



PEÑOLES

# **Integrity and Compliance**

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# Integrity and Compliance

## PROGRAM ENDORSEMENT

### Transparency and compliance.

Our historical vocation for integrity and providing trust to our stakeholders continues to be strengthened with the integration of the **Integrity and Compliance Strategy as part of the ten major strategies that support the Group**. This Strategy seeks, through its guidelines, to have a framework of integrity that fosters a culture attached to the Vision, Values, Code of Conduct, Legislation and applicable Regulations. Under this premise, it is essential to continue reinforcing solid principles based on a shared vision and values that allow us to

adapt to an increasingly demanding, complex and regulated environment, in addition to preventing phenomena that impede the proper development of organizations and even threaten their permanence, as is unfortunately the case with situations of bribery and corruption, money laundering or fraudulent conduct.

The programs and actions derived from the Integrity and Compliance Strategy are integral and permanent components of our business processes that must be kept under constant development. Their effectiveness and



practical applicability require continuous improvement and must always be supported by the congruence in the words and actions of those of us who are part of Peñoles.

## OUR VISION

To be the most recognized Mexican company worldwide in its sector, due to its global focus, the quality of its processes, the excellence of its people and the ethical conduct of its business.

## CODE OF CONDUCT

**Our Code of Conduct** is the guide that expressly states the expected behaviors in our daily activities and interaction with our stakeholders. Every year, the Code of Conduct is reviewed and updated according to the reality of the business environment; therefore, it is socialized and disseminated to all personnel. It is made up of seven sections:

- 1) Understanding of Peñoles' philosophy, purpose, frame of reference for decision making and commitment to our CRIL values.
- 2) Our conduct as employees, the importance of reporting unethical behavior, protection against retaliation, violations of the Code, disciplinary measures and conflict of interest.
- 3) The appropriate way to proceed with our stakeholders (shareholders, customers, suppliers and contractors, employees and community).
- 4) Our comprehensive responsibility for sustainable development, social, zero tolerance for unwanted situations, sponsorships, presents, hospitality and entertainment.
- 5) Guidelines on asset, information and intellectual property protection.
- 6) Provisions for the Board and its Committees.
- 7) References for guidance in the event of concerns that may arise in the daily performance of our functions.



# POLICY OF INTEGRITY AND COMPLIANCE

For Peñoles it is important to provide the appropriate mechanisms so that personnel decision making adheres to the Mission, Vision, Institutional CRIL Values and Code of Conduct.

Our Integrity and Compliance Policy, aligned with the Strategic Plan and authorized by General Management, addresses the following aspects:

**Lines of action:**

Prevention, detection and mitigation contribute to strategic decision making, incident management, good

corporate governance, value creation and the fostering of an environment of trust that contributes to the achievement of vision, organizational objectives and reputation.

**Three lines of defense:**

- The first line is supported by the responsible areas, processes, controls and technology; oriented to daily operations to avoid the occurrence of incidents and ensure compliance with the laws and regulations in force.
- The second line corresponds to the

functions of supervision, reporting and indicators of the comptrollers, risk management, Compliance Department, Legal Department, among others.

- The third line is represented by Internal Audit, which provides independent assurance to the Audit Committee and management on risk mitigation, effectiveness and efficiency of controls and corporate governance.

For further information, please refer to the **Policy of Integrity and Compliance** on the website.

# BEHAVIORAL COMPASS

It represents in a didactic way our reference framework for decision making, particularly when there are questions about how to proceed in situations that require attention with respect to the provisions of the Code of Conduct or, where appropriate, the applicable regulations. This tool is disseminated to all employees through Peñoles' internal communications media.



# CRIL VALUES

Our CRIL values are actively disseminated through screensavers, shift meetings, internal publications, internal portal and souvenir distribution. Furthermore, training is provided in person and online to reinforce decision making based on institutional values.

