human rights training, in order to identify the relationship between human rights and police conduct, and how to protect, respect, promote and guarantee human rights in their work and daily life.

Compliance and performance verification

Peñoles' **Línea Correcta** whistleblowing is a grievance mechanism that is currently being assigned a larger scope and authority. In 2022, Línea Correcta received complaints related to human rights violations such as labor and sexual harassment, mobbing, violence and mistreatment in the workplace, discrimination and risky working conditions. We employed our existing mechanisms and protocols to address, investigate and sanction, when necessary, these possible violations, and to ensure the psychosocial well-being of our people.

During the year, we received **78 complaints** in these matters, **39** of which were found to be supported, meaning the reported facts could be corroborated; in these cases, remedial actions or disciplinary measures were taken. Another **16** of these were dismissed because of a lack of sufficient information or evidence to corroborate the facts; and **23** are still under investigation.

Engagement with other organizations

With the aim of sharing best practices, we belong to the Mexican Mining Chamber's Commission for Community Development and Human Rights, in which we are active members of the Work Group of Companies and Human Rights, promoting our work in this area and building best practices in the industry. We also participate actively in the programs, strategies and training mechanisms recommended by the OECD.

Next steps

Awareness

With the introduction of our **Human Rights Due Diligence Framework**, our training programs will focus on building awareness about the organization's commitment to respecting, protecting and promoting human rights, and on developing skills for understanding and handling any violation of these. These programs will be accompanied by a strategy of communication to keep our people aware of how we address these issues, and the actions we take.

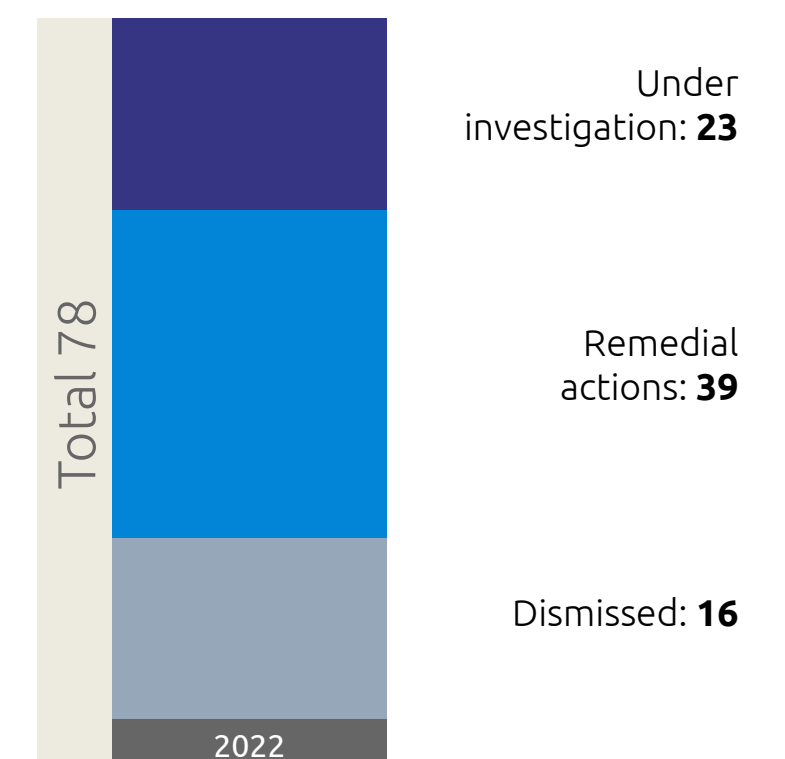
Compliance verification

The first goal of compliance verifications at our business units is to have a baseline and diagnosis of our operations. If we detect any negative impact, whether from our own operations or from our value chain, we will mitigate and repair it through an effective, fair, specialized mechanism of reparation, with the elements necessary for effective remediation.

Category of reports

Workplace harassment	11
Sexual harassment	19
Risky working conditions	2
Discrimination	4
Mobbing	15
Mistreatment in the workplace	23
Violence in the workplace	4
Total	78

Resolutions of the Honor Commission



Our people

Commitment

The people that make up our workforce are strategic stakeholders for Peñoles. This is why our purpose is to offer them opportunities and well-being by sustainably supplying essential resources. Their comprehensive well-being, health and safety is of utmost importance. We strive to attract, develop and retain the best talent, with competitive salaries and benefits, and training and development programs. We provide safe and healthy workplaces where mining is carried out in a compatible manner with society and the environment. We also respect their freedom of association and prohibit any form of discrimination and harassment.

Organizational development

Intent on ensuring the uninterrupted evolution of this organization and determined to consistently support the conduct we expect and encourage through our cultural evolution strategy, last year we redefined programs for diagnosing, identifying, anticipating and designing internal changes that will improve our management and results. These are based on cutting-edge practices and human processes that guarantee productivity, efficiency and extraordinary results. Our five core action lines focus on respect for diversity, equity and inclusion, and on the comprehensive well-being of our people.



- Alignment of all talent management policies, processes and procedures: well-being, attraction, recruitment, selection, hiring, training, development and retention.
- Design of succession and career plans, and retention strategy.
- Design of a performance management strategy.
- Design, development and management of a program of continuous recognition and feedback.
- Design of a strategy and system for diagnosing work environment and psychosocial risk factors.

Talent management

- **Talent attraction:** Our recruitment and selection process ensures that we bring in new talent, unionized and non-unionized, who can supply the necessary know-how and experience to meet this organization's challenges and needs, and who show ethical conduct in keeping with our institutional values. One of our most successful initiatives is our Engineers-in-Training program, which ensures a supply of talent with the necessary qualifications, skills and abilities to support the optimum development of key business operations. Since 2003, 96 groups of students—more than 2,400 in all—have graduated from this program, most notably in mining, geology, electrical, civil, metallurgical, mechanical, chemical and industrial engineering, as well as accounting and administration.
- **Talent development:** It is in our best interest to develop and train our people, which is why we have internal and external training programs based on the needs detected in the annual performance evaluation. In 2022 we gave 447,583.55 hours of training, equivalent to 31.58 hours per employee. These programs enable us to meet the current and future challenges in technical, administrative and human competencies, and to obtain best indicators that earn us top marks in our industry in terms of productivity, quality and competitiveness.
Aware of the importance to provide continuous training for our leaders, every year we offer management skill development programs for new executives through the Instituto Tecnológico Autónomo de México (ITAM).
- **Talent retention:** One of our most important strategic actions, given its impact on the organization, is identifying the critical positions on which operating continuity of our business depends. Since 2012, we have been identifying and defining succession and career plans for these positions, to guarantee that we identify the right candidates to occupy vacancies and prepare them in advance for these positions. We also offer opportunities for keeping professional skills updated, and for advancement and recognition. Promotions within the company are based on each individual's capacity, performance and merits.

44% of our key positions have an authorized succession plan.



More than 447,000 training hours.

Our people receive competitive and fair salaries and all the benefits required by law, in addition to a package of additional benefits that includes, among others, medical, disability and life insurance, and a pension and savings fund.

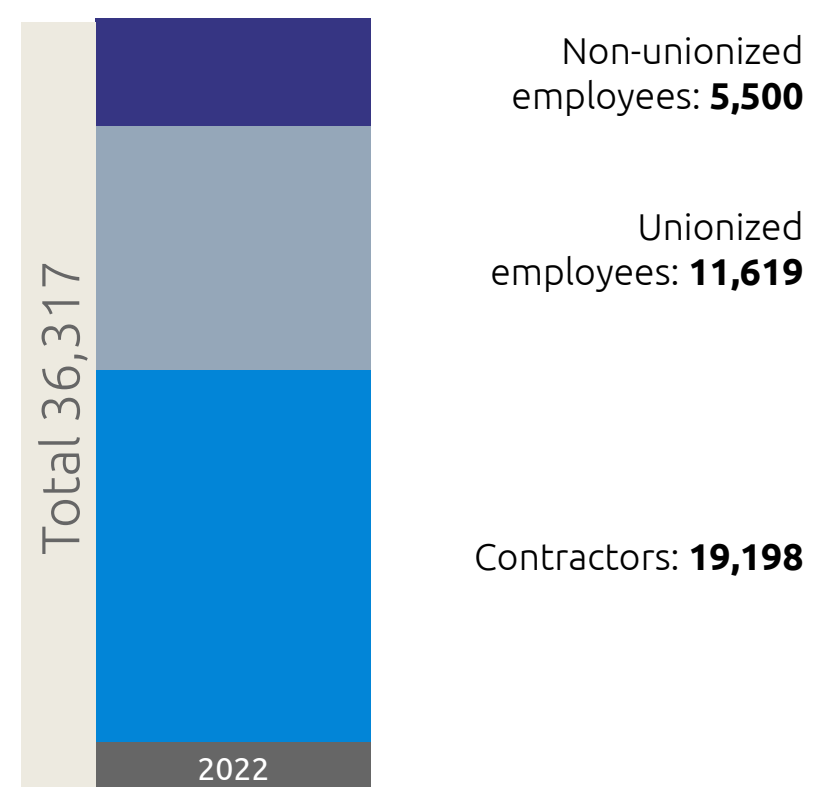
Salaries are calculated without regard to geographic location, gender, religion or any other personal characteristic. Our compensation policies and procedures are based on the relative value of the position within the organization. The ratio of starting salary and compensation between men and women is 1 to 1, and is established based on levels prevailing in the overall market, the level

of responsibility of the position and individual performance.

Peñoles is a member of [Empresas por el Bienestar](#), an initiative that promotes a measurable and fixed-term public commitment to evaluate whether the employees in our operations receive a living wage. The company uses a number of salary surveys to determine its competitiveness, as well as the Korn-Ferry/HayGroup methodology to evaluate positions and create wage tables. The lowest salary level in the company is above both the legal minimum wage and what is considered a living wage.

