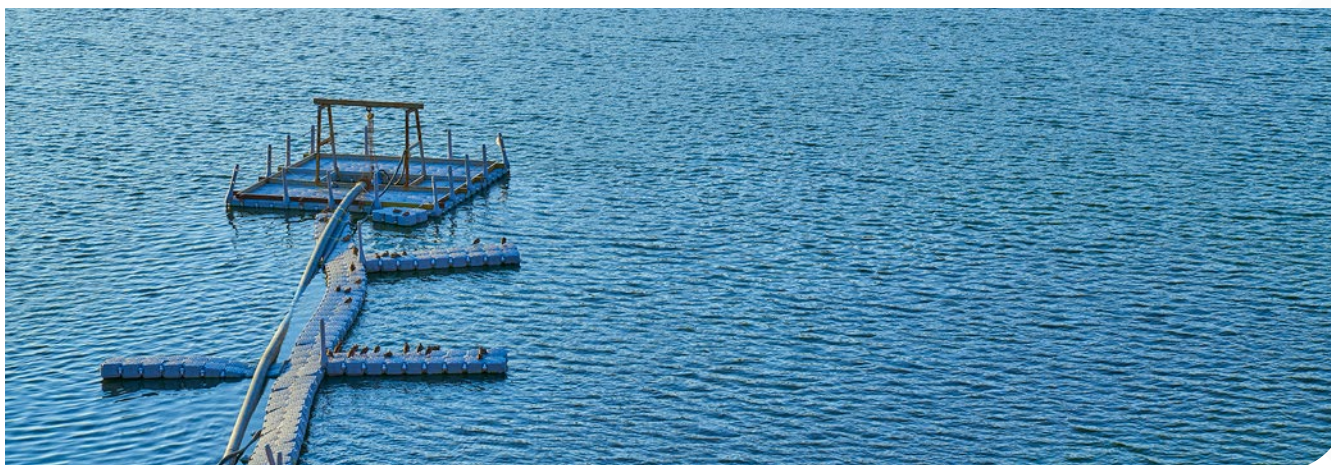


Water stewardship



We recognize that water is a shared resource of great environmental, social, cultural, and economic value. Protecting it is key to earning and maintaining the trust of communities and regulators in the regions where we operate and develop projects. We are committed to effective water management and stewardship, stakeholder collaboration, and transparency in our performance.

Governance

The ESG Steering Committee (see ESG Governance section) is responsible for evaluating the organization's water management and stewardship performance. The Tailings Steering Committee promotes synergies between good engineering practices and operational governance related to tailings and water management. The operational and environmental teams of our business divisions oversee water stewardship in mining, metals, chemicals, and project development. We have performance guidelines that define water management roles and responsibilities for everyone involved—from executive leadership to operational staff.

Context of strategic considerations

In the mining industry, access to water depends on physical availability, compliance with the regulatory framework, and positive relationships with communities and other stakeholders. These strategic considerations include:

Physical water availability: water stress and climate change

Water availability is increasingly threatened by water stress in the watersheds where we operate and by the physical impacts of climate change. In Mexico, climate change is expected to increase temperatures, evaporation rates, and reduce annual rainfall. It will also intensify extreme rainfall events and prolong droughts, all contributing to heightened water stress.

To identify water stress and risk across our operations, we use the [World Resources Institute's \(WRI\) Aqueduct](#) online tool. As of 2024, 73% of our operations are located in areas of extremely high-water stress, 9% in areas of medium-high stress, 5% in low-stress areas, and 14% in arid and low water use zones. For overall water risk-related in the mining sector—including physical, quality, and regulatory and reputational risks—9% of our business units fall into the extremely high-risk category and 64% into high risk.

Water stewardship

Biodiversity

Mining-metallurgical waste management

Waste management

Air quality

Mine closure

These conditions highlight the importance of operational practices and technologies that reduce water consumption, increase reuse

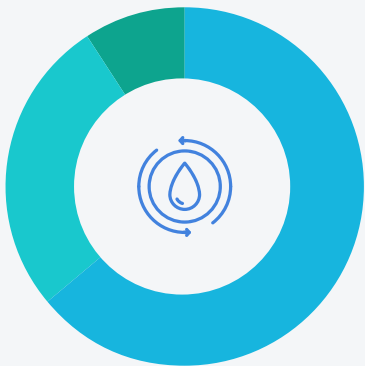
and recycling, explore the use of brackish or sewage water, and foster collaboration with communities and governments.

