



STRENGTHENED

SUSTAINABLE
DEVELOPMENT
REPORT
2020



BY THE CHALLENGES
AND LOOKING TOWARD
THE ***FUTURE***

Grupo BAL is a cluster of state-of-the-art companies that incorporates a diversified group of businesses: Profuturo (pension funds), Grupo Nacional Provincial (insurance), Peñoles (mining, metallurgical, and chemical industries), Fresnillo (mining), Grupo Palacio de Hierro (department stores), TANE (jewelry), Valmex Soluciones Financieras (financial services), Valores Mexicanos (brokerage house), Crédito Afianzador (bonds), Compañía Agropecuaria Internacional (agricultural businesses), Médica Móvil (pre-hospital care), Instituto Tecnológico Autónomo de México (education), PetroBal (exploration and hydrocarbons production), and Energía Eléctrica BAL (power generation). In each of these, we strive to reach the higher percentile in our industry as regards profitability, and to create value to all stakeholders, offering our customers exceptional products and services, supporting the personal and professional advancement of our employees and contributing to the progress of Mexico.



The mining and metallurgical industry has historically been a cornerstone of the country's development. In addition to being a precursor of numerous productive sectors, it generates decent jobs, foreign exchange, local and national economic value, and social welfare in the communities where it operates.

By being declared an essential economic activity in May 2020, Peñoles and the rest of the sector were able to return to their mining activities. We are proud to report that our strict sanitary protocols served as the national standard during this period. Peñoles is and has been an industry benchmark for sustainability and, year after year, our actions reflect our company's unwavering commitment to Mexico.

RESILIENCE AND COMMITMENT KEEP US

STRONG



CONTENTS

In this 2020 report, we present the performance in sustainability of Peñoles' operations and how we generate shared value for our stakeholders.



PE&OLES



FTSE4Good



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This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

The following abbreviations will be used throughout the report:
t = metric tons
Mt = million metric tons
l = liters
US\$ B = billion dollars
US\$ M = million dollars

STRENGTHENED BY

EXPERIENCE



Founded in 1887 as a mining company, Peñoles is today a sustainable mining-metallurgical-chemical company with integrated operations in smelting and refining non-ferrous metals and producing inorganic chemicals, which has been listed on the Mexican Stock Exchange since 1968 under the ticker symbol PE&OLES.

133 years

adding value to natural resources to generate sustainable development

ABOUT PEÑOLES



Stockpile, Milpillas mine

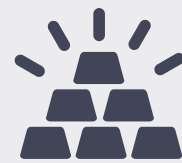
102-1, 102-2, 102-5, 102-7-a

Industrias Peñoles, S.A.B. de C.V. (Peñoles) is one of the world's two leading producers of refined silver and the eleventh leading producer of refined zinc. Since 2015, Química del Rey has been the largest sodium sulfate plant outside of China. We are also the leading Latin American producer of refined primary gold and lead.

In Mexico, Velardeña is the second largest zinc mine, and Tizapa the fourth. In sodium sulfate and magnesium we remain market leaders with shares of 76% and 56% in the domestic market, respectively.

102-7-a.iii

In 2020, we reached a total of US\$ 4.67 B in ordinary sales revenues.



Latin American
lead producer of refined
primary gold and lead.



Peñoles is one of the
world's two leading producers
of refined silver.

US\$ 4.67 B

in ordinary
sales revenues.



Mine worker, Tizapa unit

PRODUCTS AND SALES

102-6, 102-7-a.v

The company supplies products and services to various industries in the world, primarily in construction, transportation, pharmaceuticals, food and agriculture. We do not supply products that are the subject of litigation, prohibition or controversy among our stakeholders.

Some of the markets in which we are active are: United States, Mexico, the United Kingdom, Canada, Japan, Switzerland, Brazil, Germany, Colombia, Belgium, China and Turkey.



