



# Compliance

## Procedure to manage conflicts of interest

### Objective

Setting up general guidelines aimed at identifying, reporting and managing conflicts of interest to boost our Integrity Culture and foster an environment of trust inside all the organizations that constitute Industrias Peñoles, S.A.B. de C.V. as well as our subsidiaries, (hereinafter referred to as IPSAB).

### Scope

This procedure shall govern all personnel and management team, with no exemption in connection with their position or authority level, who are employed by the Organization, including, but not limited to, Officers, Managers, and all temporary of full-time employees.

Input	Outputs
<ul style="list-style-type: none"> <li>• Questions or prevention of a potential conflict of interest.</li> <li>• Conflict of interest (COI).</li> </ul>	<ul style="list-style-type: none"> <li>• Statement about conflict of interest</li> <li>• Advise given by the Compliance Function to employees.</li> </ul>

### Operative norms

### Overview

At IPSAB businesses are conducted ethically, based on best business practices; therefore, decisions shall not be influenced by personal interests of any employee or third party.

In case any employee or third party related to IPSAB had a personal interest different from the best interests of the Organization, their capability to perform and decide in the best interest of the Organization might be compromised and could result in a non-compliance in the proper performance of their duties which is known as a conflict of interest (COI).

During our day-to-day operations, some situations might arise, and if they are not properly analyzed, they could result in conflicts of interest that might wrongly influence the decision-making process causing financial, operative and/or reputational damage to the Organization. Therefore, conflicts of interest must be identified, reported and managed in a timely manner, seeking to resolve them with integrity and accountability. Reporting them in a timely manner allows them to be properly resolved, to maintain the integrity and sustainability of the Organization, creating an environment of trust among the different stakeholders with which we relate.

### Roles and responsibilities

Next, the responsibilities of the parties involved are described for the management of conflicts of interest:

<b>Compliance and Risk Directorate:</b>	It is responsible for coordinating and supervising the implementation of the present procedure, periodically evaluating its effectiveness and taking appropriate measures to address potential areas of opportunity, as well as safeguarding information from Conflict of Interest statements and a record of their assessment and control actions.
<b>Personnel and third parties:</b>	Report a conflict of interest annually and at the time a conflict of interest is identified or may exist through the technology platform established for this purpose.
<b>Compliance Officer (Compliance Director)</b>	Supervise investigation in cases that require it, with respect to non-compliance with this procedure; or, situations involving or that may involve committing a crime, and if necessary, contact the Legal Directorate for support to report any offense to the relevant authorities.

**Human Resources Directorate:** Support in cases that require a penalty to the relevant employee based on this procedure, ensure that newly hired personnel are aware of this procedure and channel any doubts or concerns that arise from the staff to the Compliance Directorate.

Validate with the Compliance Directorate before making organizational personnel movements (including new hires by IPSAB, inter-company changes within the BAL Group, promotions or side changes within IPSAB) to avoid situations that may result in internal or external COI situations as described in this Procedure.

**Third Party Contact Department:** Responsible for ensuring that the third parties with which the Organization has a business relationship are aware of this procedure and invite them to report any relevant conflict of interest where applicable.

High-exposure staff	Low-exposure staff
<p>Personnel who, due to the nature of their position and decision-making authority, can generate a significant impact on business operations, who perform their duties in the following roles: CEOs, Directors, Deputy Directors, Managers and Superintendents.</p> <p>All employees or officers who interact with public servants are also considered as high-exposure personnel.</p>	<p>All staff who perform their role in the following roles or positions: specialists, coordinators, consultants, facilitators, collaborators (non-unionized) and interns.</p>

**Procedural breaches**

Cases of non-compliance with this procedure represent a deviation from the behaviors expected in our Third Party Code of Conduct and Code of Conduct and must be filed with the relevant Ethics Committee to provide for applicable sanctions and if the case report any conduct that might constitute a crime to the authorities. Failure to do so by our third parties may result in termination of the business relationship with IPSAB.

There is the commitment of no retaliation against any people reporting COI detected in the departments where they work or as part of their duties to the Compliance Directorate or through the Correct Whistleblowing Line. Confidentiality of the report and the whistleblower will be fully protected.

Every report made will be objectively and thoroughly analyzed to evaluate the information, before considering any possible disciplinary action. Our employees and/or our third parties are expected to cooperate by reporting possible situations that may result in a conflict of interest so that they can be assessed and managed in a timely manner.

**Assumptions that materialize a conflict of internal interest**

A Conflict of Interest may result from situations that develop internally, i.e. that the person(s) involved might generate such a conflict as a result of the following:

1. interaction with internal staff to perform their duties
2. (i) Influence or any other factor that might result in a benefit and/or undue advantage for themselves, their personal relationships or for the Organization.