Evolution of the regulatory framework and stakeholder expectations

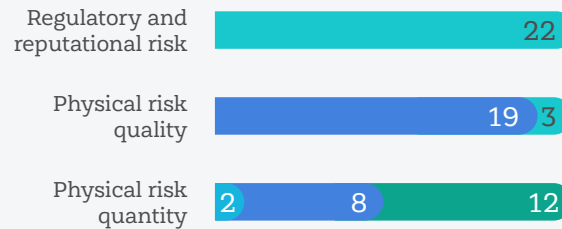
Water regulatory frameworks are expected to evolve globally in response to stakeholder demands and climate change. As water becomes scarcer, its real value will rise, potentially increasing costs. There will be growing expectations for collaboration between mining companies and other local water users, particularly neighboring communities. Projects located in watersheds within Indigenous territories will face heightened consultation expectations.

Business units by risk category (WRI)

Overall water risk



- 0% Low-Medium (1-2)
- 27% Medium-High (2-3)
- 64% High (3-4)
- 9% Extremely High



Implications for value creation levers

Strategic water challenges may affect key value drivers, highlighting the need for a robust water stewardship strategy.

These implications include:

- Limitation on growth
- Mine closure
- Reduced or interrupted production
- Lower revenues due to decreased output
- Higher production costs
- Upfront costs for implementing new practices
- Increased compliance expenses
- Reputational damage
- Deterioration or loss of social license
- Fines and penalties
- Litigation
- Supply chain disruption

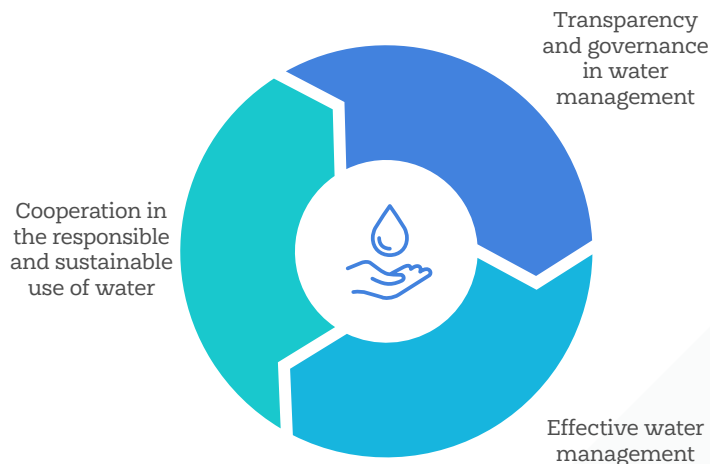


Water stewardship	Biodiversity	Mining-metallurgical waste management	Waste management	Air quality	Mine closure
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Impact, opportunity, and risk management

Our strategy for managing water-related impacts, risks, and opportunities is based on three pillars aligned with the International Council on Mining and Metals (ICMM) Position Statement on Water Stewardship and the United Nations Sustainable Development Goal 6.

Water management and care



A key process in our strategy involves identifying and mitigating physical, regulatory, reputational/market, and technological risks in the watersheds where we operate and throughout our value chain.

Type of risk	Potential risks
Chronic physical	Changes in annual rainfall, aquifer depletion, water stress, infrastructure shortages, ecosystem vulnerability, land-use change, soil degradation, acid mine drainage.
Acute physical	Hurricanes, droughts, extreme rainfall, environmental incidents, tailings spills.
Regulatory	Increased water prices, stricter regulations, permit challenges, rationing, reduced concession volumes.
Reputational/market	Community opposition, stakeholder concerns, litigation, negative media coverage.
Technological	Limited watershed data, lack of efficient technologies, underperforming tech investments.

Effective water management

Effective water management considers both quantity and quality, along with impact prevention. Our main resilience strategies in water-stressed areas include reducing consumption and utilizing water of varied quality. We leverage process and environmental monitoring to help avoid impacts on water resources.

> Quantity and quality of water sources

We aim to reduce freshwater use through technology selection and continuous improvement. Closed-loop systems enable water recirculation and eliminate process discharges.

The nature of our operations allows us to use water of varying qualities, reducing dependence on freshwater. We integrate wastewater reuse from local communities, and we recycle our own gray and black water. Some processes can also utilize

brackish water, reducing freshwater needs in water-stressed areas.

> Preventing impacts on water resources

During project development, we conduct hydrological and geohydrological studies as part of our environmental baseline and impact assessments. We also incorporate water considerations in our social studies, allowing for ecosystem and community impacts to be considered in project design. We select technologies and processes that avoid negative impacts on water quantity and quality.

In our operations, we use site- and facility-level water balances to inform water management plans. Monitoring plans ensure compliance with environmental authorizations and water use permits. We implement critical controls to prevent environmental incidents as part of our High Potential Strategy.