METALS DIVISION

Gold

Investment, jewelry, coins, electronics, monetary reserves, dental work, fountain pens, soldering, watches, telephone switches, computer circuits, porcelain and glass coatings

Silver

Investment, jewelry, mirrors, solar cells, disinfectants, catalyzers, chemical products

Zinc

Steel galvanizing, appliances, chassis, roofing, pipes, paint, anti-corrosives, catalyzers, coatings, bronzes and brass, cosmetics

Lead

Batteries, pigments, radioactive insulation, chemical products, ironwork

Sulfuric acid

Battery electrolyte, chemical products, wastewater treatment, soil improvement

Bismuth

Pharmaceutical products, low-melting alloys, glass, pigments, chemical products, appliances, fluorescent lamps, fuses, cosmetics

Cadmium

Rechargeable batteries, pigments, fuses



CHEMICALS DIVISION

Sodium sulfate

Detergents glass, textiles, chemical products and other minor uses

Magnesium hydroxide

Car battery recycling, chemical products, wastewater treatment, medicines, ore beneficiation plants, fuel improvement additive, flame retardant and cable and roofing industries

Magnesium oxide

Refractories, electric resistors, glass, tube lights, chemical products, wastewater treatment, livestock feed supplements, medicines, leather tanning

Magnesium sulfate

In agriculture: Crop fertilizer

In fish farming: Ingredient in making balanced feeds

In industry:

Chemicals: Manufacture of magnesium sulfate monohydrate

Biotechnology: Ingredient in nutrient mix in penicillin and yeast production processes

Tannery: Bleaching process, soaps

Copper

Manufacture of cables and wires for electrical and telecommunications transmission, minting of coins, copper pipes, coils, coolers, kitchen utensils and tools

Oleum

Production of hydrofluoric acid, soaps, industrial chemical processes

Sulfur dioxide

Ore beneficiation plants, neutralization of mining operation effluents

Zamak

Appliances, automotive, industrial, etc.

Antimony trioxide

Flame retardant

Zinc sulfate

Fertilizers, livestock feed supplements, ore beneficiation plants, neutralization of mining operation effluents

Copper sulfate

Ore beneficiation plants, fertilizers, wastewater treatment

Ammonium bisulfite

Ore beneficiation plants

Ammonium sulfate

Fertilizers, chemical industry



Finished product, Met-Mex Smelter

Some of the markets in which we are active are: United States, Mexico, the United Kingdom, Canada, Japan, Switzerland, Brazil, Germany, Colombia, Belgium, China and Turkey.

In 2020, Metals had 518 customers and Chemicals 200.

Our operations that generate finished products have ISO 9001 certification.

ISO 9001 Certification

Business unit	Expires
Fertirey	08/10/2021
Met-Mex-Smelter	08/10/2021
Met-Mex-Refinery	08/10/2021
Met-Mex-Zinc	08/10/2021
Aleazin	08/10/2021
Bermejillo	08/10/2021
Química del Rey	28/06/2021
Industrias Magnelec	04/09/2022

EM-MM-000.A
Metals Division sales volume

Product	t
Zinc	257,525.10
Ammonium sulfate	252,260.87
White sulfuric acid	251,857.19
Lead	118,288.97
Deprezinc	28,058.22
Copper cathode	12,912.10
Black sulfuric acid	12,832.07
Oleum	11,392.53
Zinc sulfate	9,305.77
Copper sulfate	6,408.55
Ammonium bisulfite	4,714.64
Silver	2,173.16
Sulfur dioxide	691.89
Antimony trioxide	283.00
Bismuth	45.37
Gold	29.44
Cadmium	16.15
Total	2,020.00

Excluding intercompany transfers.



Sunset, Madero plant

Within our commercial management system, we make ensure that company policies and procedures are followed, along with internal controls, official regulations as applicable, and best market practices.

Our metal products meet the following official standards: zinc (ASTM B6-13 and Good Delivery-LME), zinc zamak (ASTM B240-17), cadmium (ASTM B440-12), lead (ASTM B29-14 and Good Delivery-LME), gold (ASTM B562 95-2017 and Good Delivery-LBMA), silver (ASTM B413-97^a-2017, JIS H2141 and Silver Delivery -LBMA).

We have Good Delivery and Silver Delivery certifications by the LBMA.

Chemicals sales volume

Product	t
Sodium sulfate	757,093
Magnesium sulfate	63,087
Caustic calcined magnesite	14,858
Refractory MgO	13,333
Hidromag	13,967
Neutromag	7,341
Electric-grade MgO	5,406
Special MgO milling	3,253
Total	878,336

Excluding intercompany transfers.