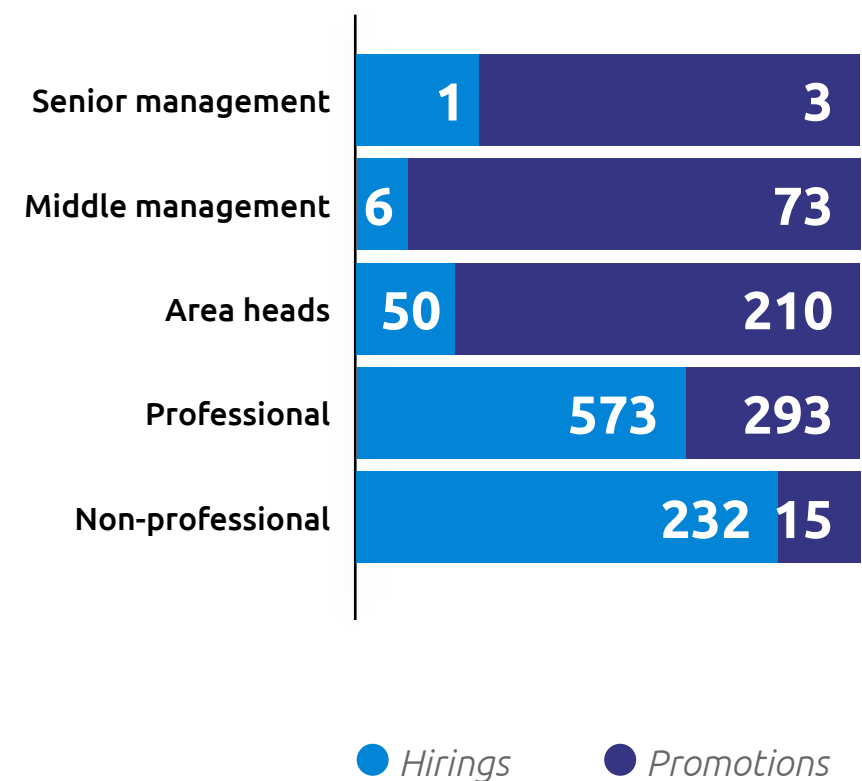
Performance

Workforce

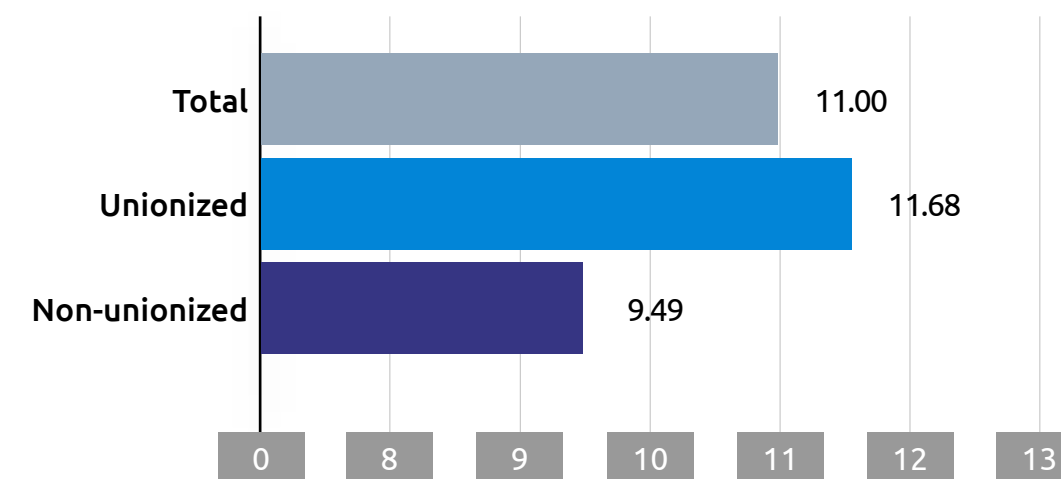


There was no significant variation with respect to the previous year; however this year we have consolidated unionized, non-unionized, and contractor employees of Peñoles and Fresnillo plc.

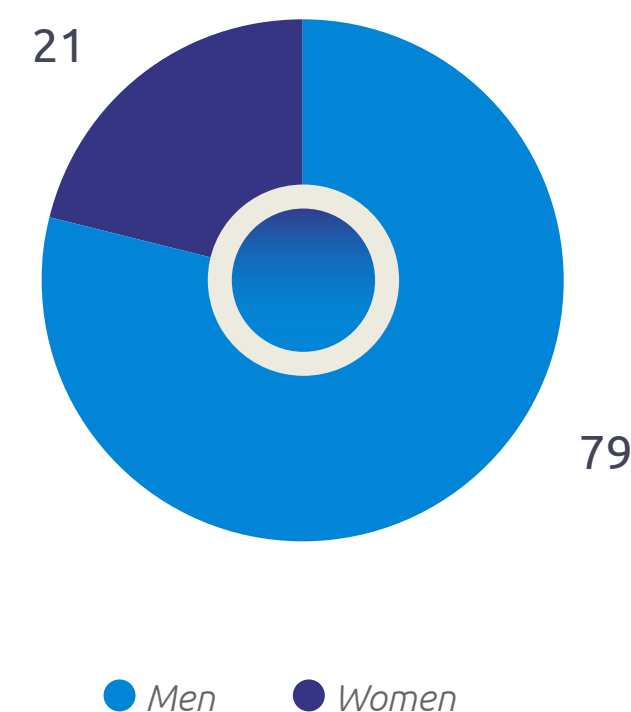
Movements by type of position



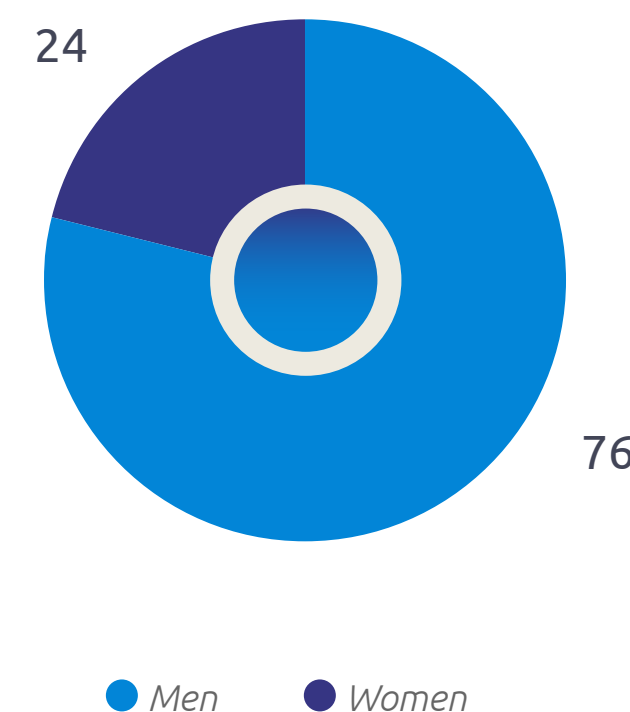
Turnover (%)



Promotions (%)



Hirings (%)



Hours of training

	Hours of training	Average hours of training
Non-unionized	135,283	37.62
Unionized	242,817	47.82
Contractors	69,483	12.64
Total	447,583	31.58

Note: Information only for Peñoles.

Success story – Clínica Peñoles celebrates its 5th anniversary

On November 1st, 2022, **Clínica Peñoles**, located in Torreón, Coahuila, celebrated five years of providing service to non-unionized employees and their families at Peñoles and Fresnillo. The clinic was created to supply high-quality primary health care for detecting, preventing and promptly treating illness, as well as to foster a culture of healthy self-care. The medical service is provided by general practitioners or pediatricians, and encompasses a basic set of laboratory testing, as well as medications.



The clinic serves more than **6,700 people** a year, and in the past five years has provided more than **37,500 medical visits**, ordered more than **8,300 lab tests** and promptly detected more than **130 cases** of illness that required intervention by medical specialists.

Comprehensive well-being

Commitment

We place a priority on the comprehensive well-being of our people, and we recognize this as crucial for the success of our organization. Accordingly, in 2022 we focused our efforts on redefining our comprehensive well-being strategy and on beginning its implementation.

Strategy

This strategy covers six dimensions across which a person evolves throughout their life. We want our people to recognize and integrate their various dimensions and commit to choosing the best paths to develop and enrich them and be the best version of themselves. Our goal is for our people to achieve their fullest individual and collective potential within the company.



- **Intellectual:** Achieve optimum mental function in order to reflect, analyze and make decisions, learn continually and be open to change.
- **Emotional:** Recognize, manage and appropriately express emotions and feelings, successfully handle stress and have a positive relationship with oneself and others.
- **Physical:** Be and feel physically secure, healthy and energetic, in order to fully enjoy life and do our jobs satisfactorily.
- **Transcendental:** Expand our consciousness, discover a purpose in life, experience love, joy, peace and a sense of achievement (self-realization) so that we can be the best version of ourselves and contribute to the well-being of others.
- **Cultural:** Bring our personal traditions, beliefs and values, expressed in behaviors, actions and habits, into a single business culture capable of adapting to socio-environmental changes and building high quality relations with the world around us.
- **Professional:** Develop the abilities and competencies required by our jobs and responsibilities, always learning new skills, building a cooperative interaction with coworkers and leaders, and achieving job satisfaction.

This strategy covers **six dimensions** across which a person evolves throughout their life. We want our people to achieve their fullest individual and collective potential.



High-impact projects

In 2022, we conducted a survey called Living in Balance, with the participation of more than **9,800** employees. This gave us a baseline of current wellness indicators so that we could design targeted care programs. Based on the results, we created three high-impact projects and their goals.



Success story – Talent University

In 2022, we set up a virtual platform called **Talent University**, which encourages and enables employees to undertake their own professional and personal development by training in both hard and human skills, through content aligned with their needs and those of the company. This online university offered more than **5,000 courses** during the year. Some **5,500 employees** joined the platform, and between September and December 2022, **5,718 hours of training** were given in technical and human skills, as well as English courses.

1

Healthy, secure and capable employees: Support the physical and intellectual well-being of our people through behavioral programs that train and enable self-care, supported by genuine, visible leadership, so that they develop technical and thinking skills, and the means for ensuring their own safety and health.

2

Growing in trust and harmony: Make sure our employees enjoy emotional well-being and a sense of transcendence through a work environment of trust and harmony based on dignified treatment, a sense of service, and a balance between life, family and work.

3

Attract and inspire talent: Be our people’s best option for employment and for personal and professional development, encouraging them to release all their potential within a solid culture and under a human leadership that encourages diversity, equity and inclusion.

Project

Key actions

Healthy, safe and capable employees
Physical-intellectual paths

- Alignment of occupational health programs with the strategy.
- Implementation of the Talent University Virtual Platform to train our people in technical and human skills (see success story).

Growing in trust and harmony
Emotional-transcendental paths

- Identification of psychosocial risk factors in order to take preventive action and care, and ensure a healthy work environment for everyone.
- Creation of a service model and implementation plan for the initiative.
- Preventing and addressing labor and sexual harassment in the workplace. Began training and awareness-building sessions.

Attracting and empowering talent
Professional-cultural paths

- Alignment of procedures in the talent management and development system with the cultural evolution and comprehensive well-being strategies.
- Alignment with Mexican standard NMX-R025-SCFI2015 regarding job equality and non-discrimination. [See page 84](#)
- Start of the [Women’s Leadership project](#). [See page 85.](#)

Diversity, equity and inclusion

Commitment

At Industrias Peñoles, we know that a diverse workforce drives innovation and creativity. We are committed to being the best employment option for everyone, offering real opportunities for development and recognition in a safe, equitable, inclusive and respectful environment with equal opportunities, where our people feel valued and inspired to contribute to their fullest potential.

Strategy

Through an analysis of internal documentation, surveys, interviews with key personnel and focus groups, we conducted a diagnosis that would help us set a baseline and determine two lines of action, each with its own initiatives, in which we will work to promote diversity, equity and labor inclusion.



Project

Women's Leadership

With the firm intent of increasing participation of women in the organization, we encourage the attraction of talented women and their retention in the company by providing them with leadership tools and equal development opportunities.

Labor equality and non-discrimination

Key actions

- Define organizational indicators to monitor and close the identified gaps.
- Appoint DEI ambassadors to support the program.
- Start the women's mentoring program ([see Success story, page 85](#) ).
- Publish our Labor Equality and Non-discrimination Policy ([link to policy on the web](#) ).
- Train executives on unconscious bias, in partnership with the University of Arizona.
- Align with Mexican standard NMX-R025-SCFI2015, labor equality and non-discrimination (diagnosis and work plan).
- Set up a multi-disciplinary committee on labor equality and non-discrimination.
- Build awareness about inclusion and prevention of labor and sexual harassment in the workplace.
- Include 231 microlearning capsules on topics like discrimination, diversity, equity and inclusion, in Talent University.
- Launch a communication campaign.
- Review and adjust recruitment and hiring processes with a focus on non-discrimination.