All situations that we must avoid, but not limited to, that might result in a conflict of interest involving factors within the organization are as follows:

No.	Conflict of Interest	remarks
01	Use your position in the organization to influence the hiring process of a family member or close relationship.	Prior to hiring any Family Members, the Recruitment, Selection and Hiring Procedure as published in the Standards System must be fully complied with. The Human Resources and Compliance Functions should also be informed for them to assess the existence of a potential conflict of interest.

02	Use their position in the organization to influence wage or professional development decisions regarding a family member or close relationship.	If this assumption is identified or appears to materialize, it is mandatory to report it through the technology platform designed for this purpose.
03	Use their position in the organization in case they hold the position of supervisor of a family member or close relationship (direct or indirect subordination) to give them extraordinary benefits or advantages.	Refrain from establishing sentimental relationships among staff when there is a direct subordination among them. If there is indirect subordination, approval is required in accordance with <a href="#">Table 1</a> .
04	Use their position in the organization in case they are subordinates of a family member or close relationship (direct or indirect subordination) to get extraordinary benefits or advantages.	It is mandatory to report annually and at the time it is identified all evidence showing that a conflict of interest exists or may exist through the technological platform established for this purpose.
05	When any employee of the organization holds an additional position in some political, judicial or administrative function and derived from their duties they might generate a benefit to the interests of Peñoles or adversely impact the organization.	Report a conflict of interest annually and at the time a conflict of interest is identified or may exist through the technology platform established for this purpose.
06	Use their influence in the organization to make the decision to establish, on behalf of the organization, a business relationship with a third party where a close family member or a personal relationship holds a position that will have interaction with Peñoles during the business relationship.	
07	Provide a close family member or personal relationship with information about the organization, its staff, its customers and providers, and any other type related to its processes, from which they may get undue benefits or advantages as well as harming the organization.	If this assumption is identified or appears to materialize, it is mandatory to report it through the technology platform designed for this purpose.

**Report of interpersonal relationships and/or close personal relationships:**

Where there are kinship or interpersonal relationships originating close personal relationships, whether or not they are of a legal nature (e.g. couples, courtships, concubines, relationship between the godparent and the child's parents, etc.), among people working in or for IPSAB or its third parties, the following guidelines must be met:

- Related personnel must report the situation via the system established for this purpose.
- Relatives of employees who hold a management position should not work in the same Plant or Management Division or in the company that the family member (manager) runs.
- Personnel who engage in and report kinship or interpersonal relationship may not work in the same division or department unless the bodies assessing the situation determine that there is no conflict of interest that can materialize.

All efforts aimed at hiring former Public Officials or Servants shall be analyzed and approved by the Chairman of the Board for managerial positions and by the CEO in the cases of positions in lower ranks of the organization. Under no circumstance, such new hires should be intended to take advantage of the privileged information Public Officials or Servants might be in the possession of or violate the boundaries set up by the relevant authorities and / or legislation applicable for such hires.

All efforts aimed at hiring any third party who, in turn, employ our organization's retirees or former collaborators in managerial positions shall be analyzed and, if the case, approved by the Chairman of the Board; in the case of positions in lower ranks of our organization, our CEO shall analyze and, if the case, properly approve them and the business unit who employs them shall timely report the decision to hire the corresponding service or start the business relationship to the Compliance Directorate via email at [Orientacion\\_Eticacumplimiento@penoles.com.mx](mailto:Orientacion_Eticacumplimiento@penoles.com.mx).

**Assumptions that might result in an external conflict of interest**

A Conflict of Interest might result from situations that develop through internal staff relationships and:

1. factors outside the organization,
2. third parties with no business relationship with the organization,

Those situations might generate an undue benefit and/or advantage for the personnel involved, their personal relationships, the Organization and/or the Third Parties concerned.

Most situations involving external factors, but not limited to, which might result in a conflict of interest and therefore must be avoided are the following:

No.	Conflict of Interest being employees of Peñoles:	remarks
01	Use assets (intellectual capital and/or resources) of the company to obtain undue benefits or advantages.	Avoid the use of equipment, materials or resources owned by the Organization for any type of activity that is unrelated to the functions it performs within IPSAB, or that its use entails violation of the law.
02	Disclose secrets, confidential information of the organization through advice, consulting or any type of service they provide to third parties outside of their corresponding duties within the organization.	
03	Breach of responsibilities within the organization due to pressure from a third party unrelated to the organization to obtain a personal benefit or advantage.	
04	Work for a company that holds a business relationship with IPSAB.	If this assumption is identified or appears to materialize, it is mandatory to report it through the technology platform designed for this purpose.
05	To serve as administrator, manager, director or consultant in a charity, sports, volunteer or civil organization that has a relationship with IPSAB.	