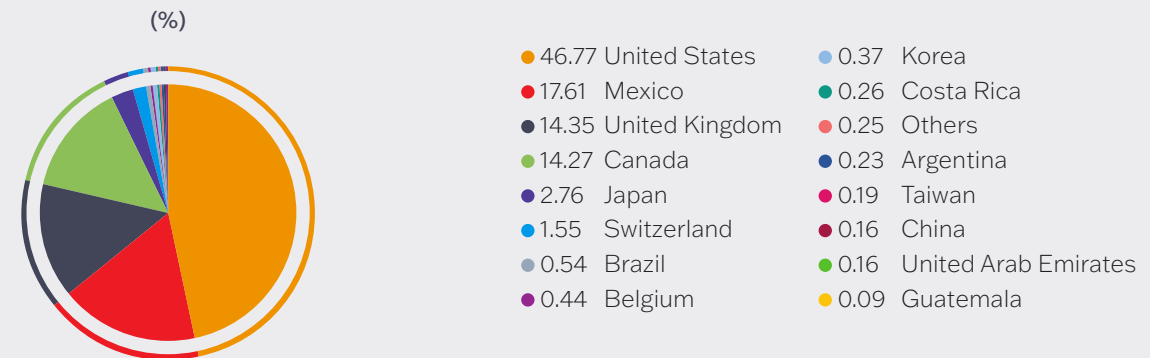
In 2020, Metals had 518 customers and Chemicals, 200.

102-2

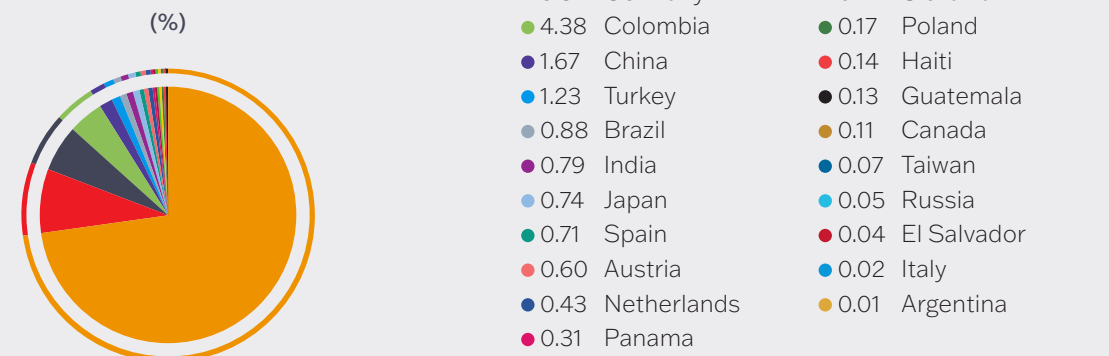
Our registered brands in chemical products are Remag WT, Remag AC, Neutromag-TE, RY-99-AD, Sulmag, Hidromag D.T. and Hidromag. Because the metals we produce are considered commodities, they do not sell under registered brand names.

There are no advertising regulations governing Peñoles' products, but we have the necessary logotype authorizations such as Peñoles, IZA (International Zinc Association), LATIZA (Asociación Latinoamericana de Zinc), LME (London Metal Exchange) and those pertaining to certifications.

METALS SALES BY COUNTRY



CHEMICALS SALES BY COUNTRY



Laboratory, Sabinas unit

LOCATION OF OPERATIONS

102-3, 102-4, 102-7-a.ii, 102-45

With corporate offices in Mexico City and Torreón, Coahuila, key operations of Peñoles in Mexico are exploration projects, mining units, metallurgical and inorganic chemical plants. We also have mines in the process of site rehabilitation and closure in various states of Mexico, exploration projects in Peru and Chile, and two commercial offices in the U.S. and Brazil.

The new Capela mining unit, built with state-of-the-art technology, started operations in February 2020.



MINING OPERATIONS

Base metals

- 1 Velardeña
- 2 Sabinas
- 3 Tizapa
- 4 Capela

Precious metals

- 5 Herradura
- 6 Ciénega
- 7 Fresnillo
- 8 Soledad-Dipolos*
- 9 Saucito
- 10 Noche Buena
- 11 San Julián

Rented mines:

- 12 El Monte
- 13 Ojuela
- 14 Reyna del Cobre

Closed mines:

- 15 Cuale
- 16 Sultepec
- 17 Reforma
- 18 Gochico
- 19 El Rubí



METALLURGICAL OPERATIONS

- 20 Metalúrgica Met-Mex
- 21 Bermejillo
- 22 Aleazin



CHEMICAL OPERATIONS

- 23 Química del Rey
- 24 Fertirey
- 25 Industrias Magnelec



MINES IN TRANSITION OR PROJECT

- 26 Francisco I. Madero*
- 27 Bismark*
- 28 Milpillas*
- 29 Naica*
- 30 Juancipio