Integrated mine closure plans also consider water-related impacts and aim to generate positive environmental and community outcomes.

Collaboration in the responsible and sustainable use of water

Performance and collaboration with communities and regulators for the sustainable use of water are vital for earning trust and maintaining social license. We engage stakeholders and promote responsible water use through partnerships. We have formal agreements to treat wastewater in Torreón and Fresnillo, reducing freshwater use and easing the treatment burden for municipalities.

Through taxes and fees, we contribute to public investment in water infrastructure, and work with communities on joint projects to improve water access in the regions where we operate.

Transparency and governance in water management

We are committed to improving our water performance accounting and reporting, using the ICMM Water Accounting Framework and GRI standards. We continue expanding internal standards and implementing critical controls as part of our High Potential Strategy.

Alliance for the common good

In 2024, Peñoles and Fresnillo signed the “National Agreement for the Right to Water and Sustainability,” led by the President of Mexico and published in the Official Gazette on December 19. As part of this agreement, we contributed 2.055 million cubic meters of concessioned water to be flexibly returned to national waters, contributing to the common good.

We recognize water as a shared resource of great environmental, social, cultural, and economic value, and join this initiative in full alignment with our commitment to the common good and sustainable water use.

Peñoles will continue investing in infrastructure that supports water circularity, benefiting both communities and our operations. Examples include the Fresnillo water and wastewater treatment plants in Zacatecas, the Torreón treatment plant in Coahuila, and a project in Caborca, Sonora.



We engage stakeholders and promote responsible water use through partnerships.

[Water stewardship](#)
[Biodiversity](#)
[Mining-metallurgical waste management](#)
[Waste management](#)
[Air quality](#)
[Mine closure](#)

Performance and metrics

We fully comply with all applicable water regulations and maintain our reputation through best practices. These practices help reduce costs and increase efficiency, particularly through recirculation.

We recirculate 78% of our process and sanitary water. Municipal wastewater accounts for 15.4% of total intake, and we opt for brackish water in arid regions to minimize freshwater use. Preventive and predictive maintenance helps avoid leaks. We also use measuring devices and treatment systems for internal water recirculation. We discharged no process water in 2024 due to our closed-loop systems. There were no incidents of noncompliance with water quality permits, standards, or regulations.

Company	Reportable Incidents	Significant Incidents
Peñoles	0	0
Fresnillo plc	0	0

Balance (MI)

	Category	Source	Year	
			2024	2023*
Inputs	Freshwater	Surface water	294.01	735.57
		Municipal distribution system	421.24	412.85
	Brackish water	Groundwater	34,973.13	27,538.00
			3,868.96	3,613.88
	Treated water	Municipal wastewater	7,216.09	6,412.31
TOTAL inputs			46,773.44	38,712.62

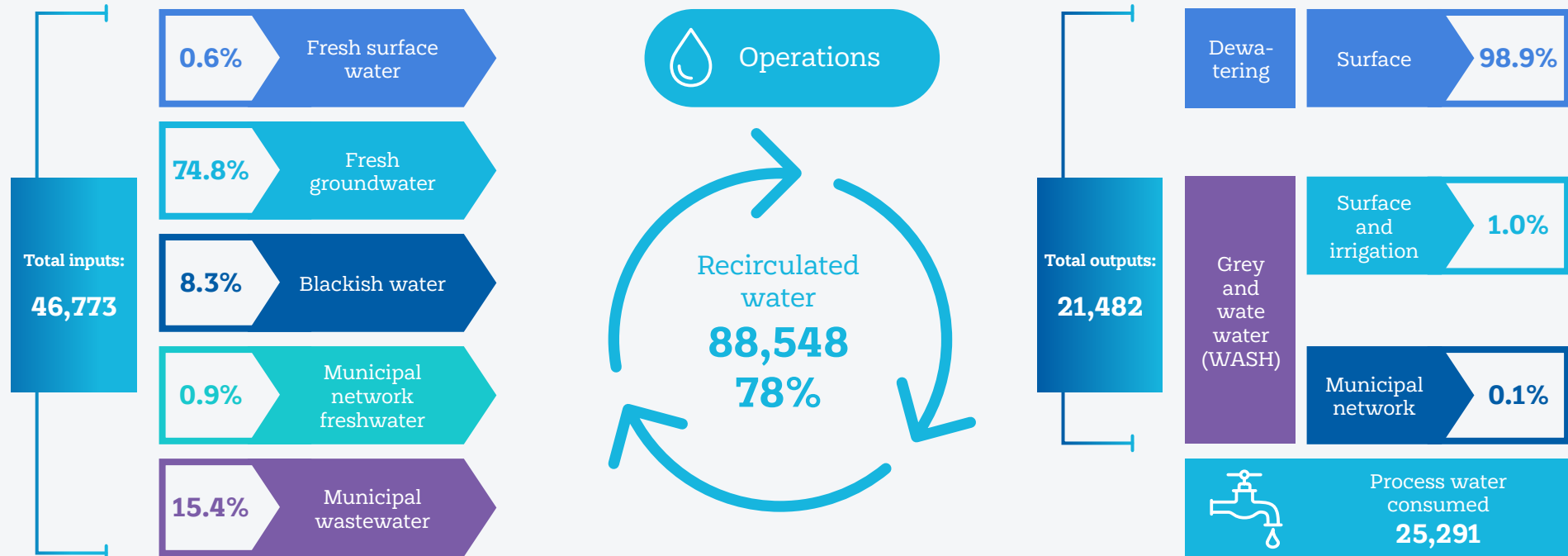
	Type of water	Destination	Year	
			2024	2023
Outputs	Dewatering	Surface water	21,244.25	14,500.83
		Surface water / Irrigation of green spaces	218.66	244.80
	Water, Sanitation and Hygiene (WASH)	Municipal wastewater	19.51	19.05
TOTAL outputs			21,482.42	14,764.68