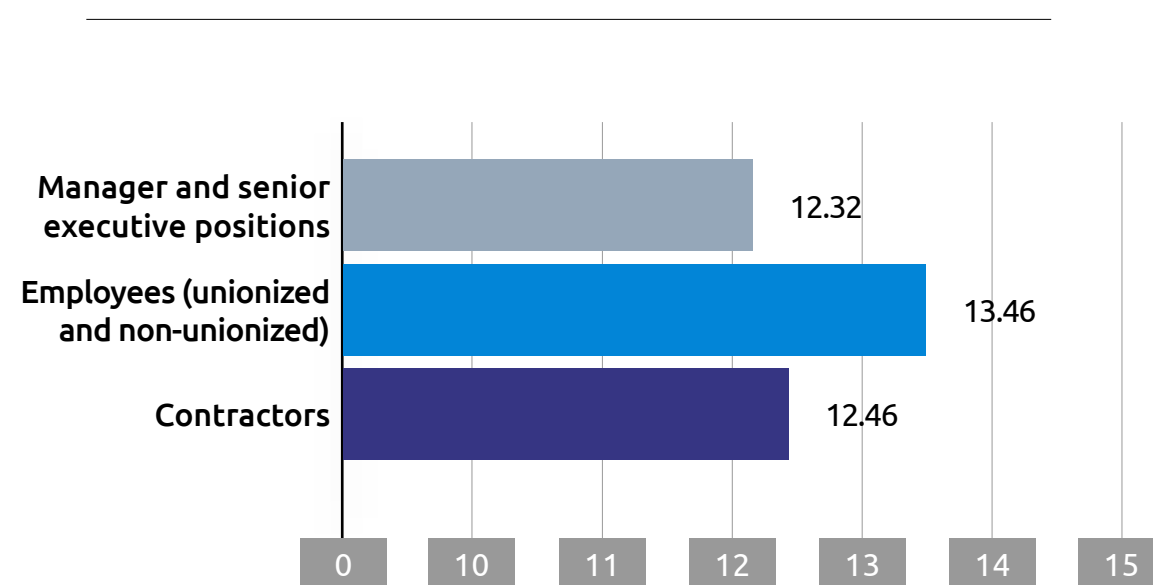
We are committed to being the best employment option for all people, by offering real opportunities for development and recognition in an environment of equality.

Metrics and performance

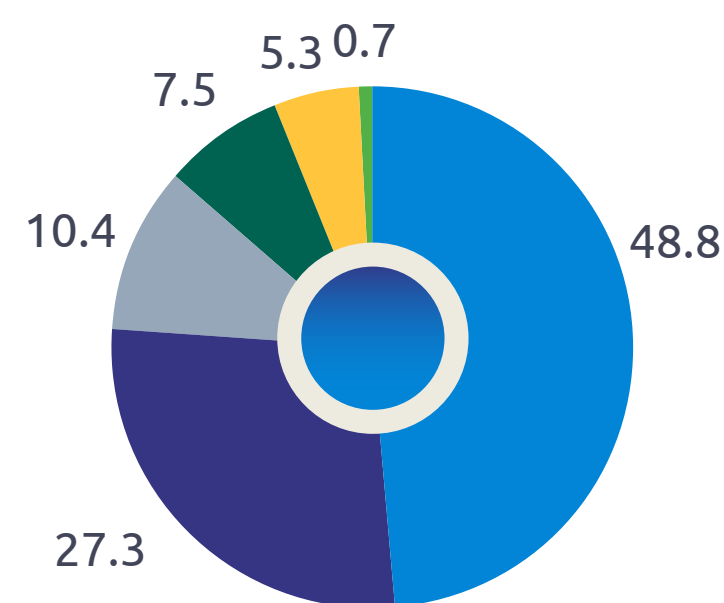
	Peñoles		Fresnillo plc		Peñoles consolidated		Total
	Men	Women	Men	Women	Men	Women	
	Middle and senior management (non-unionized employees)	387	64	168	14	555	
Employees (unionized and non-unionized)	7,224	1,066	6,769	1,119	13,993	2,185	16,178
Contractors	6,738*	1,192*	12,143	1,496	18,881	2,688	21,569
	14%		-		12%		

* To estimate the percentage of female contractors at Peñoles, we used data from January 2023. This information does not include Bal Holdings (40) nor the associated Coahuila-Durango Line (268).

Percentage of women (%)



Breakdown by age (%)



- Women <30
- Women 30-50
- Women >50
- Men <30
- Men 30-50
- Men >50

Note: This graph refers only to unionized and non-unionized employees. For more information, please visit: www.penoles.com.mx

12.90%
total percentage of women

Success story – Women for Women

The first generation of our **Women for Women** mentoring program is underway, created to develop leadership talent among women, help them meet their goals and empower their abilities and talent. It will also build and strengthen a network of women based on solidarity and empathy.



Our **eighteen first-generation mentors** are all women in middle or senior management positions, with considerable experience, who can serve as positive role models, guides and counselors.

The **twenty mentees** are women who have been identified as having high potential, and who the program will support in drafting a career plan and building the best version of themselves. In this program, they hold the reins of their professional growth.

Safety and health



Safety

Commitment

Peñoles is committed to the health and safety of its people. Our activities require a responsible management of risk, so we focus on identifying and controlling it, with special attention to critical risks that could result in severe or fatal injuries.

Through our High-Potential and Critical Risk Program, we are aiming at a record of zero damage.

Governance

Our sustainability policy establishes our commitment to safe operations based on a culture of prevention, hazard elimination and risk reduction, all with the close involvement of employees and third parties.

The Central Committee on Environment, Safety and Health is responsible for

deciding how things are done in our organization. It sets safety and health standards, monitors compliance and evaluates performance in our operations. It also seeks out synergies and encourages adoption of best practices.

The managers of our operations, projects and explorations are responsible for complying with safety and health standards and procedures. The Assistant VP for Safety, Health and Environment leads the implementation of key initiatives to eliminate fatal accidents, such as critical control and high-potential programs, sharing responsibility with the vice presidents of operations, projects and explorations. Safety performance and the status of safety programs are reviewed in executive committees in which our CEO participates.

High-Potential Management Strategy - prevention of fatal accidents

We are continually and systematically working to reduce high-potential incidents and eliminate fatalities. Our strategy is to focus on managing these risks, across three dimensions that strengthen each other and are supported by visible leadership:

Critical risk management and controls

High-Potential Management Strategy



Our High-Potential and Critical Risk Program aspires to have **zero damage** in our operations.

In every business unit, we identify and prioritize risks that may result in serious or fatal injury. Using the bow-tie method, we identify the causes and consequences of these risks in order to design preventive and mitigating controls. This process involves leaders, superintendents, and cross-disciplinary teams of specialists, inspired by our model of cultural evolution.

Having designed the critical controls, we then make sure they are available at all times. To this end, we assign responsibilities and define critical barriers with the participation of onsite workers and supervisors. Our team of specialists conducts in-depth reviews of the maintenance of barriers, and their availability and functionality in the field.

Behavioral management: leadership

Six steps for managing critical risks and controls



Identification processes and control definition involve leaders, superintendents, and cross-disciplinary teams of specialists.

and safety culture

Peñoles aspires to foster and build a solid culture of risk prevention which will underlie all our initiatives to eliminate fatal accidents and prevent exposure to agents that may cause irreversible damage to people. The practice of visible leadership is fundamental for creating this safety culture, and it entails a series of attitudes and behaviors aligned with our cultural evolution and with a clear definition of mechanisms for accountability.

Our visible leadership practices are systematically carried out with the firm intention of grounding verification of critical controls in our risk prevention culture. To do this, we control and verify onsite implementation of this practice for every role in the organization. We also want the systematic presence of our leaders onsite to spark genuine interactions with our people. We make it clear to our leaders that they should be role models, showing their commitment, coherence, conviction and consistency in their actions. With these visible leadership practices, we want to involve our people by giving them the power and the confidence to halt any activity that has become unsafe due to the lack of critical controls.

The four phases of visible leadership practices for critical controls



Mixed safety and hygiene committees in our business units provide a standing mechanism for dialogue and for building trust with our unionized employees. In our 10th annual Safety Symposium, we introduced our policy on The Right to Say No as a preventive tool that empowers our people.

Our High-Potential Management Strategy includes communication plans to raise awareness and tie expected behaviors to our safety culture. We have also begun a review of incentives to align them with safety performance.

Success story – Workshops and monitoring of leadership practices



At Peñoles, we aspire to have efficient leaders who serve as an example and whose actions create a precedent that others follow out of conviction. This is achieved through visible onsite leadership.

Through workshops on high-potential management, we develop leadership skills for senior and middle management, advisors and supervisors from the company and contractors. We also develop key competencies in critical risks and controls, incident reporting, communication, accident investigation and learning, among others.

In May 2022, we began managing and measuring the results of these leadership practices each month in the workplaces where critical risk management has been deployed.

81 workshops and leadership practices
252 risk management and critical control workshops and verification tools
10,319 critical control checks as a visible leadership practice

Success story – The Value of Zero

The **Value of Zero** is a communication strategy aimed at building a zero-damage mentality to eliminate serious and fatal accidents and communicate to employees the value we place on human life, well-being and dignity. The issues covered by the campaign were as follows:



- **Critical risks**
- **Critical controls**
- **Critical control verification tools**
- **Leadership practices and leadership development**
- **Preventive reportability**
- **Road safety prevention through the following channels:**
 - **Peñoles/Fresnillo plc website**
 - **Institutional emails**
 - **WhatsApp groups**
 - **Screens in the workplace**

Success story – Alerts process and learning

The accident alert process is triggered by a repetition of events related to a single critical risk. Alerts draw attention to the appropriate critical controls during leadership practices in onsite visits.

The learning process seeks to avoid a repetition of high-potential incidents. Once the investigation into a high-potential incident is completed and validated, we prepare a lessons newsletter, simply and briefly describing what happened, where it happened, when it happened, why it happened and how to avoid it happening again. This system applies to all areas of operation.



Incident management

This dimension of our strategy focuses on reportability and incident management practices, by which we identify the causes of a high-potential incident, the critical risk associated with it and the controls that were absent or not applied. Based on these lessons, we can take preventive and corrective action to improve control of the risk and avoid repetition.

At the organizational level, incident management is carried out under an early alert system. This ensures that incidents are promptly communicated to all business units and that lessons are assimilated in the organization. By managing incidents, we focus on organization and direct efforts to prevent recurrence.

Skill-building

The foundations of our accident prevention lie in the training of our people. We provide training in high-potential risk management at all levels of the organization, through in-person and online workshops for all divisions of Peñoles and Fresnillo plc.

Our safety teams and business unit leaders receive training in the use of the bow-tie tool and the Incident Cause Analysis Method (ICAM), which are fundamental in critical risks and accident investigations, respectively.

Average hours of safety and health training

	Hours of training	Average hours of training
Non-unionized employees	19,947	5.55
Unionized employees	94,834	18.68
Contractors	16,719	3.04

Note: Information only for Peñoles.

More than 131,000 hours of safety and health training.

Management system

Our safety strategy is supported by our Occupational Health and Safety Management System, which works according to a Plan-Do-Check-Act (PDCA) approach and a system of audits. We also have a system of regulatory compliance and assurance. [See page 61](#)

Synergy with Mexican authorities

Our units establish preventive measures consistent with the Occupational Health and Safety Self-Management Program (PASST), recommended by the Mexican Ministry of Labor and Social Planning. These efforts earned us Safe Enterprise recognition from that ministry.

Emergency preparedness and response

In all our operations, we have a standard set of requirements for emergency preparedness and response plans. We define the operational processes and engagement activities needed to manage emergencies with all stakeholders.

