




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 conozcan 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;





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 Baj Holdings (40), or the associate Linea 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 \$51,965.62 |
| 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 |



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| 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 | Metric |
|--|---|
| 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 |



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| 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 - 119,424,385tons 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 |