Water consumed in our processes			25,291.02	23,947.94
	Peñoles Mines		4,444.38	4,725.33
	Fresnillo plc Mines		13,830.75	12,395.29
	Metals		3,189.00	3,259.82
	Chemicals		3,826.88	3,567.51

* Groundwater extraction from Bermejillo (from the Metals division) was reclassified as brackish water, based on water characterization; WASH discharges were also broken down.

Municipal wastewater accounts for 15.4% of total intake, and we opt for brackish water in arid regions to minimize freshwater use.

Corporate water balance (MI)

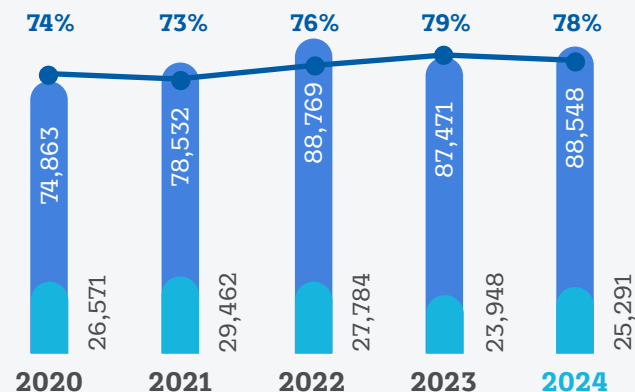


Note:

- **Inputs:** All water entering the operating system for consumption or diversion (dewatering).
- **Outputs:** Water returned into the environment or to a third party.
- **Process water consumed:** Water used for operations and permanently lost through evaporation, trapped in concentrates or tailings, or other losses.
- **Recirculated water:** Water recovered and reused in operations, either untreated (reuse) or treated (recycling).
- **Types of water:**
 - **Fresh surface water:** Spring water
 - **Fresh groundwater:** Underground water that is stored or flows in the pore spaces of soil and rock, as well as groundwater that surfaces due to mining activities (mine water)
 - **Blackish water:** Water with high total dissolved solids (>2,500 mg/L)
 - **Municipal network freshwater:** Water from municipal supply
 - **Municipal wastewater:** Municipal sewage water
 - **Dewatering:** Mine water that is not consumed and is returned to a natural water course
 - **Gray water:** Wastewater from sanitary uses
 - **Waste water:** Sanitary wastewater that has undergone treatment

Operating efficiency

Water consumption, reuse, and reuse percentage

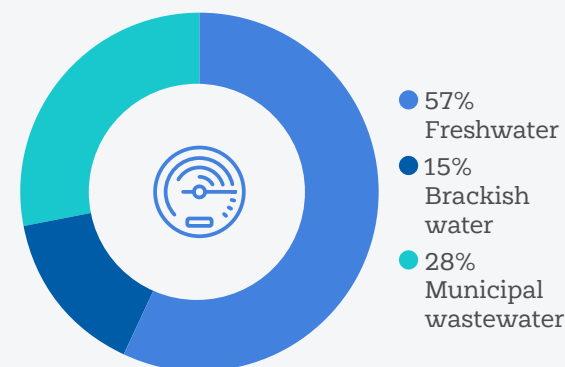


Freshwater withdrawals and consumption (MI)