Our best safety practices

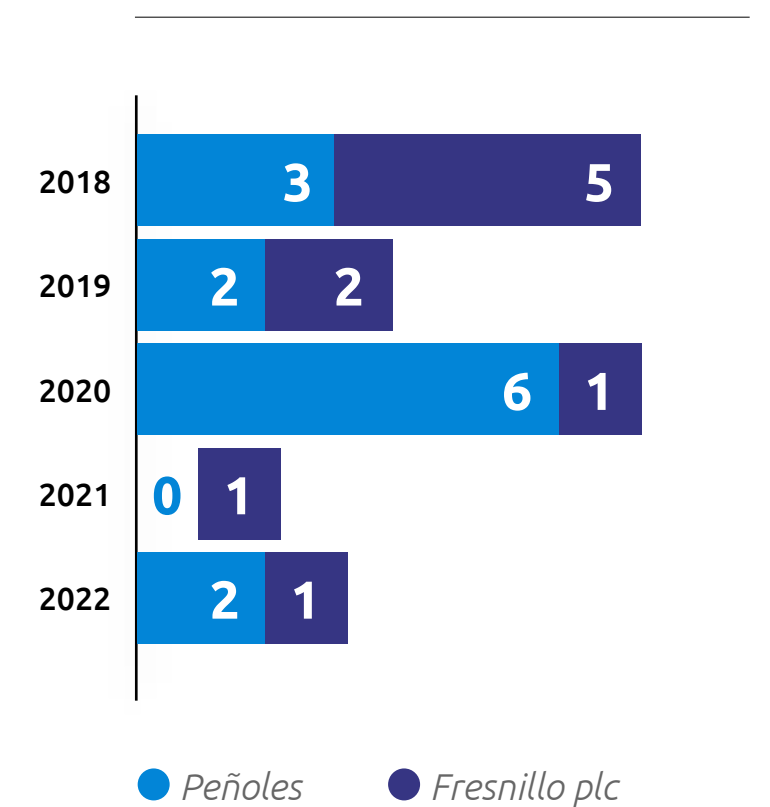
- Training center with simulators for operators of jumbos, scoop trams, low-profile trucks and drilling jumbos, as well as maintenance personnel at Peñoles' Velardeña unit.
- Training centers at San Julián and Juanicipio for operators of low-profile trucks, long haul drilling equipment, jumbos and scoop trams.
- Micro-seismic monitoring system at Sabinas, San Julián and Saucito.
- Fatigue and sleepiness monitoring systems in low profile trucks at Velardeña and Fresnillo plc.
- Real-time monitoring system of personnel within the mine.
- Use of a drilling robot in vats and furnaces, to avoid exposing operating personnel and contractors in the Metals Division.
- Training camp for emergency brigade members and critical risk activities like work at heights, confined spaces, and fire risk in the Metals Division.
- GPS in utility vehicles in the Exploration Division.
- Backup cameras and proximity sensors for vehicles in the Exploration Division.
- Backup cameras and explosive loader equipment, crushers, tunnel scalers and telehandlers in the Mines Division.
- Automatic fire detection and suppression equipment in heavy duty equipment and explosives transport in the Mines Division.

Safety performance

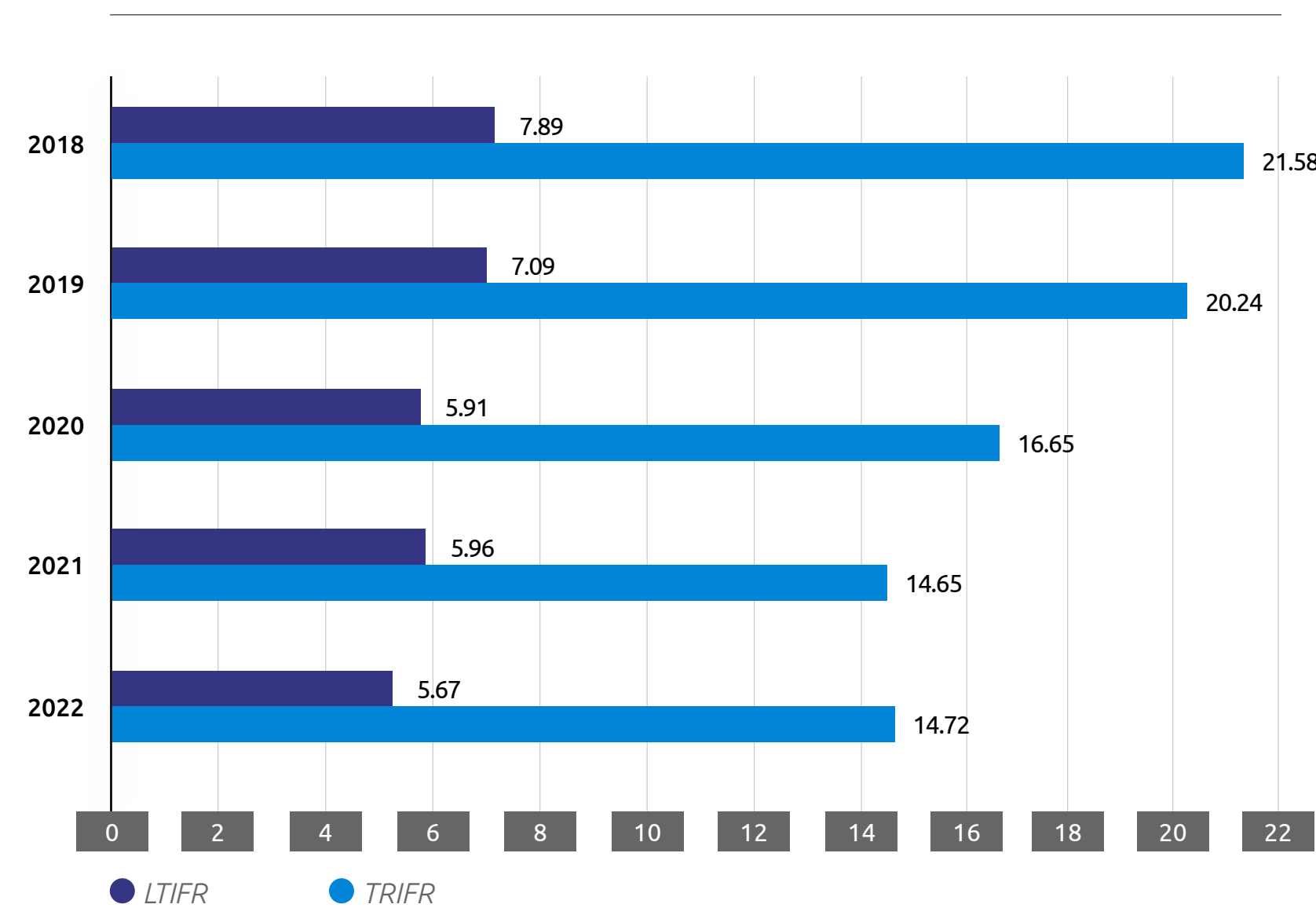
We deeply regret to report three fatal injuries in 2022 at our Fresnillo, Milpillas and Met-Mex units, and the death of one worker in the first quarter of 2023 as the result of an accident at Saucito. We took corrective action to minimize the

potential for recurrence of such incidents and conducted a detailed investigation and shared the lessons with all of the Peñoles and Fresnillo plc business units. These fatalities are a vivid reminder that we must never cease in our efforts to eradicate fatalities.

Fatalities



Lost time injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR)



Lost time injuries: Number of lost time injuries per every 1,000,000 hours worked.
 Recordable injuries: Number of fatalities + lost time injuries + restricted work injuries + injuries requiring medical treatment + first aid per 1,000,000 hours worked.

In 2022, we reviewed our criteria for qualifying and classifying accidents involving personal injury to align them with the criteria of the International Council on Mining and Metals (ICMM) and the Occupational Safety and Health Administration (OSHA). This reclassification involved eliminating injuries treated by first aid and not requiring medical treatment from the calculation of the lost time injury frequency rate (LTIFR). Fresnillo plc has applied this criteria since 2020.

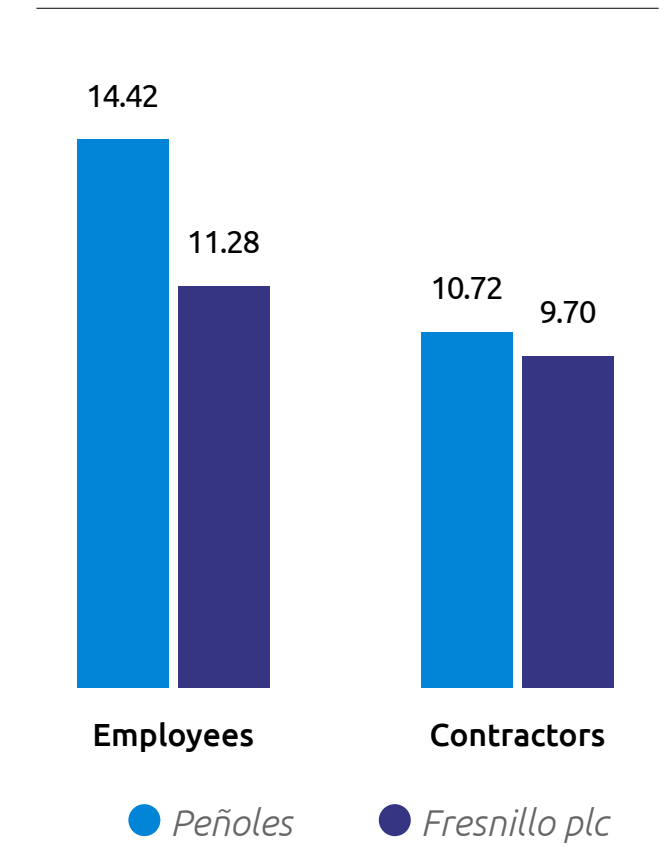
Additionally, in the case of Fresnillo plc, we have included the Exploration Division and corporate offices in the calculation of both rates.

The following indicators will be our new baseline for future reporting.

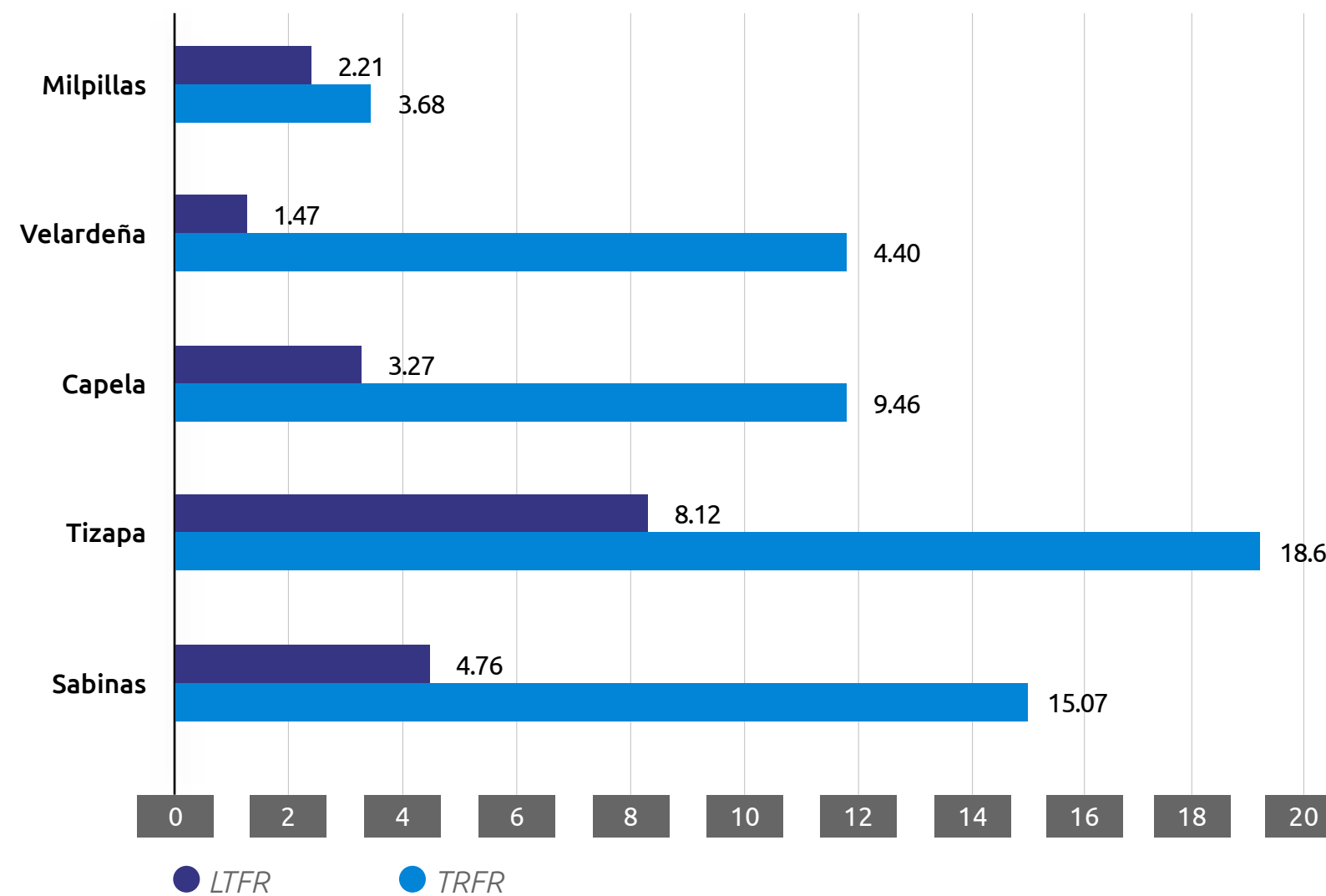
Safety indicators

	TOTAL	Peñoles		Fresnillo plc			
		TOTAL	Employees	Contractors	TOTAL	Employees	Contractors
Hours of risk exposure	85,560,784	36,154,184	21,980,327	14,173,857	49,406,600	18,178,200	31,228,400
Lost time injuries	474	204	142	62	270	120	150
Total recordable injuries	977	469	317	152	508	205	303
TRIFR	11.42	12.97	14.42	10.72	10.28	11.28	9.70
LTIFR	5.54	5.64	6.46	4.37	5.46	6.60	4.80