 <p>A common sign of approval for all. We are confident that we are doing the right thing.</p>	 <p>I choose to raise my hand and I am committed to be responsible for my actions.</p>	 <p>Our actions are consistent with our values. The strong one protects the weak one.</p>	 <p>When we join our little fingers together, we are promising something with our heart.</p>
<b>TRUST</b>	<b>ACCOUNTABILITY</b>	<b>INTEGRITY</b>	<b>LOYALTY</b>
<p>Firmly believe that everyone in the organization acts consistently for the benefit of all.</p>	<p>Meeting promises, commitments made, personal and work challenges.</p>	<p>Act with truth, rectitude and honesty with oneself and others.</p>	<p>To be loyal to our principles and those of the organization.</p>

## CYBERSECURITY

At Peñoles we recognize the value of information and work to protect it, for which we have defined a Cybersecurity Governance Framework based on three lines of defense, with the purpose of coordinating and measuring efforts related to protecting the privacy of the company's personnel and information, as well as strengthening the culture of prevention in the secure use of technology.

Having effective measures in place to address technological risks must take into account technology, processes and people, so we train and disseminate information so that all employees recognize that cybersecurity is the responsibility of everyone in the organization, and by protecting our technology we contribute to and support that the benefits and responsibility of technology are accessible to the entire organization.

Ensuring that we have a service catalog aligned with international best practices allows us to validate that we have the necessary cybersecurity capabilities and processes to address the risks posed by the use of technology, as well as to ensure compliance with applicable regulatory requirements.

Our cybersecurity program allows us to establish the necessary initiatives to strengthen our cybersecurity capabilities:

### GOVERNANCE STRATEGIES.

Regulatory process capabilities through standards and regulations that dictate the protection of information and business technology assets.

### TECHNICAL STRATEGIES.

Enable technological capabilities and procedures to operate securely in all business processes.

## STRENGTHENING OUR INTEGRITY PRACTICES

In order to permeate the integrity framework applicable to Peñoles, based on its vision, organizational values and Code of Conduct, foster trust by example from the highest level ("tone from the top") and strengthen the internalization of expected behaviors in the organization, the following initiatives are in place:

### a) Endorsement of our commitment to integrity

Through the internal technological platform Virtual Campus, we carry out an annual endorsement of our commitment to integrity, through which employees and executives commit to comply with and enforce compliance with the company's Code of Conduct and the Corporate Integrity Manual; additionally, key Compliance concepts are reviewed and internalized through six segments:

- Exercises to socialize the updating of the Code of Conduct.
- Survey on the perception of the company's integrity environment.
- Knowledge and assessment of the Integrity and Compliance Policy, fraud prevention and deterrence procedures and that of donations, sponsorships, presents and hospitality.
- Awareness of the Code of Conduct for Third Parties.
- Videos about the whistleblowing hotline and how to make a report.
- Questionnaire to identify potential Conflicts of Interest (Annual Conflict of Interest Disclosure).

### Concept of Conflict of Interest (COI)

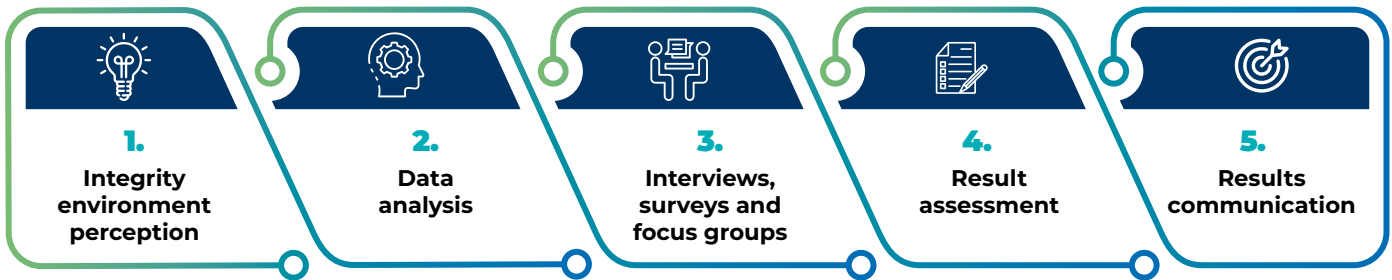
As part of the reinforcement of key Compliance concepts, all employees and managers receive information on what a conflict of interest means, through internal means and as part of the Endorsement of our commitment to integrity:

*"Conflict of interest is the possible impairment of the **impartial and objective performance** of the duties of Peñoles employees due to personal, family, economic, business **or any other type of interest**".*

### b) Integrity Model:

The analysis of the information gathered in the endorsement exercise on the perception of the personnel with respect to the integrity environment allows the assessment of the main behavioral risks and the timely determination of actions that promote the alignment of the personnel with the established internal policies of Peñoles and the Code of Conduct, reducing the likelihood of the incidence of compliance risks.

