

# AUDIT AND CORPORATE GOVERNANCE COMMITTEE

## Industrias Peñoles, S.A.B. de C.V. ANNUAL REPORT

Mexico City, March 1, 2021.

**To the Board of Directors of Industrias Peñoles,  
S.A.B. de C.V.**

Present.

### Dear Board Members:

In accordance with the article 43 of the Securities Market Law, in my capacity as a Chairman and on behalf of the Audit and Corporate Governance Committee of Industrias Peñoles, S.A.B. de C.V. (the "Company"), as well as in compliance to our Rules of Operation, I hereby present to you the Annual Report of activities of such Committee corresponding to the 2020 fiscal year.

The Committee held seven sessions regarding the fiscal year of 2020. The main activities carried out are described below:

- We were informed about the most important projects of the Company and their progress. The labor and commercial situations arise from the Covid-19 pandemic were followed up.
- We were informed of the accounting effects derived from the closure of the mining units Bismark, Milpillas and Madero, as well as the tax management of the investments in mining works and the determination of the special mining right.
- We were informed about the new bond issues of the Company in the international markets for the total amount of US\$ 1,450 million, as well as about the external limited audit of the financial statements as of March 31.
- It was reviewed that the external auditors firm, as well as the external auditor and his team, fulfilled and maintained during the term of their external audit services, the independence, personal and professional requirements, and that they had the quality control system set in the General Regulations Applicable to the Public Companies Supervised by the National Securities and Bank Commission that hire External Audit Services of Basic Financial Statements (*Disposiciones de Carácter General Aplicables a las Emisoras Supervisadas por la Comisión*

*Nacional Bancaria y de Valores que Contratan Servicios de Auditoría Externa de Estados Financieros Básicos*) (hereinafter referred to as the "Regulations").

- We became acquainted of and followed the Annual Plan of the External Auditor, including the scope, nature and opportunity of the audit processes, the meaningful procedures that they decided to analyze, as well as the risks and key subjects that they determined. Additionally, we evaluated the performance of the firm, concluding that the firm fulfilled the necessary requirements for the execution of the assigned job, in accordance with the Regulations and regarding the additional services received, the firm accomplished the objectives assigned. Certain non-conformities that the administration expressed during the 2020 financial year, were communicated to the external auditors, which have been and continue to be addressed by the firm. In addition, during the year, the internal control observations reported in the suggestions letter were followed.
- The Annual Plan of the Internal Auditor was approved and we reviewed its quarterly reports on the status of the internal control system, the important aspects observed during the execution of the Plan, as well as the corrections made during the year and, as the case may be, those aspects that remained outstanding.
- We reviewed the Statement issued by the external auditors referred to in article 35 of the Regulations, so we knew the materiality and the tolerable error considered in their audit, the evaluated meaningful processes, the nature of the audit adjustments and their amount, as well as the conclusion that they reached. They reported that all significant audit differences observed and confirmed by the administration were incorporated into the audited financial statements.
- Each quarter we followed up the financial information of the Company. Also, the consolidated and individual financial statements prepared by the management as of December 31, 2020 were analyzed, as well as the unqualified opinion expressed by the external auditors on their opinion about them.
- We followed the legal, accounting and tax matters presented by the management as well as by the external and internal auditors during the fiscal year, and we also followed up different internal control issues related to information technology safety presented by the administration.

- We assessed the report presented by the Chief Executive Officer (“CEO”) in accordance with the article 42, section II, subparagraph e) of the Securities Market Law; we consider that the information contained therein reflects in a reasonable manner the financial position and the results of the Company, due to: (i) the accounting policies and criteria applied by the Company in the preparation of the financial information, included in the notes to the audited financial statements, are adequate and sufficient, taking into consideration the specific circumstances of the Company; (ii) the certification of the people responsible for signing the financial statements, referred to in article 32 of the Regulations, was obtained and, (iii) the accounting policies and criteria have been consistently applied. Due to the above, the Committee recommends the Board of Directors to approve the consolidated and individual financial statements corresponding to the fiscal year 2020, as well as the accounting policies and criteria applied by the Company in the preparation of the financial information.
- We had no knowledge of any Shareholder, Director, Relevant Officer, employee or, in general, any third party, making observations regarding the accounting, internal controls or issues related to internal or external audit, or of complaints made during 2020 on irregularities of the management.
- The management maintained inform to the Committee about the compliance of the Code of Conduct and the complaints received through the mechanism of disclosure of undue acts and protection to informants.
- In several minutes of ordinary sessions of the Board of Directors, were included resolutions about operations and activities in which the Committee intervened in accordance with that provided in the Securities Market Law, therefore the Secretary of the Board of Directors certificated the due follow of the resolutions of the Shareholders and the Board of Directors, corresponding to the 2020 fiscal year, by the Committee. Likewise, through this Certification it was informed that, during this year, the Board of Directors did not grant any waiver in order for Directors, Relevant Officers or individuals with Power of Command, to take advantage of business opportunities for their own benefit or for that of third parties that correspond to the Company or to entities controlled by it or in which the Company has a significant influence.

- The Nomination, Compensation and Evaluation Committee of the Company submitted a report to the Committee, in which it informs that, during 2020, it reviewed the performance of the Relevant Officers without finding any remark, and that it examined the compensation packages of the CEO and the Relevant Officers which, in opinion of the Nomination, Compensation and Evaluation Committee, are in compliance with the policy approved by the Board of Directors. Likewise, the Audit and Corporate Practices Committee was informed about the organizational restructuring of the Company effective as of January 1, 2021, which was duly disclosed to the market.

Finally, it is hereby informed that the most significant transactions, entered into with related parties, subsidiaries and other affiliate companies during 2020 correspond, among others, to the sale of metals, treatment fees, concentrates purchase, energy purchase, royalties, rendering of services and revenues for financial instruments; these transactions, as informed by the management, were made at market prices and most of them have transfer pricing studies prepared by independent specialists.

On behalf of the Audit and Corporate Governance Committee,



**Mr. Ernesto Vega Velasco**

Chairman of the Audit and Corporate Governance Committee  
**Industrias Peñoles, S.A.B. de C.V.**