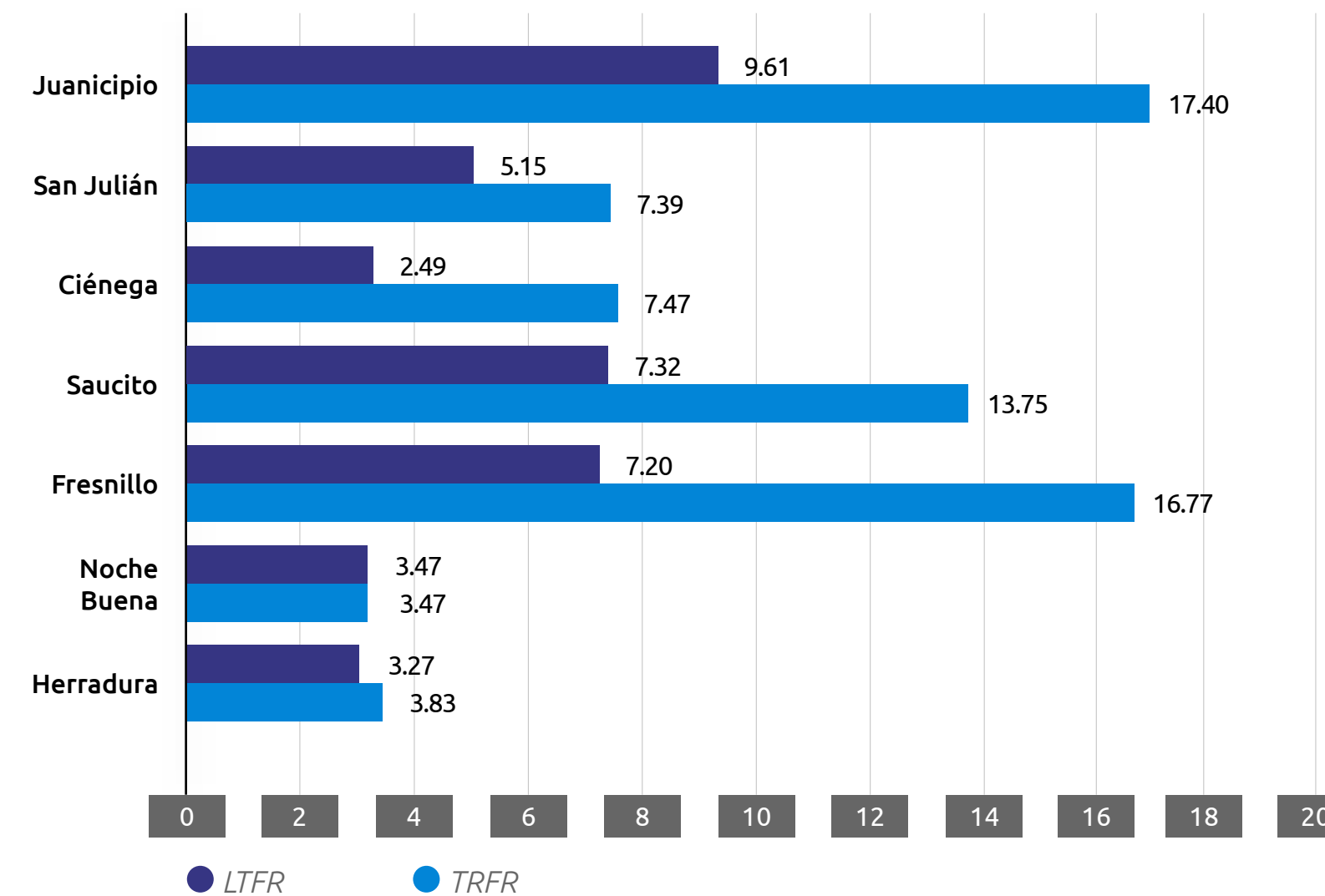
TRIFR employees and contractors



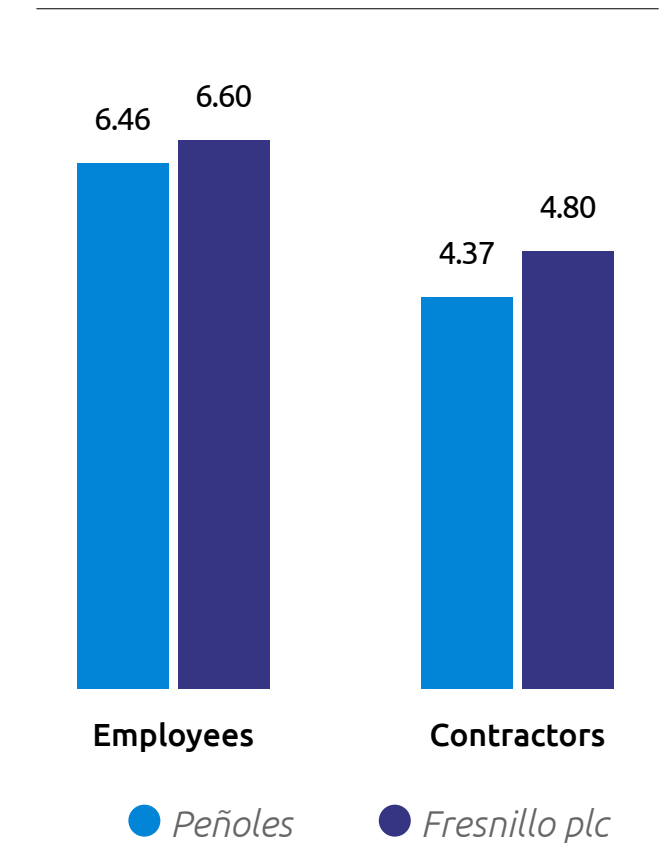
Peñoles Mines Division



Fresnillo plc Mines Division



LTIFR employees and contractors



Recordable injuries: Number of fatalities + lost time injuries + restricted work injuries + injuries requiring medical treatment per 1,000,000 hours worked.
 Lost time injuries: Number of lost-time injuries per 1,000,000 hours worked.

Health

Commitment

Because the health and well-being of our people and communities matter to us, we have occupational safety and health programs to identify the risks they face on the job so we can take steps to eliminate or control them. These are underpinned by comprehensive well-being initiatives that support the spiritual, emotional, intellectual and physical health of our people, ultimately ensuring our company's development, productivity and competitiveness. The Health Weeks we organized with Fundación UNAM (FUNAM), our participation in vaccination campaigns and sports activities, are all telling signs of our commitment to the health and wellness of our communities.

Managing the risk of COVID-19 remained one of our priorities during the year, through a robust strategy that prioritized vaccination and a sanitary protocol that included detection testing and diagnostics, travel and contingency protocols, medical follow-up, contact tracing, and hygiene measures established by official health institutions.



The health programs with FUNAM, our collaboration in vaccination efforts and sports activities are the hallmark of our commitment to promoting health.

High-Potential Strategy

Our High Potential Management Strategy in occupational health will be launched in 2023, aiming at a zero-damage record for the health of our people by anticipating, recognizing, assessing and controlling health risks. The strategy consists of three dimensions:

High-Potential Management Strategy



New model for managing health risks

System failures

Lagging indicators
All occupational illness

Control failures

Leading indicators
Near miss reports, analysis, actions and follow-up

Death
Possible death due to occupational illness

Occupational illness
According to IMSS criteria
(measurable disability)

Ill health systems
Early occupational ill health
Acute/slight occupational ill health
Outbreaks of ill health
(without permanent disability)

Uncontrolled work environment
Lack of engineering control of exposure
outside of regulatory limits

Health impacts
Abnormal results in lab testing

First signs of uncontrolled environment
Adverse exposure trends
Lack of administrative or OIH control
Worker grievances / CHS

Preventive reportability management

Health monitoring

We identified the most significant health risks in our business units, which include exposure to dust, gases and noise, and evaluated them in order to decide on measures to control them. Our High-Potential Strategy includes preventive monitoring to avoid occupational illness. In 2023, we will be reviewing our standards to focus on controlling potential risks.

We also monitored both the physiological and psychological condition of our employees through medical exams at the time of hiring as well as with regular checkups, occupational health checks and gynecological exams. These evaluations enable us to offer preventive intervention, primarily in occupational health, but we also continued to encourage healthy lifestyles to prevent chronic degenerative diseases.

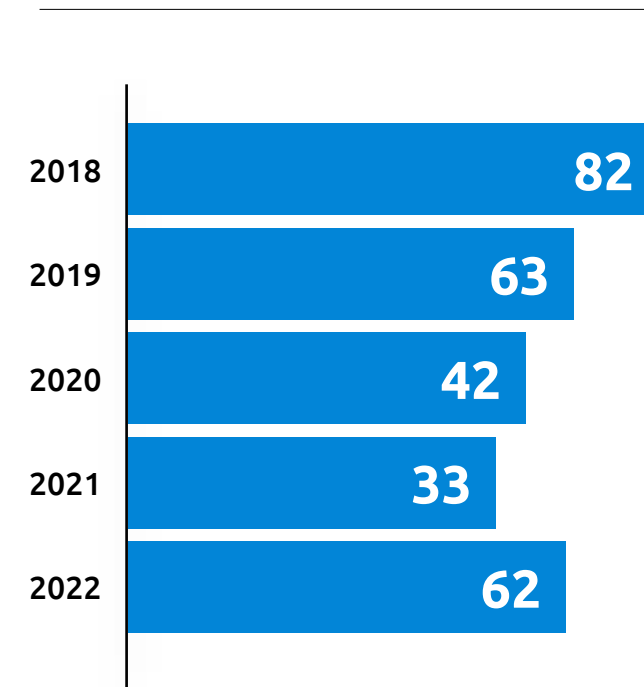
Industrial hygiene and ergonomic studies

We conducted industrial hygiene and ergonomic studies in our workplaces, using the results to guide our health monitoring programs. When we identify an activity that presents an ergonomic risk, we review our procedures to establish controls and change the way the job in question is done.