### Methodology:



### c) Integrity training to new hires and third parties

It is our mission to promote a strong culture of integrity throughout the organization and with our stakeholders through training programs and strategies based on the foundations of the Integrity and Compliance Program.

### d) Training on the Code of Conduct for Third Parties for personnel who establish business relationships with this stakeholder group.

Fourteen virtual training sessions were held for a total of 715 people from different areas of the company.

Thanks to the maturity of the Integrity and Compliance Program, we have made progress in the ranking of the Most Ethical Companies prepared by the consulting firm AMITAI. Additionally, in the annual Corporate Integrity ranking of Expansión Magazine (IC500), together with Transparencia Mexicana and Mexicanos Contra la Corrupción y la impunidad (Mexicans Against Corruption and Impunity).

## REGULATORY COMPLIANCE MANAGEMENT

We strengthened our regulatory management strategy through the rethinking of a risk-based approach to regulatory non-compliance. In addition, we defined several initiatives for the mapping of associated controls, such as policies, procedures and compliance assessments.

We also established a solid foundation for due compliance with regulations that protect the rights of our personnel, such as the Federal Law for the Protection of Personal Data in Possession of Private Parties (LFPDPPP), NOM-035, the obligations on gender equality, non-discrimination, inclusion and diversity.

### Regulatory Compliance System

Based on the Regulatory Management System implemented in 2020, we designed the Regulatory Compliance System (RCS) with various processes and in synergy with areas of direct impact on the Group based on the approach of the three lines of defense with the objective of reinforcing the culture of regulatory compliance.

### Personal Data Protection

Se The work plan of the Personal Data Protection Committee was completed by updating the corresponding internal regulations, completing the risk analysis of the sites and processes in which personal data is processed, and the administrative review by the Regulatory Management Department.

In addition, training on compliance with the LFPDPPP was provided to all SAPSA and SEPSA personnel through INAI's platform, as part of the Group's commitment to INAI's Allies program.

### Organizational regulations

We strengthened the application of best practices in the internal regulatory documentation process and compliance with applicable external regulations:

- Restructuring of the regulatory system based on the new document hierarchy pyramid where the scope corresponding to each document and its responsible parties is identified, in order to have a better control and management of internal regulations.
- A culture of value creation and compliance with external and internal regulations is strengthened through constant updates of corporate documents, focused on best practices, with 80% of documents updated by 2021.
- Based on the new legal requirements regarding subcontracting, the established internal guidelines related to this issue were reinforced, documented and updated.
- With the intention of having effective processes to help prevent social, legal and reputational conflicts, the documentation of inclusion issues such as the Free, Previous and Informed Consultation Process (FPIC) for indigenous and Afro-American peoples and communities was initiated.

# Complaint system

Peñoles provides its stakeholders with direct and confidential channels to report any behavior that contravenes the Code of Conduct and ethical decision-making through an anonymous whistleblowing hotline called “Línea Correcta”, which, with different means of contact, handles complaint reports 365 days a year, 24 hours a day.



**E-mail address:** [penoles@lineacorrecta.com](mailto:penoles@lineacorrecta.com)

**Website:** <https://penoles.lineacorrecta.com>

**Toll-free calls:** 800 002 8477 (Mexico)

**Instant messaging:** (55) 65 38 5504 (Mexico)

We build staff confidence to report misconduct without fear of retaliation through a whistleblower management process that is reliable, effective, and upright.