INFRASTRUCTURE

- 31 Línea Coahuila-Durango
- 32 Termoeléctrica Peñoles
- 33 Termimar
- 34 Fuerza Eólica del Istmo
- 35 Eólica de Coahuila
- 36 Eólica Mesa La Paz



OFFICES

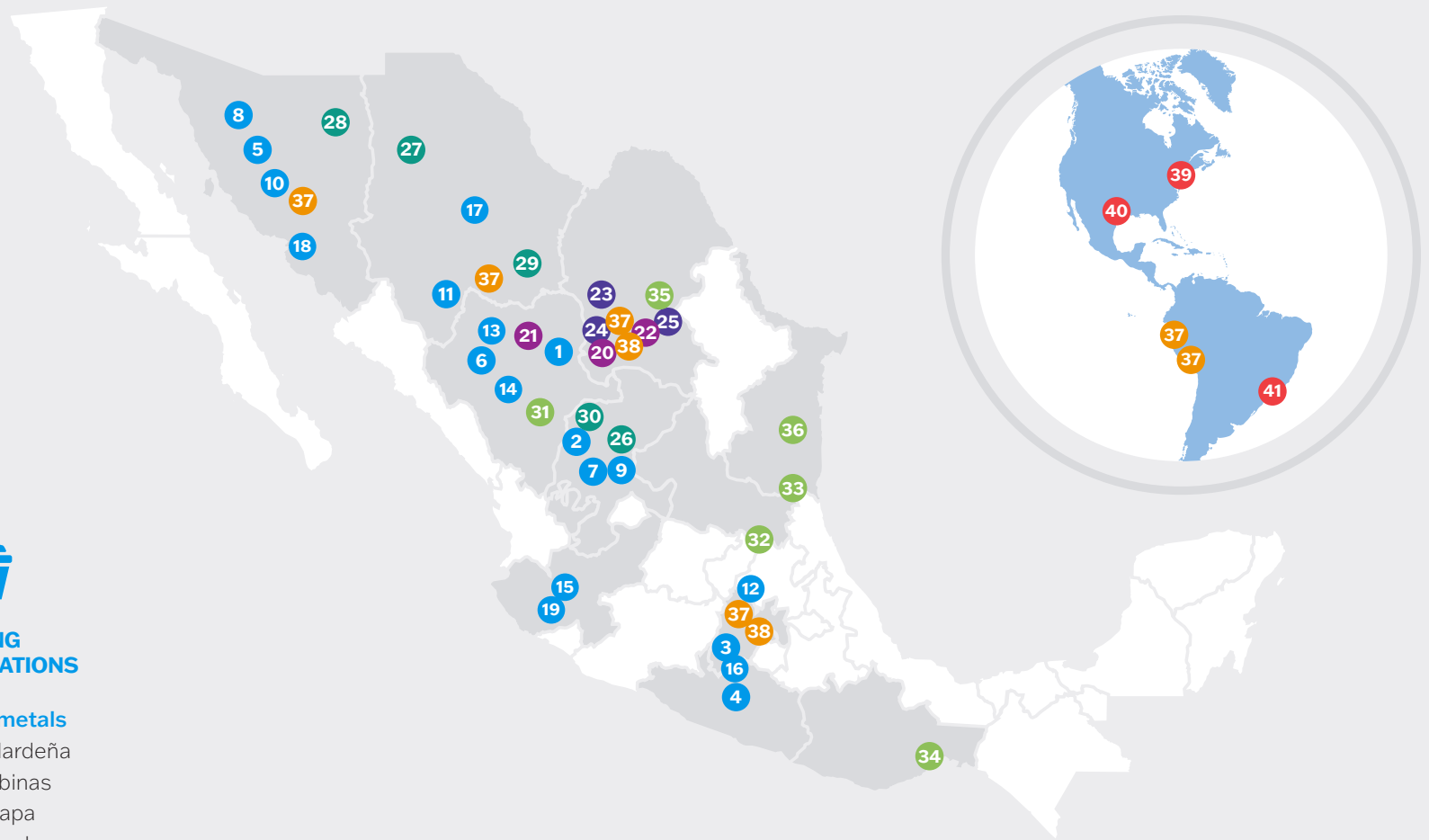
- 37 Exploration
- 38 Corporate headquarters



COMMERCIAL OFFICES

- 39 Bal Holdings
- 40 Wideco
- 41 Quirey do Brasil

* These units are not presently operating.



ECONOMIC BENEFIT AND JOBS



US\$ 110.77 M
in monthly economic benefit in 2020.