Occupational illness

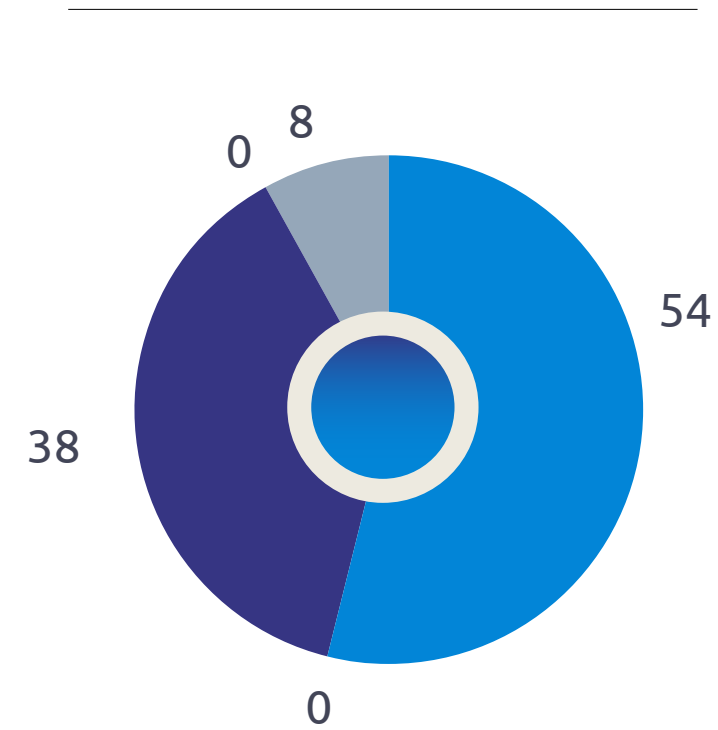
The most frequently recorded occupational illnesses in the company are hypoacusis—hearing loss—and silicosis—respiratory disease—as well as musculoskeletal disorders and the after effects of work-related accidents, all of which are monitored and treated. Monitoring lead as an occupational health standard is highly important in our processes and we have a strategic hygiene and medical monitoring program according to our zero-damage approach, which has enabled us to prevent and control exposure. **In the past five years, we recorded no occupational illnesses resulting from high levels of lead in blood.**

Occupational illnesses
(Number)



All occupational illnesses mentioned refer to employees. We had no fatalities due to work-related illnesses.

Breakdown of occupational illnesses
(%)



- Respiratory (silicosis, pulmonary fibrosis, pneumoconiosis)
- High lead levels in blood
- Hearing loss
- Musculoskeletal disorders
- Accident after-effects



COVID-19 pandemic

Early in the year there was a resurgence of COVID-19 in the form of the omicron variant, and Peñoles responded by introducing a sanitary protocol to prevent contagion, with detection tests and vaccines. We worked together with authorities to vaccinate our people and communities, setting up vaccination centers on company premises. By the close of the year, more than 80% of our employees were fully vaccinated. We also continued to support communities through donations of materials like hygiene kits and personal protection equipment for local hospitals.

As the pandemic evolved, we tracked epidemiological indicators to manage the risk of contagion individually in our workplaces, and used digital data for follow-up and contact tracing. We maintained close communication with the organization’s Crisis and Interdisciplinary Health Committees, which updated and applied protocols in line with those of official health institutions.

The experiences and lessons of these first two years of the pandemic enabled us to generate more effective strategies for the overall well-being of our employees. The work of our safety and health teams was a crucial support in ensuring the continuation and sustainability of our operations.

Certifications

All Peñoles and Fresnillo plc workplaces have both the COVID-19 Sanitary Safety and the Safe and Healthy Workplace distinctions from the IMSS. Additionally, six workplaces have ISO 45001 certification: two Peñoles mines and four Fresnillo plc units, as well as one workplace in the Metals and Chemicals division.

Mental health

Mental health care is another priority goal, and we provide preventive attention to mental disorders and illnesses attributed to occupational factors by promoting holistic health, emotional containment, rehabilitation and detection of job stress.

These were some of our mental health prevention activities in 2022:

- Workshops on emotional health risk in various of the organization's workplaces.
- Online talks on the following topics: **The importance of self-esteem and empowerment for women, How emotions influence physical illness, and Anti-stress first aid kit.**
- Individual psychological counseling via video call for people who have COVID, have lost a family member due to the illness, or report suffering from stress, anxiety or depression as a result of lockdowns. In these cases, post-traumatic stress (PTS) and job stress protocols are followed.

Success story – Good practices in occupational health - fatigue prevention

Detecting fatigue and sleepiness in people who drive cargo and personnel transport vehicles is considered a best industry practice. We introduced this practice into the Herradura and Noche Buena units, at Fresnillo plc, and at Peñoles' El Roble (Velardeña) mine. The fatigue alert system monitors driver behavior and analyzes their reactions. If the system detects a deviation from the normal driving pattern, the detector will set off auditory and visual signals to alert the driver that they need to stop and rest. If this abnormal pattern continues, it will notify the medical service to conduct a physical check of the employee and, if necessary, have someone else take their place.



At the Herradura mine, we conduct a medical check of drivers who transport personnel from the city of Caborca to the mine before each trip begins. With this standard, we hope to reduce accidents involving personnel transport outside and inside the mining units attributed to fatigue or sleepiness.

Success story – Psychological support

Our psychological counseling area conducts most of its activities by virtual media. More than **90%** of patients attend five sessions, which show how useful and beneficial the treatment is. **70%** of participants reported a reduction in risk factors in the final evaluation.

Counseling was offered in various forms:

- Individual psychological counseling by video call.
- Group anti-stress workshop by video call.
- Group workshop on emotional health risks, by video call.
- Emotional support for people suffering from anxiety or depression after having COVID.
- Psychological evaluation and counseling for four employees whose responses in the NOM-035 questionnaire indicated the presence of severe post-traumatic stress (PTS) and for one person suffering from job stress.

Success story – Communication campaigns

We stepped up efforts to communicate on topics like prevention, early detection and tracking of the most prevalent pathologies through corporate communication and video conferencing platforms. As information about the pandemic became more widely available, we updated and included video chats by experts who gave advice on contagion and health protection. The health issues that were discussed in the Learn About it Live program were designed to keep workers informed about the company's actions to deal with the pandemic. For example, we broadcast the Take it to the Heart program about breast cancer, which reached **341 people** who linked in to hear the talks.

The result of these good mental health practices applied during the year was an 86% reduction in the risk of job stress. Exit survey responses also indicated a 98% satisfaction rating for the quality of the service.

Healthy lifestyles

Obviously, the pandemic posed numerous challenge to the health of our people: isolation exacerbated problems like overweight and sedentarism and affected mental health in various ways. Recognizing this problem, we offered programs to encourage lifestyle changes in our workforce.



Success story – Healthy dining rooms

As the pandemic continued, we reinforced the measures established in official sanitary and workplace protocols for the use of dining rooms, preventing the risk of contagion. As part of the 2022 Healthy Dining Rooms Program, the heads of medical services carried out monthly internal evaluations in the work centers that have outsourced employee dining rooms, in addition to semi-annual virtual audits conducted by the Corporate Occupational Health Department, in keeping with NOM-251-SSA1-2009 standard: “Hygiene practices for processing food, beverages or dietary supplements.” The personnel in charge of the dining rooms were also trained in the hygienic handling of food and knowledge of the standard.

Surveys of outgoing diners were conducted regarding food, facilities, service and staff. The survey, which was applied to a sample of diners at the work centers, considered the following variables: friendliness, personal treatment, efficiency, trust, speed of service, hygiene and dress. Out of a total of 100%, the sample was weighted as follows: 30% facilities and equipment; 30% processes and personnel; 20% diners; and 20% contractor training. In the end, the survey showed that more than 90% of diners were satisfied with the service.

Living the Community

The COVID-19 pandemic brought about social changes, among which stand out increasing expectations from our communities regarding our more active involvement in the causes they are interested in and are relevant to them. At the same time, phenomena like inequality, inflation, the breakdown of the social fabric, polarization and human rights activism have transformed the social landscape across which mining and metallurgical activities take place. Aware of these risks and opportunities, in 2021 we launched a strategy called Living the Community, seeking to go beyond the social license to operate by helping to co-create a shared future with our communities.

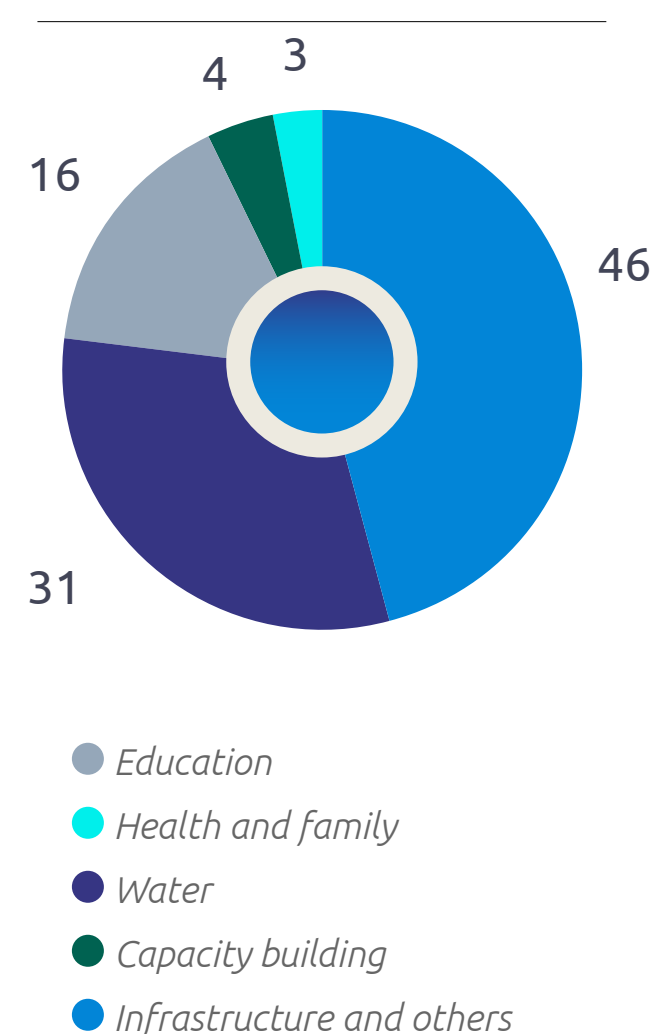
The social license to operate is consistently among the five main risks and opportunities in the mining and metallurgical industry, whose activities can have positive impacts such as local employment and procurement, capacity-building, social development and local taxes. But if they are improperly managed, they can also have negative impacts on communities and the environment. Aware of the importance of enhancing positive impacts and mitigating the negative ones, we remain committed to adopting best socio-environmental performance practices.



Identification of real or potential risks and impacts

Our operations conduct social diagnostics each year, in which we ask our communities about their concerns and expectations as well as their perceptions of Peñoles' commitment to the society and the environment, as an employer and neighbor, and its institutional image. These diagnostics help us identify risks and opportunities to improve our social performance. Through workshops and materialization exercises, the operations and projects leadership teams go over our social management initiatives and plans. In our projects and operations, we regularly conduct baseline and social impact studies from a focus on human rights, with the aim of addressing the real or potential impacts through those initiatives and plans.

Community investment by strategic lever (%)



Social Management System

Our Social Management System is supported by manuals, guidelines and procedures that keep our team informed of best practices and our expectations regarding the social performance of Peñoles' projects and operations. Each year, we conduct social research to update our analysis of social risks and identify gaps so that we can modify our social management plans accordingly. We also regularly monitor major social trends to evaluate and adapt our social strategy.

To ensure efficient coordination and the exchange of best practices, Peñoles created a best practices committee that brings together the team leaders of community engagement from exploration, projects, and operations in Peru and Mexico. We continue to focus on maturing our management system, compiling best practices in the organization and identifying knowledgeable partners that can help us continue developing our capacities. This included a series of forums for dialogue and the creation of a cutting-edge training program for our community engagement team, with the support of the Pontificia Universidad Católica in Peru.