## ANNUAL STATISTICAL INFORMATION

In 2021, a total of 138 reports were received through the whistleblowing hotline, Línea Correcta, grouped into the following categories:



Based on these reports, 48 remedial actions or disciplinary measures were taken as follows:



**101 reports were concluded and 37 are still under investigation**

To strengthen confidence in the whistleblower system, the following transparency and accountability practices were implemented and disseminated through institutional channels:

- Línea Correcta semiannual executive report.
- Quarterly newsletter containing statistical data on complaints, categories and remedial actions.

The company expects all its personnel, as well as its shareholders, customers, contractors, suppliers and communities where we operate, to adhere to the Code of Conduct, doing the right thing, complying with the established rules and policies, as well as the laws, rules and regulations that apply to us.



# Anti-retaliation Guidelines

The purpose of this guideline is to promote an environment of trust and openness where the right to report any action or behavior that is contrary to the provisions of our Code of Conduct or that contravenes any external or internal regulation without concern for reprisals is encouraged.

At Peñoles, we are committed to obtaining sufficient information in a friendly, objective, confidential and legally compliant manner to take fair and informed action on a reported case and to conducting an objective, thorough and fair investigation of the allegations before making a determination. We, as Peñoles personnel, are expected to cooperate in investigations.

## It is our responsibility:

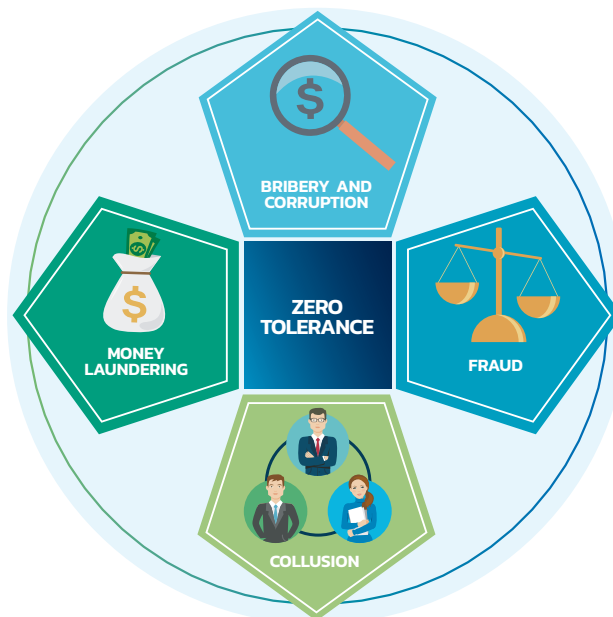
- Ensuring that all our stakeholders are free to report irregularities.
- Proveer de herramientas y canales para la recepción de denuncias de una manera, fácil, segura, confidencial y anónima sin ningún miedo a cualquier tipo de represalia.
- Investigate, resolve and, if necessary, sanction all reports received.

The **Integrity Manual** establishes that it is prohibited to impose any type of punishment or retaliation against whistleblowers. Retaliation will be grounds for internal disciplinary action, which may even constitute grounds for justified dismissal.

For further information, please consult the following in our website **Corporate Integrity Manual** and **Code of Conduct**.

## Zero Tolerance TO UNWANTED SITUATIONS

Peñoles has a **zero-tolerance stance on money laundering, fraud, collusion, bribery and corruption, and refrains from doing business dealings with third parties suspected of engaging in these activities.** In accordance with our **Code of Conduct**, the company respects human rights and encourages its suppliers and contractors to agree with the same ethical principles.



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## Responsible Industry Statement

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Peñoles is committed to legality and respect for national and international laws through the **Responsible Industry Statement** on the Peñoles website: <http://www.penoles.com.mx>

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## Procedure for relationships with the Government

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This procedure applies to all Peñoles employees and third parties acting on behalf of the company in any interaction with domestic or foreign governments. It establishes a zero-tolerance stance for acts that call into question the ethical culture of the organization or that are perceived as corruption or bribery in any relationship with the government. Therefore, we must avoid participating in any unethical act to obtain a direct or indirect commercial advantage for Peñoles or to facilitate any routine government procedure.