Staff may do additional work (paid or not) to that done at IPSAB, always considering the following recommendations; additional activities:

- Shall not interfere with the main activity of staff or the company and do not result in a conflict of interest.
- Must be reported to the Compliance Directorate in case they are part of the assumptions in the table above, prior to performing them, so that they can be analyzed and do not result in a conflict of interest. do not represent competition or transfer of technology, brands or any other knowledge developed in, by or for the company, to a third party.
- Shall not jeopardize the physical or mental health of staff or cause any harm to the work they do in the organization or to its reputation.
- Do not violate IPSAB laws or regulations.
- Shall not be done within working hours or at IPSAB facilities.

No.	Conflict of Interest	remarks
06	Accept a situation that may appear as undue influence (gifts, gratuities, entertainment, commissions, discounts or other advantages).	
07	Be shareholders in the equity of a third party that holds a business relationship with IPSAB.	Employees shall not own, partner or be directly or indirectly involved with any current or potential competitor of the Organization, except in cases where shares are acquired through the stock market.
08	Take advantage of the position of a close family member or personal relationship who holds a political, judicial or administrative position to get a benefit for IPSAB.	

## COI assessment and management

The Compliance Directorate shall treat the information confidentially and objectively during while assessing the Conflict of Interest (COI) reported. Similarly, the reported situation will be impartially assessed, considering the likelihood and impact of the risk materializing on the activities of the Organization. In turn, the Compliance Directorate is responsible for managing reported conflicts of interest as follows:

- Any report regarding a conflict of interest should initially be treated as an alleged conflict of interest, and shall be assessed based on the information obtained from the situation to determine whether this alleged conflict of interest may result in a potential conflict of interest or an actual conflict of interest.
- In case the assessment of the Conflict of Interest results in a potential or real conflict of interest, i.e. that the situation may undermine the interests of the Organization, or a situation has already materialized where there are undue benefits and/or advantages, the corresponding divisions shall be notified according to [Table 1](#).

The Compliance Directorate shall find the best way to mitigate the risks that may arise by suggesting measures that can be implemented, such as:

- Organizational Measures: Avoid Conflicts of Interest over inadequate assignment of roles, responsibilities and lines of report
- Measures to prevent undue influence: Limit influence on how employees perform a specific activity to generate undue benefits.
- Abstention measures: Ensure that, in case no satisfactory solution to safeguard the interests of the Organization could be found, the activity resulting in the Conflict of Interest shall be stopped and relevant authorities shall be notified.

**Table 1. Notification and authorization of situations that might appear as conflicts of interest**

Conflict of Interest (internal)		Report to:	Low-Exposure Staff			High-Exposure Staff				
			Report	Approve		Report			Approve	
No.	Situations that could result in or appear as a COI	CD	HR-DIV	OC	D-DIV	HRD	CO	D-DIV	CEO	P
1	Comply with the Staff recruitment, selection and hiring procedure.	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	The existence of a direct or indirect subordination among family members or other close people.	✓	✓	✓	✓	✓	✓	✓	✓	✓

Conflict of Interest (external)		Report to:	Low-Exposure Staff			High-Exposure Staff					
			Report	Approve		Report			Approve		
No.	Situations that could result in or appear as a COI	DC	RH-DIV	CO	D-DIV	JD	DRH	OC	D-DIV	DG	P
1	Take external jobs that might appear as if interfering with their capability to properly meet their duties with Peñoles (including third parties who hold a business relationship with IPSAB).	✓	✓	✓	✓	✓	✓	✓	✓	✓	
2	Take external jobs that are not prohibited in the Corresponding agreement of Employment.	✓	✓	✓	✓	✓	✓	✓	✓	✓	
3	Hold the position as administrator, responsible, director or consultant for a charity, sports volunteer or civil organization related to IPSAB.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4	Appear as if taking unlawful advantage of the position held by a family member or other close people, either political, judicial or administrative to get any benefit in favor of the interests of IPSAB.	✓	✓	✓	✓		✓	✓	✓	✓	✓

CD	Compliance Director
HR-DIV	Human Resources - Divisional
CO	Compliance Officer
D-DIV	Divisional Director
DRH	Director of Human Resources
CEO	CEO
P	Presidency

## COI Reporting Methodology

There are 2 ways employees can report conflicts of interest:

- Initial and annual reports:  
New hires by IPSAB shall complete their conflict of interest statement form through the platform provided by Compliance personnel. In addition, on an annual basis, staff must complete the Annual Renewal of our commitment to Integrity which includes the form for reporting and/or updating conflicts of interest.
- Supplementary report:  
In the event that staff detect any COI situation after or before the annual term to report COI via the “Annual Renewal of our commitment to Integrity”, they shall request that the corresponding reporting platform shall be available to update their COI report via email at

**Orientacion\_Eticacumplimiento@penoles.com.mx.****Training**

All IPSAB employees shall become aware of the content of this document and attend courses, workshops, *Annual Renewal of our commitment to Integrity* (including the report and/or update of conflicts of interest); as well as other training programs to be attended through the different platforms provided by the Organization.