US\$ 6.64 M social investment
67% local employment
58% local procurement

Issues that interest the community	Business unit/project	Location	Engagement activities
Water	Racaycocha	Áncash, Peru	• Engagement with authorities and community on issues of water infrastructure.
	Química del Rey	Coahuila	• Cooperation with authorities to support distribution of water for livestock and seasonal crops.
	Metalúrgica Met-Mex	Coahuila	• Co-management with authorities for distribution of treated water to public parks.
Education and culture	Bermejillo	Durango	• Academy for completing school diplomas.
	Fuerza Eólica del Istmo	Oaxaca	• FIRST Robotics program and Lego League for community youth.
	Metalúrgica Met-Mex	Coahuila	• Metals Museum program with the educational community of La Laguna.
	Racaycocha	Áncash, Peru	• Community cultural appreciation plan.
	Velardeña	Durango	• FIRST Robotics project and mentoring of children and young people.
Community health	Tizapa	State of Mexico	• Co-management of medical service in partnership with FUNAM.
	Velardeña	Durango	• Physical and psychological wellness workshops in coordination with FUNAM, University of the State of Durango and local authorities.
	Química del Rey	Coahuila	• Synergies with authorities and community committees for community healthcare and prevention.
	Bermejillo	Durango	• Co-management of the Youth Integration Center to train social promoters.
	Fuerza Eólica del Istmo	Oaxaca	• Santos Peñoles Soccer Academy.
	Orisyvo	Chihuahua	• School breakfast program in coordination with the educational community and authorities.
Capacity building	Tizapa	State of Mexico	• Advice from zootechnical veterinarian and agribusiness consultants for local producers.
	Velardeña	Durango	• Ongoing workshops in the community center.
	Sabinas	Zacatecas	• Project to produce nopal cactus as cattle feed.
	Milpillas	Sonora	• Community center workshops for women's group to develop productive projects, in an alliance with Asociación para la Formación Integral Educativa y Desarrollo Cultural (FIEDC, A.C.).
	Bermejillo	Durango	• Training and professional capacity-building for seamstresses, beauty technicians and carpenters.
	Metalúrgica Met-Mex	Coahuila	• Training, capacity-building and entrepreneurship for women.
	Racaycocha	Áncash, Peru	• Capacity-building at the community center and entrepreneurship training.
Infrastructure	Capela	Guerrero	• Development of local suppliers.
	Metalúrgica Met-Mex	Coahuila	• Co-management of social infrastructure in coordination with authorities and the community.
			• Renewal of public spaces through neighborhood committees.



Engagement in the lifecycle of an operation

Our community engagement strategy adapts to the expectations of communities and the potential impacts of each phase in the mining and metals lifecycle.

Exploration: In this phase, our teams contact local communities to introduce ourselves as a company, socialize our activities and negotiate permits for access to land for exploration. This is when we identify their issues of interest, their needs, expectations and concerns; we address questions and claims regarding our activities, and actively involve ourselves in generating temporary employment, procurement and social investment opportunities. In advanced exploration phases, we prepare baseline studies to learn more about the communities. We carry out due diligence with indigenous peoples regarding the company's concessions in order to identify in advance whether additional measures are needed to establish respectful relations with indigenous communities.



Projects: We encourage engagement with the exploration and operating teams through a social management continuity plan that includes an evaluation of management, tracking commitments and strengthening the community relations team of each project with the vision of working throughout the business life cycle.

Our teams expand on the baseline social studies and impact assessment to design a social management plan. We develop increasingly ambitious social programs involving the communities and civil society organizations. We carry out awareness-raising activities with our engineering and mining teams regarding key aspects of the communities and we incorporate social aspects into our site analysis of tailings storage facilities, training our contractor partners in social issues. We maintain a visible presence through meetings with communities and authorities as well as onsite visits to address concerns and grievances, helping to build trust. We work closely with the land acquisition teams to address communities' expectations and concerns and seek to connect them with local employment and procurement opportunities relating to the projects. In those located in indigenous territory, we work alongside authorities to prepare and organize the process of prior free and informed consent (PFIC). All of this is done through comprehensive risk management, and in coordination with the technical and administrative areas.

Mining, metallurgical and chemical operations: Our community relations teams create social management plans to ensure a positive impact on causes that interest the communities. These plans include engagement activities and dialogue with these groups and local authorities concerning issues that are relevant to them and to the company. In operations, we deploy institutional social investment programs and maintain open mechanisms for receiving questions and grievances. The social studies are applied every year or every two years to identify performance gaps and opportunities in our social strategy, incorporating the viewpoints, expectations and concerns on a participative basis. Through our operations, we develop more lasting local employment and procurement opportunities.

Mechanism for addressing concerns and grievances



Mechanism for addressing concerns and grievances

Our operations, projects and explorations all have feedback mechanisms by which we can understand the real or perceived impacts of our activities and take action to address them. A grievance is a concern that requires a response or action from the company.

Category	2022	Business unit	Addressed	In process
Grievances received	15	Met-Mex	2	0
Grievances resolved	15	Química del Rey	2	0
Total grievances	15	Fuerza Eólica del Itsmo	0	0
		Bermejillo	0	0
		Tizapa	1	0
		Capela	3	0
		Sabinas	2	0
		Velardeña	3	0
		Milpillas	2	0
		Naica	0	0
		Explorations	0	0
		Projects	0	0
		Total	15	0



In 2022, we managed and resolved 15 grievances from local communities.

Success story – Talking about our environment: Presentation of social studies carried out in neighboring communities

We work together to strengthen understanding of social, economic, environmental and cultural aspects, by involving the community in workshops where we present the results of social studies regarding our Orisyvo project.

These spaces make possible an open a dialogue with various social actors, who share with us their experiences and knowledge, welcoming the opportunity to express their opinion regarding issues in the surrounding environment.

“I think it’s a very important activity because of the issues dealt with. We’ve found that the biggest difficulty in communities is consistent organization and participation by the inhabitants.” Ericka Salvador, member of Redes Sociales para el Desarrollo A.C.

“These exercises are necessary as a way to learn the opinion of all community members; they help us learn about local problems and recognize how each one of the parties, such as the company, municipality, community and civil associations, can contribute within their possibilities.” Rosa Emma Lucero, Director of Indigenous Affairs of the Municipal Council of Uruachi.

These actions are a valuable opportunity to invite social participation and reflection on issues that are relevant to the entire community.

Resettlement

Mining activities take place where mineral deposits are located. At times, the development of a mining project or expansion of mining operations requires a community’s consent to perform a resettlement and restoration of livelihoods.

Our approach to resettlement involves:

- First, avoiding resettlement whenever possible, exploring alternatives in the design of our projects and location of the infrastructure.
- When resettlement is inevitable, we work together with families, communities and governments to identify and address adverse impacts, restoring or improving livelihoods and living conditions.
- Implementing best practices to responsibly manage resettlement, like baseline studies, a framework for compensation and programs to restore livelihoods, along with evaluation and follow-up programs.

In 2022, there were no resettlements or mobilization of communities caused by our projects and operations.

Social investment and shared value

Our social investment portfolio, which is aligned with the SDG, fosters mutual understanding and a harmonious relationship with communities, stronger relations of trust and shared responsibility, development of local capacities, and productive alliances with civil society organizations, all for the purpose of creating social well-being.

Our approach to resettlement involves: **1,446 social development activities**
101 communities served
123 people working in community relations



Creating long-term value in the communities where we operate Social investment portfolio



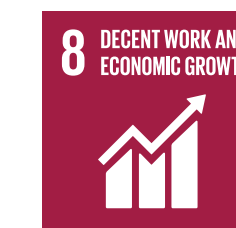
Education:

Build social unity through education, art, science, technology and the preservation of cultural heritage.



Health and sports

Help improve health systems and promote good hygienic, nutritional and physical habits in our communities.



Capacity-building:

Develop capacities and promote entrepreneurship to diversify the local economy.



Access to water:

Work with communities and authorities to improve safe access to water and to raise awareness about environmental aspects.



4

QUALITY
EDUCATION

Education

We want to promote social unity through education, culture, art, the preservation of cultural heritage, science, technology and educational infrastructure. We promote quality technical, professional and higher education, including university level classes, so that people can get decent jobs or start their own businesses. We also promote literacy programs.

Key activities:



- With the **FIRST Robotics** program, we encourage young people to pursue careers in science, technology, engineering and mathematics (STEM). Students compete for scholarships to study at **Universidad LaSalle**, with which we have an agreement, at its Laguna and Hermosillo campuses.

23 teams of the FIRST Robotics program
586 young people
150 mentors

- Our **Picando Letras** program resumed activity at our “bunkos” at Ciénega and Caborca, where kids can pick out books to read and discuss their ideas with others. Also, with the support of Larousse, we donated books to children and youth in our communities.
- **INNOVEC** supported our launch of two pilot projects to encourage understanding of climate change among children in neighboring communities.



Metals Museum:
154 workshops
6,449 school visits
188 productions for social media

- Our **Metals Museum** encourages interest in science and showcases mining and metals as opportunities for development.
- As part of our continuing education program for teachers, administrators, parents and students from schools neighboring our operations, and in alliance with the **Instituto Mexicano para la Excelencia Educativa A.C.**, we have trained more than 280 administrators and teachers in our workshops “Caring for the emotional well-being of our students” and “Leadership and innovation: planning and strategies for online learning.”
- Among our actions aimed at promoting adult education, we continued our **literacy program** in Durango, Zacatecas and Guerrero.
- Through volunteer work, and in partnership with **The United Way Mexico**, we contributed equipment and infrastructure to schools in our communities.
- In coordination with the authorities, civil society organizations, teachers and the community at large, we participated in the program Co-Management of Educational Infrastructure.

Success story – School for parents

Pucajirca project
Peñoles Peru

In coordination with educational institutions in peasant communities of Pedro Pablo Atusparia Tarica, San Antonio de Urcón and Alfonso Ugarte de Huichanga, and in an alliance with the Ministry for Women and Vulnerable Populations of the province of Corongo, we introduced the **School for Parents** project, which provides parents with guidance on child raising and children’s education, with the aim of forming new generations with a social conscience.

School for Parents is a learning space for talking about important issues like school dropout, recommendations on child raising, emotional communication, discipline at home, family violence, and values.





Health and sports

Our goal is to encourage healthy lifestyles and well-being in our communities. We support health systems, good hygienic and nutritional habits, and access to safe vaccines; we promote preventive health and sports programs, family togetherness, and emergency response.

Key activities:

- We participated in the **Zinc Saves Lives, Mexico project**, in partnership with UNICEF and IZA, whose purpose is to accumulate scientific evidence to support a change in Mexican regulations regarding the use of zinc to treat acute diarrhea in children under five.
- Working together with **FUNAM** and health authorities, we continued our program of Health Days, offering medical checkups and specialized care for vulnerable people from our communities. In 2022, we provided more than 9,000 medical consultations. (See success story).
- Through our 11 **Santos–Peñoles & Fresnillo plc** soccer academies, we promoted values among more than 800 boys and girls, transforming their lives and boosting their skills. We also organized other **sports tournaments** to promote family togetherness and restore public spaces.
- **285,846** vaccines applied since the pandemic began.
- As allies of the **National Vaccination Strategy** of the **Mexican Ministry of Health**, we contributed our facilities at Torreón and San Julián to be used as vaccination centers.

285,846 vaccines applied since the pandemic began.



Success story – Health weeks

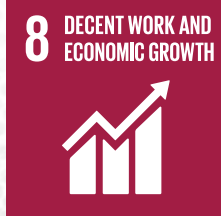
Peñoles Mines

We encourage a culture of preventive health care through healthy lifestyles and free services, specialized care and general checkups for children, youth and vulnerable adults in communities neighboring our operations.



We formed nine brigades for pilot programs on physiotherapy and social work, as well as community reflection workshops, with a special focus on vulnerable people, with the purpose of developing life skills. In 2022, **1,855 checkups** were given, benefiting **2,130 people** in the communities, along with **7,211 medical consultations** organized with the support of students from the UNAM school of medicine, and in coordination with the public health authorities.

Accordingly, we reiterate our commitment to the well-being of Mexican families and our interest in being a responsible, supportive neighbor who works in cooperation with authorities and communities.



Capacity-building

Our goal is to develop capacities and promote entrepreneurship in order to diversify local economies and build resilient communities.

Key activities:

- In alliance with **Fundación ProEmpleo A.C.**, we promote entrepreneurship and improvement of local businesses through training in business skills, consulting, work grants and development of local procurement.
- We develop social capacities through **productive projects**, with a focus on economic development (see success story).
- Our **community centers** provide a space where we can help develop capacities and support talent in our communities (see success story).
- The **Centro de Estudios Técnicos Laguna del Rey (CETLAR)** offers full scholarships to young people from communities near our operations, who receive training as highly qualified technicians. We also participate in the Youth Building the Future program, a joint effort between business, government and communities.