For further information, please refer to the **Procedure for relationships with the Government**.

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## PROHIBITION OF BRIBES AND facilitation payments

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The **Corporate Integrity Manual** specifies that it is prohibited to promise, offer or deliver anything of value to public servants, customers, suppliers or any third party, either directly or indirectly, in exchange for carrying out or abstention from conducting any activities related to their functions.

For further information, please refer to the **Corporate Integrity Manual**.

# Donations, sponsorships, presents, hospitality and entertainment

This procedure is applicable to all Group companies, Business Units and employees who do business with third parties. It establishes the measures applicable to the granting of donations, as well as the treatment of cases interpreted as granting/receiving sponsorships, subsidies, presents, entertainment, hospitality and gratuities from or to third parties.

## Code of Conduct.

It is our obligation to tactfully and courteously refuse any type of present intended to be given to us by customers, suppliers or any other third party with whom Peñoles has business dealings. Similarly, it is our obligation to refrain from giving presents to any type of third party.

At Peñoles, **the only acceptable gifts are promotional items of low value for advertising purposes and are delivered in an obvious manner**; also, promotional items are the only presents that Peñoles delivers to its customers, suppliers and third parties with any relationship with the company.

All personnel whose duties require them to accept invitations from third parties to visit their facilities, attend training, events or exhibitions organized by them, must have the authorization of our Divisional Director; in addition, travel expenses and registration fees will be paid by Peñoles.

For both hospitality and travel expenses incurred, staff must comply with the rules set out in the **Procedure for Authorization and Verification of Travel and Local Expenses**. Part of these documents define that the reason for offering expense reimbursement to third parties and stakeholders must be clearly documented.

For further information, please refer to the website **Procedure for donations, sponsorships, presents, hospitality and entertainment**.



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# Political and social donations and/or contributions

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## **Code of Conduct.**

Peñoles recognizes and respects the right of individuals to participate in activities outside the company, such as those of a political nature and/or in non-governmental organizations. In these cases, we expect such social activities to be legal and not to interfere with our work or compromise the company.

Participation in activities related to politics or electoral processes should be on a personal basis and we should not use our company's resources (time, office equipment, vehicles, machinery, uniforms, among others).

**Peñoles does not directly or indirectly make contributions or other payments, nor does it provide goods or services to candi-**

**dates for public office or political parties;** however, it encourages its personnel to participate in civic activities in the communities where its operations are located.

**When a non-governmental organization requests support from our company, the channel of attention is through the community outreach departments;** however, when Peñoles rejects a request for support, it does not mean that the objective is not necessary or valuable, but rather that it may not be aligned with the priorities or availability of funds.

For further information, please refer to the **Procedure for donations, sponsorship, presents, hospitality and entertainment.**

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# Fraud prevention

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For purposes of our integrity and compliance framework, fraud is a crime committed by deliberately using deception or taking advantage of a position to obtain an undue economic benefit to the detriment of Peñoles.

It is important to consider that, although a person who commits fraud usually seeks to obtain a benefit for himself or for others, it can also have the purpose of damaging the assets and reputation of our company. Therefore, it is necessary to prevent it and to report them in a timely manner, in case one or more associated risks such as any of the following materialize:

- I. Misuse of company resources.
- II. Abuse of the position in the company for own economic benefit.
- III. Misappropriation of the company's assets (examples: misappropriation of assets, improper collections, improper disbursements, theft of assets and financial resources).
- IV. Improper use and disclosure of confidential information (e.g., trade secrets).
- V. Fraudulent reports and statements (examples: manipulation of accounting records, elimination or omission of transactions, recording of transactions without proper support).

For further information, please refer to the **Fraud Prevention and Deterrence Procedure** on the Website.

# Money laundering prevention

Peñoles permanently addresses the prevention aspects of any type of money laundering and refrains from doing business with third parties that may use our company as a vehicle to incorporate resources of illicit origin into the formal economy. For this reason, we carry out the appropriate actions to assess the integrity of transactions and minimize the risk of becoming involved in operations that imply or appear to imply money laundering.