View of Capela's dome at dawn



29,993 direct jobs



4,648 local suppliers*



Economic benefit

State	Direct jobs	Local suppliers	US\$ M/month
● Chihuahua	3,061	147	7.97
● Mexico City	269	278	6.64
● Coahuila	6,912	1,887	29.09
● Colima	5	25	0.02
● Durango	3,055	637	10.43
● State of Mexico	805	235	3.40
● Guerrero	926	71	1.95
● Oaxaca	89	40	0.32
● Sonora	5,027	521	28.36
● Tamaulipas	6	23	0.03
● Zacatecas	9,838	784	22.57
Total	29,993	4,648	110.77

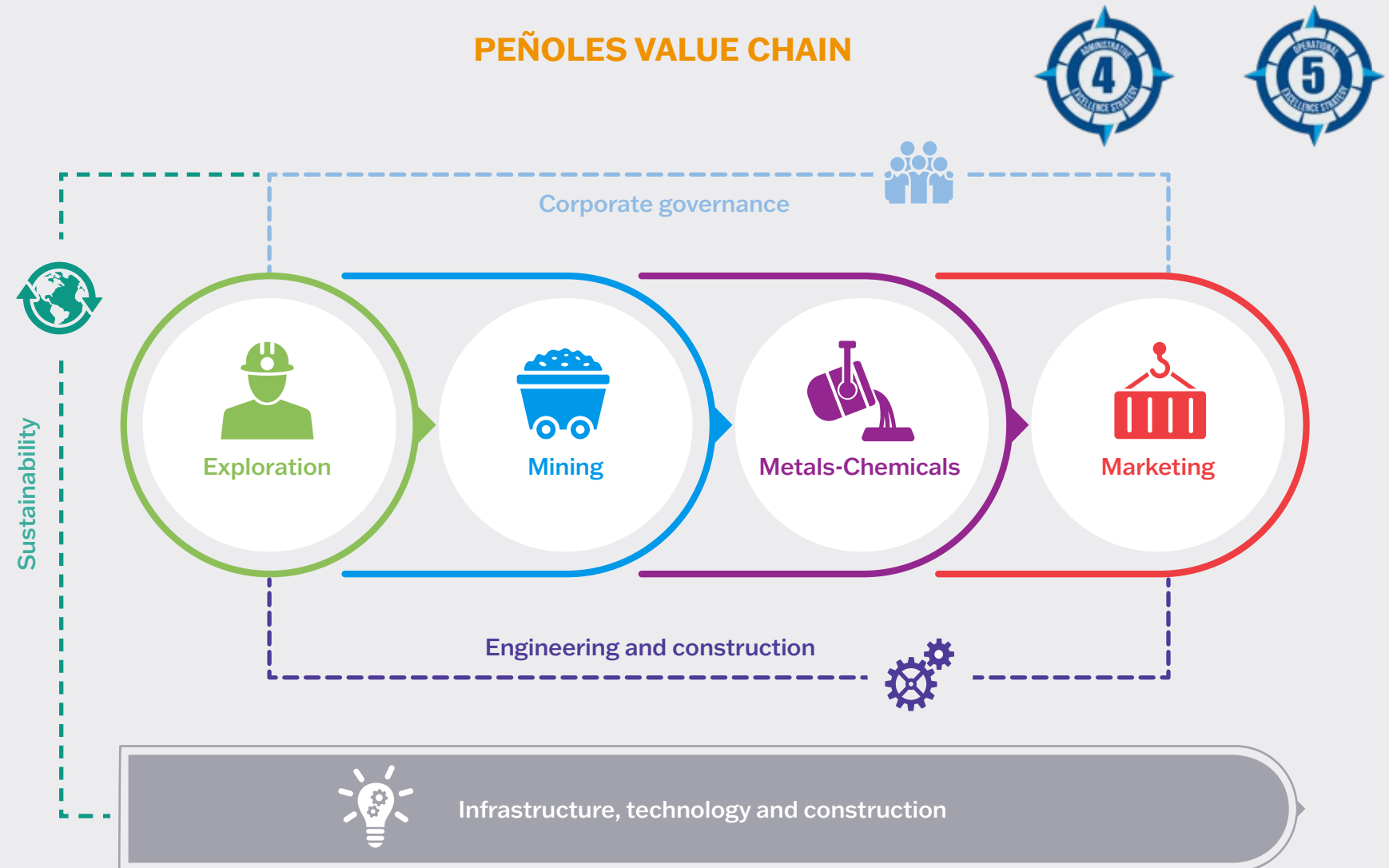
Economic benefit = wages + salaries + local purchases + local taxes
Direct jobs: employees + unionized personnel + contractors

Economic benefit in the states of Mexico where we have operations was US\$ 110.77 M/month, 46% lower than in 2019 and only 13% above that of 2018. This reduction was mostly due to the negative impact of the pandemic.