Success story – Now or never

Community centers

Our community centers strengthen our relationship with our neighbors by providing spaces for training and educational activities. There, we build life and work skills, promote culture and sports, and support talent. In 2022, we held **35 workshops** attended by more than **1,200 people**.



We present the testimonial from Fabiola Isidro about how the community center workshops helped her earn income for her family:

"I found out about the Peñoles community center from a neighbor who took pastry courses, and what she said about the teachers and the facilities was very encouraging. That motivated me to sign up. I was only going to take a pastry course, but I like cooking a lot, and bread baking seemed like a wonderful opportunity. I was a little worried about my age, I thought I might be too old to get into this, but in the end I said, "it's now or never," and it was very useful to me. I found out that age doesn't matter, it's never too late to learn new things and improve in all aspects."

Success story – Productive projects



Cactus for cattle feed

This **productive project** is for people interested in cultivating the prickly pear cactus, both commercially and to feed their livestock. As part of our strategy for addressing the social risks relating to the presence of local livestock, this alternative economic development program avoids displacement and encourages the revival of primary activities in zones neighboring our operations.

Wood recycling

The sustainable carpentry workshop is part of a program for using waste wood, in which participants learn to make benches, doors, bookshelves, fences, furniture and various articles for local schools and institutions. The carpentry workshop is an initiative by Zacatecas community members, a business model in which wood used by local companies for packing is upcycled, creating a model of economic development parallel to mining.

As of 2022, Peñoles has donated **9 metric tons of recycled wood for reuse**.

The project is a collaborative effort between the company and the community, which encourages capacity-building and economic growth, as well as environmental care.



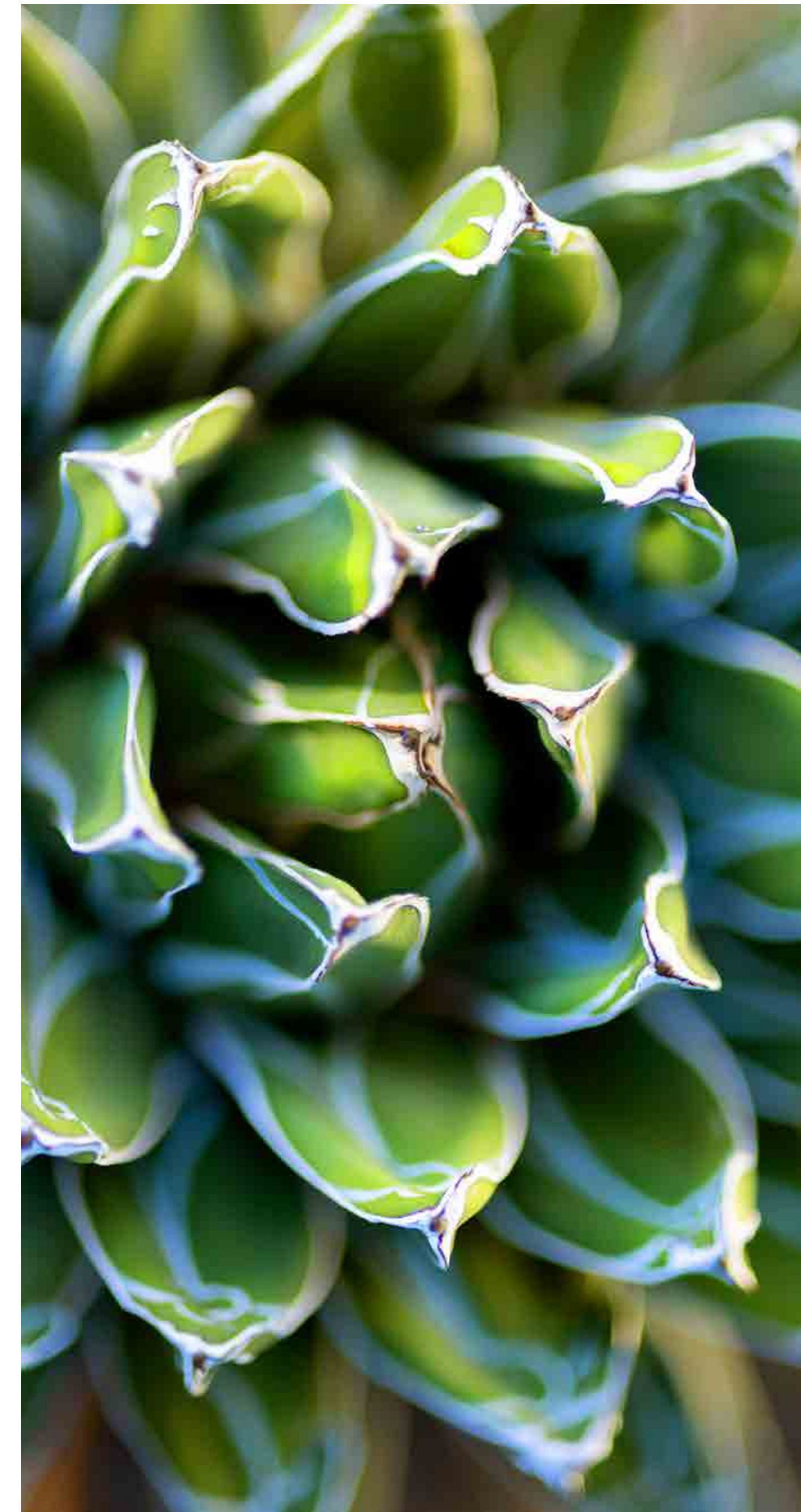
Access to water

We intend to reduce our water footprint and work with communities and authorities to improve safe access to water, while building awareness about environmental aspects.

Key activities:

- We treat **municipal wastewater** and use it in our processes, to reduce fresh water consumption.
- We monitored **300 rainwater collection systems** in San Julián, which benefit more than 1,000 people from the Sierra Tarahumara. We carried out this project in alliance with civil society and the government.
- We developed a water well diagnosis project for the communities around Penmont.
- We worked hand in hand with the federal government on the **Sembrando Vida** program to plant fruit trees and species grown in our plant nurseries in our neighboring communities.
- We conducted **recycling, cleaning and environmental awareness campaigns** and promote water stewardship through publications, round tables and contests in collaboration with authorities, communities and educational centers.
- We organized visits for school children from communities to our **wildlife management units and plant nurseries**, to raise awareness about the environment and preservation of flora and fauna.

Our plant nursery at Metalúrgica Met-Mex, in Torreón, reproduces and plants the endangered **Noa cactus species** in its natural environment.



Alliance for the Common Good

In our relationship with the authorities, our **Alliance for the Common Good** strategy provides strategic links with the three levels of government in locations where we operate. This strategy supports a proactive approach, empathy with the authorities' purposes, and a positive influence to generate public policies that benefit everyone. Likewise, we seek to ensure that authorities recognize the contributions of Peñoles' work in favor of the common good.

Through open, transparent and participatory dialogue, and assertive and consistent interaction with authorities, we provide them with accurate and timely information that includes documents and public actions. As a result, and due to our values we are becoming a referent of trust, understanding and advocacy for the common good in the jurisdictions where we operate.

Our strategy **Alliance for the Common Good** establishes strategic links with the three level of government where we operate.



Strong correlation

Unions are our strategic partners, with whom we maintain labor relations based on trust, a permanent orientation towards a culture of ethics and safety, and a constant search for mutual benefit. The interaction between the company and the unions is based on a constant dialogue with union representatives at the local and national levels. As a result, we are able to provide timely notice of any significant operational changes, share business information in a transparent manner, and comply with our commitments to this stakeholder group.

We comply with international labor laws, treaties, and conventions, always mindful of workers' rights, including freedom of association and collective

bargaining. Periodically, the unions appoint review commissions that, together with the company, carry out processes of analysis and negotiation of collective bargaining agreements, which include the rights and obligations of both parties and a joint commitment to guarantee safety, productivity, and quality of life at work. Thanks to our good working relationship, the contract and wage reviews conducted during 2022 were carried out smoothly; that is, without strikes.

Union officials have free access to assigned areas and are provided with the facilities to organize meetings with workers, in compliance with health and safety regulations.

68% of our direct employees are covered by collective bargaining agreements; the rest are non-unionized employees with individual contracts.

Success story – Labor Modernity

As part of our long-term labor agenda and in order to establish a commitment to face the competitive environment and become a referent in the mining industry, **company and union have agreed on the co-design and implementation of a new work model called Labor Modernity, based on three axes: ethical, safe and productive work.**

This model is supported by our teamwork, training and development, and productivity and quality incentives systems. The model **has been successfully implemented in Bermejillo unit**, and, therefore, will be implemented in all our business units from our Mines, Metals and Chemicals Divisions.



Indicators and standards

Performance indicators (KPI)	GRI	SASB	Page
Letter from the CEO	2-3		7 ↗
Total value distributed	201-1		11, 23, 97 ↗
Materiality	3-2		24 and 25 ↗
Attention to grievances on corruption Corrective actions	205-3		38 ↗
GHG general and historic emissions	305-1, 305-2	EM-MM-110a.1	56 and 57 ↗
GHG emissions by division			57 and 58 ↗
Energy emissions Energy profile Distribution by division	302-1	EM-MM-130a.1	57 ↗
Intensity by division	305-4		58 ↗
Environmental incidents		EM-MM-140a.2, EM-MM-150a.9	61 ↗
Balance Water Accounting Framework, consumption by business unit	303-3, 303-4, 303-5		64 ↗
Fresh water consumption in water-stressed locations	303-5		
Fresh water extraction in water-stressed locations	303-3	EM-MM-140a.1	63 ↗
Operational units in water-stressed locations			
Categories of IUCN species (fauna) PIMVS Velardeña	304-4	EM-MM-160a.1	67 ↗
Categories of IUCN species (flora) PIMVS Met-Mex Peñoles			
Generation of mining and metallurgical waste	306-3, 306-4, 306-5	EM-MM-150a.5, EM-MM-150a.6	70 ↗
On-site recycling of mining and metallurgical waste	306-4		
Waste disposal by classification	306-3, 306-4, 306-5	EM-MM-150a.4, EM-MM-150a.7, EM-MM-150a.8	71 ↗

Performance indicators (KPI)	GRI	SASB	Page
Number of Línea Correcta reports	2-26		38, 78 ↗
Grievance resolutions			
Total grievances on violations to the rights of indigenous populations, status and actions taken	411-1		77 ↗
Average training hours	404-1		
Percentage of new hirings and promotions, by gender	401-1		81 ↗
Percentage of personnel turnover			
Total workforce, by gender	2-7		81 and 85 ↗
Total percentage of women			
Percentage of women in management and senior executive positions, employees and contractors.	405-1		85 ↗
Percentage of workforce by gender and age group			
Lost time injury frequency rate (LTIFR) – direct employees and contractors			91 ↗
Total recordable injury frequency rate (TRIFR) – direct employees and contractors		EM-MM-320a.1	
Fatalities – direct employees and contractors	403-9		90 ↗
Occupational illnesses – direct employees and contractors	403-10		94 ↗
Average training hours in safety and health		EM-MM-320a.1	89 ↗
Local suppliers (from operational regions)	204-1		97 ↗
Percentage of operations with local community engagement programs, impact and development assessments.	413-1		
Percentage of employees covered by collective bargaining agreements, by nationality	2-30	EM-MM-310a.1	
Timely notice (number of weeks) to employees and representatives of any significant operational changes that might affect them considerably	402-1		107 ↗
Contact for more information about the report	2-3		110 ↗



Contact

For more information about our processes, products and financial performance, as well as previous sustainability reports, please visit our website

www.penoles.com.mx 

Para la versión en español de este informe, favor de visitar nuestro sitio web:

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