In compliance with current regulatory requirements to which Peñoles is subject under the Federal Law for the Prevention and Identification of Operations with Illicit Proce-

eds (Anti-Money Laundering Law), the following preventive and remedial actions were carried out:

- Updated publication and dissemination of the Manual for Compliance with the Federal Law for the Prevention and Identification of Transactions with Illicit Proceeds in our internal regulations system.
- Follow-up of transactions related to “vulnerable” activities for purposes of the Law.
- Remedial self-corrective actions permitted by the Law in force in Group companies.

# Business Partner Integrity Program

## Third Party Integrity Training

It is our mission to promote a strong culture of integrity throughout the organization and with our stakeholders through training programs and strategies based on the conceptual foundations of the Integrity and Compliance Program.

Service providers were trained in our Code of Conduct for Third Parties.

Business partners are informed through electronic communications on how to proceed with presents and hospitality contained in the Sponsorship, Presents, Hospitality and Entertainment Donations Procedure, as well as through the Code of Conduct, the Corporate Integrity Manual, the Anti-Corruption and Bribery Procedure and the Conflict-of-Interest Management Procedure available on the company's website.

For further information, please refer to the **Code of Conduct**.

## Code of Conduct for Third Parties (Third Party Integrity Manual)

In accordance with our Integrity and Compliance Program with scope to our third parties, whom we identify as any legal entity or individual who has an interest relationship with

Industrias Peñoles and its subsidiaries, we have a Code of Conduct for Third Parties that expressly states the guidelines to which our business partners must adhere.

This Code is based on our Business Strategy of Integrity and Compliance, it is also based on the principles that distinguish us as an organization and was developed considering the applicable regulatory compliance and adherence to internationally recognized standards, such as the United Nations Global Compact, the conventions of the International Labor Organization, the guidelines issued by the Organization for Economic Cooperation and Development (OECD) and the United Nations (UN) that promote corporate responsibility, as well as respect for human and labor rights.

## Code compliance assurance activities

Peñoles carries out the following activities:

- 1) Due diligence procedure to know the operational profile of our third parties through a risk-focused system.
- 2) Visit facilities and/or request documentation.
- 3) Education, dissemination and training activities.

For further information, please refer to the **Code of Conduct for Third Parties** on our Company's Website.

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# Definitions of corruption acts

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## CORRUPTION

Abuse of power to benefit oneself or a third party.



## BRIBERY

Offering, giving, soliciting or receiving (directly or indirectly) a benefit with the intention of improperly influencing the actions of another person.

- **Active bribery:** is the improper offer or concession, directly or indirectly, of anything of value.

- **Passive bribery:** is the improper demand or acceptance of anything of value.



## ENTERTAINMENT

Provide the opportunity to participate in an act or activity that may compromise their decision.



## HOSPITALITY

Act of providing travel, transportation, lodging or entertainment; also includes meals when provided as part of entertainment to third parties.



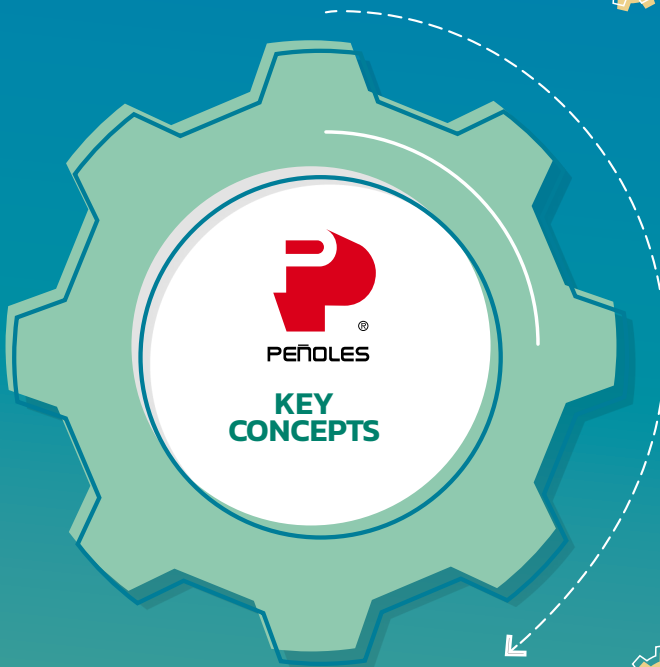
## PRESENT

Anything of monetary value, favor or influence.