The Compliance Directorate is authorized and is the first point of contact, to provide advice, assistance and training to staff regarding the content of the present procedure, which is mandatory and aims to reinforce the knowledge required for compliance and the proper management of COIs.

Failure by staff to comply with the relevant training completion and/or attendance within the time limits shall be deemed to be a failure to comply with the procedure and may result in disciplinary action.

The participation and conclusion of the Annual Renewal of our commitment to Integrity is mandatory to all staff and management, regardless of their position or level, who work for the Company, including without limit, all temporary and full-time staff.

**definitions**

<b>Benefit / Advantage</b>	Anything of value, including gifts, gratuities, trips, fees, entertainment activities, commissions, discounts, favors and other related advantages.
<b>Conflict of interest:</b>	A situation in which the professional judgment of staff, or their behavior in relation to their work or position at IPSAB, may be affected by an interest other than the interest of the Organization. Such interest may be personal, that of their relatives, that of a third party or of another person with whom staff or their families have a close link.
<b>Alleged Conflict of interest:</b>	It is the situation in which, even if there is no real Conflict of Interest, there is the impression that it exists. We know that the situation seems a conflict of interest when the supporting information is assessed and the existence of a potential or actual conflict of interest is ruled out.
<b>Potential conflict of interest:</b>	Where any people have a particular interest that could influence their professional judgment from the position, they hold but are not yet in a situation in which they must make such discernment. That is, a potential conflict of interest exists when there is no real conflict of interest, but the possibility that it exists in the near future is reasonably foreseeable.
<b>Real Conflict of interest:</b>	Where any person has a particular interest in relation to a particular professional judgment or discernment, and is already in a situation or position in which he or she may exploit his or her professional ability or position to make such judgment, with the aim of getting an undue benefit or advantage. That is why we could say that real conflicts of interest are current risks.
<b>Family Member:</b>	<p>It refers to (a) direct family members (spouse, partner, parents, grandparents, children, stepchildren and siblings), people with a romantic relationship (girlfriend or boyfriend) or people with whom someone has a relationship of trust in the personal sphere (mother-in-law, father-in-law, brothers-in-law and sisters-in-law, godfather and godmother and their relationship with the child's parents).</p> <p>For the present procedure, the following are considered family members:</p> <ul style="list-style-type: none"><li>• By blood relationship: parent, grandparent, child, fully adopted child, sibling, half-brother or sister, grandchild, uncle, aunt, cousin, nephew,</li><li>• By affinity: spouse, concubine, parents-in-law, son-in-law, daughter-in-law, stepchildren, brother-in-law, sister-in-law, and their brothers and sisters.</li><li>• By custom: godfathers, godmothers, godchildren.</li><li>• By closeness: Anyone with whom the employee has a personal, trustworthy and unconditional relationship whose nature may interfere with his or her ability to make objective and fair business decisions. This typically includes girlfriends, boyfriends, friends (e.g. childhood, college, or recent) and generally those with whom employees frequently spend a lot of time.</li></ul>
<b>Materialization of a conflict of interest:</b>	It occurs when employees or a third party stop making objective decisions in favor of IPSAB in order to obtain a direct or indirect benefit to themselves, their family members and/or close personal relationships.
<b>High exposure staff:</b>	All staff who perform their duties in the following roles or positions: Group Directors, Directors, Deputy Directors, Managers, Superintendents, any employee who has contact with public officials.

**Low exposure staff:** Staff who do not belong to the High Exposure category. All staff who perform their duties in the following roles or positions: specialists, coordinators, advisors, facilitators, collaborators (non-unionized) and interns.

Any person employed under an individual written contract of employment with IPSAB or a subordination relationship with IPSAB. It includes directors, assistant directors, managers, non-unionized staff, temporary staff, as well as interns and temporary or fixed-term staff, among others.

**Public Servant:** Any official or employee of a governing body or decentralized unit thereof, representing any level of government, federal or national, state or municipal; without limitation, to its legislative, administrative bodies, ministries or secretariats, judicial bodies, investigative agencies and public bodies of any nature or productive enterprises of the state. Likewise, any member belonging to any political party or candidate for any popular election position. It includes employees of a provider that is controlled by the government.

**Subordination:** Action of reporting directly (immediate boss) or indirectly (superior to immediate boss) to a higher hierarchical position.

**Third Party:** It refers to any individual or organization that hold a business relationship with IPSAB either by rendering some services or supplying some goods, or that holds any type of commercial, business or mutually beneficial relationship.

**Procedural flows**

**Formats**

**Annexes**

- N/A

- N/A

**Information to update document**

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