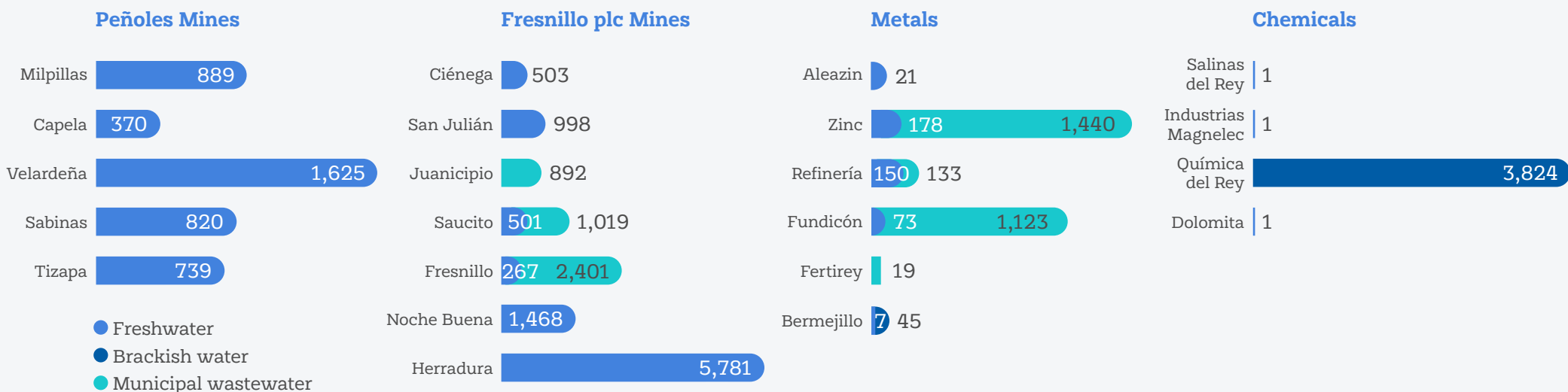
Withdrawals		Consumption	
Freshwater	Total	Freshwater	Total
35,688.39	46,773.44	14,394.60	25,291.02

- Reuse (MI)
- Consumption (inputs minus outputs MI)
- Reuse percentage (water reused out of total water used)

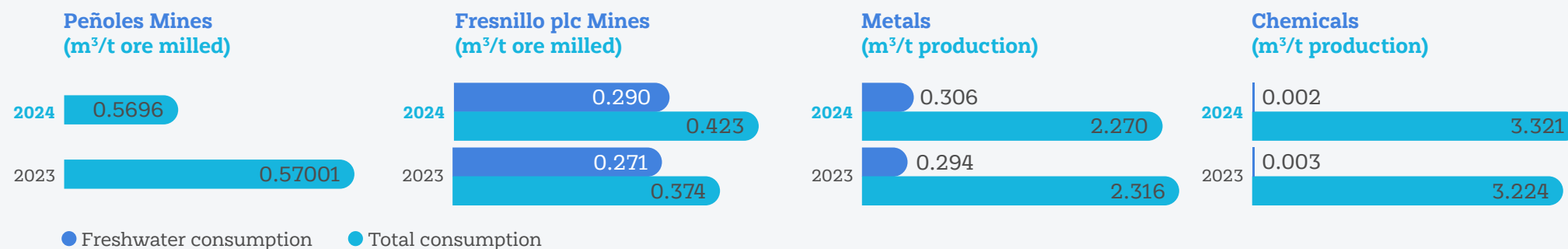
Industrias Peñoles water consumption



Industrias Peñoles water consumption by business unit (MI)



Consumption intensity by division



Production: Metals and Chemicals divisions include products and byproducts.

Withdrawal and consumption of freshwater by water-stress location

Water stress location (WRI)	Withdrawal of freshwater	Consumption of freshwater	Recirculated (Ml)	Reuse percentage
Low (<10%)	1.04%	2.57%	5,528	93.72%
Medium-High (20 - 40%)	4.87%	12.07%	3,166	64.57%
High (40 - 80%)	-	-	-	-
Extremely High (>80%)	94.09%	85.34%	79,563	86.62%
Arid and low water use	0.01%	0.01%	291	99.38%

Most of our operations are in extremely high-water stress areas. Therefore, we strive to utilize and recycle municipal wastewater, which represents **17.8%** of the total water input in these areas. During the year, we recirculate and reuse **79,563 Ml**, equivalent to **86.6%** of the total water used in our processes.

Preventive and predictive maintenance helps avoid leaks. We also use measuring devices and treatment systems for internal water recirculation.