## UNDUE ADVANTAGE

Refers to something to which the company or person in question has no clear or legitimate right, such as an operating license for a factory that does not meet regulatory requirements.



For further information about illegal acts of corruption, please refer to the **Corporate Integrity Manual**.

## Anti-Corruption Training Program

Peñoles voluntarily complies with national and international principles whose purpose is to avoid situations that affect the impartial and objective performance of our functions; among them the General Law of Administrative Responsibilities or, indirectly (attraction clause), regulations such as the UK Bribery Act (United Kingdom) or the Foreign Corrupt Practices Act (United States). In this regard, Peñoles requires in particular that all its employees comply with the applicable anti-corruption regulations to ensure the trust of our stakeholders: community, employees, shareholders, customers, suppliers and governments.

Peñoles is committed to providing not only its employees and executives, but also all its stakeholders, with the necessary tools to act in a manner consistent with its principles and expected behaviors. To this end, it has a Compliance structure headed by an Ethics and Corporate Values Committee and

a Compliance and Risk Department, which has strengthened the **Annual Training and Dissemination Program** aimed at reinforcing the integrity practices necessary for the correct development of our company.

For the fifth consecutive year, we launched through the internal technology platform Virtual Campus, the *Endorsement of our commitment to integrity*, through which employees and managers reviewed the contents of the Code of Conduct and internalized key concepts of Compliance through six segments:

- Exercises to socialize the updating of the Code of Conduct.
- Survey on the perception of the company's integrity environment.
- Awareness and assessment of the Integrity and Compliance Policy, Fraud Prevention and Deterrence; Do-

nations, Sponsorships, Presents and Hospitality Procedures.

- Awareness on the Code of Conduct for Third Parties.
- Capsule on the whistleblowing hotline and a tutorial on how to make a whistleblowing report.
- Questionnaire to identify potential conflicts of interest (annual statement of conflicts of interest).

The innovation of including the digital signature, with legal validity, was achieved in order to demonstrate the commitment of all personnel in the knowledge of and adherence to the internal regulations that make up the Integrity and Compliance Program.

A total of **3,388 employees** successfully certified their knowledge and reaffirmed their annual commitment, which represented **99.69% of the personnel**.

## Integrity Program Monitoring

### Control, monitoring and auditing systems

The Compliance and Risk Director is responsible for establishing an adequate and effective control and monitoring system that constantly and periodically examines compliance with integrity standards throughout the organization. Its objective is to ensure the design, establishment,

verification and updating of policies, processes, guidelines and controls that promote compliance with internal and external regulations applicable to Peñoles and its employees in relation to their corporate and business activities.

The mechanism for monitoring the Integrity and Compliance Program is

the Peñoles Planning System (**SPP**), through which the Director of Compliance and Risks visualizes the status of the program: percentage of progress in initiatives and projects and the evidence supporting the above.

For further information, please refer to the **Corporate Integrity Manual**.

## Violations of the Code of Conduct

The Ethics and Corporate Values Committee, a body made up of company executives, is responsible for supervising and overseeing compliance with the Code of Conduct and the Corporate Integrity Manual, as well as for dealing with cases of unethical conduct and establishing sanctions when they occur.

Violations of the Code of Conduct will result in disciplinary measures that will vary depending on the circumstances and seriousness of each case. Before determining any disciplinary measure, the available evidence is validated, respecting the rights of the persons involved in the alleged violations.

In accordance with the Corporate Sanctions Matrix and the determination of the Ethics and Corporate Values Committee, one or more of the following sanctions may be enacted:

- Verbal Warning.
- Written Warning.
- Administrative Act.
- Temporary suspension of functions or of certain benefits.
- Termination of employment.
- Others that may be legally appropriate.

For further information, please refer to the **Code of Conduct**.



PEÑALES