

Audit and Corporate Governance Committee

ANNUAL REPORT

Mexico City, March 1, 2022.

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

Present.

Dear Board Members:

In accordance to article 43 of the Securities Market Law (“SML”), in my capacity as 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 and the Code of Principles and Best Practices of Corporate Governance (Código de Principios y Mejores Prácticas de Gobierno Corporativo), I hereby submit the Annual Report of activities of such Committee corresponding to the 2021 fiscal year.

The Committee held four sessions regarding the fiscal year of 2021 to review and follow up the business performance, according to the following:

- ▶ We were informed about the most important projects of the Company and their progress, with particular follow up on the labor and commercial situation resulting from the effects of the Covid-19 pandemic.
- ▶ It was reviewed that the external auditors firm, as well as the external auditor and its 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 up 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 matters that they determined for this audit. We evaluated the performance of the firm, concluding that it fulfilled the necessary requirements for the execution of the assigned job, in accordance with the Regulations and the additional services received met the assigned objectives. In addition, during the year, the internal control findings 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 2021 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 were aware of 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 they reached. They reported that all significant audit differences observed and confirmed by the administration were contained in 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, 2021, were analyzed, as well as the unqualified opinion expressed by the external auditors on their opinion about them.
- ▶ We followed up the legal, accounting and tax matters presented by the management as well as by the external and internal auditors during the fiscal year, we were informed about different internal control issues presented by the administration. Additionally, we paid special attention to the outsourcing reform and the electric reform initiative.
- ▶ The main risks to which the Company is exposed were disclosed, with special emphasis in the cybersecurity risks, and the way the Company is managing them.

- ▶ We were informed about the corporate restructuring of the Company and the main changes that it had in the business performance.
- ▶ We assessed the report presented by the Chief Executive Officer (“CEO”) in accordance to article 42, section II, subparagraph e) of the SML; 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 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. Therefore, the Committee recommends to the Board of Directors the approval of the consolidated and individual Financial Statements corresponding to the fiscal year 2021, as well as the accounting policies and criteria applied by the Company in the preparation of the financial information.
- ▶ There was no knowledge that Shareholders, Board Members, Relevant Officers, employees or, in general, any third party, had made observations regarding the accounting, internal controls and issues related to internal or external audit, or of complaints made during 2021 regarding irregularities in the management.
- ▶ The management kept informed to the Committee on 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, resolutions were included regarding the operations and activities in which the Committee intervened in accordance to the SML, therefore the Secretary of the Board of Directors certified the resolutions of the Shareholders Meetings and the Board of Directors corresponding to the 2021 fiscal year. Likewise, through this Certification it was informed that, during this year, the Board of Directors did not grant any waiver to 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 legal 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 reported that, during 2021, 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 accordance with the policy approved by the Board of Directors.

Finally, it is hereby informed that the most significant transactions, carried out with related parties, subsidiaries and other affiliate companies of the consortium of which the Company is part, during 2021, 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.