VALUE CHAIN

102-9-a
Through efficient operation of our value chain, we maintain our leadership position in the industries where we operate.

PEÑOLES VALUE CHAIN



Loading, specialties area at Quirey

STRENGTHENED BY
the efficiency of our
operations.



102-10, 102-48, 102-49

During the year, the global pandemic caused a crisis the world was not prepared for, and the sudden change in lifestyles necessary to contain the contagion set off a deep economic recession.

With the decisive support of the chairman of our Board of Directors, the Mexican Mining Chamber and other companies in our industry, as well as the mining union FRENTE and other business chambers and organizations, we engaged in constant dialogue with federal, state and municipal authorities to have the mining industry classified as an essential economic activity, in order to maintain limited

operations, while placing a priority on the health of our employees and surrounding communities at all times. Thanks to these efforts, the mining-metallurgy industry was declared an essential activity in late May, aligning Mexico with countries like the United States and Canada.

We immediately set in motion an emergency plan to mitigate the impact of the public health emergency, with a priority on protecting personal health and safety as well as jobs. In the months of June, July and August we began a process of safe return to work with staggered hours for our personnel, guaranteeing all preventive measures estab-

lished by the Ministry of Health, the Ministry of Labor and Social Planning, and internal protocols.

With field exploration work suspended for seven months, our efforts focused on studying and analyzing the information collected, and on investigating new prospective areas.

In the Mines Division, the startup of the new Capela polymetallic unit in Guerrero was delayed due to sanitary restrictions that limited the number of personnel onsite and a lack of support from suppliers in the final delivery and commissioning of the main equipment. Although production was not as high as



Aerial view of Capela at sunset

99%

milling capacity and 53% concentrates with zinc content, on average, at Capela, in spite of closed operations.

We devised an emergency plan to mitigate the impacts of the pandemic, prioritizing our people's health and safety as well as their jobs.

expected, at the end of the year the plant had reached 99% of its milling capacity and succeeded in producing concentrates with zinc content of 53% on average, and recoveries within the expected range.

In April, we announced the difficult decision to suspend operations indefinitely at the Madero zinc mine in Zacatecas, and the Millillas unit in Sonora, which produces copper

104.7%

of our electricity needs were generated by our own power generating plants, including Eólica Mesa La Paz.



Mesa La Paz wind farm

cathode, because of the steep drop in the price of these metals. High operating costs and low grades meant that, for the moment, these operations were no longer profitable. For now, Milpillas will continue turning out copper cathode using the ore deposited at the leaching pads. As a result of this suspension, 267 employees were relocated to other company operations and the remaining 630 were laid off with severance pay according to the law and the respective union contracts. Also, and as planned, the Bismark zinc mining unit concluded its life cycle after 28 years of operations, having exhausted its reserves.

In metallurgical operations, refined gold production was 14.0% lower than the previous year, mainly due to lower treatment of doré at Herradura and Noche Buena. Some remitters temporarily suspended their supply of concentrates, and although the situation normalized toward mid-year, we had some difficulty in supplying the lead smelter with the proper amount and quality of mixtures for processing. With this, silver and lead production declined 2.4% and 6.2%, respectively.

In the zinc refinery, where capacity was expanded to 350,000 metric tons a year of production a couple of years ago, most of the technical problems have been solved relating to balancing the processes and ensuring the correct interaction of the old (roasting) plant and the new direct leaching plant. This, combined with a lower volume of concentrates treated due to the contingency, caused an 8.0% reduction in refined zinc output, to 260,943 metric tons. We are confident that with the adjustments made, the zinc refinery will be working at capacity in 2021.

Another challenge we faced was a temporary contraction in domestic refined zinc demand, although we were able to place our products on export markets.

Demand also fell sharply for chemical magnesium byproducts, mainly refractory and caustic grade. Sodium sulfate volume totaled 745,892 metric tons, 3.7% less than the year before, but magnesium sulfate broke a production record with 62,583 metric tons due to strong performance in the domestic agriculture industry.

On the matter of energy, our priority was to ensure a supply for our operations at competitive costs. Our portfolio of power generating plants produced enough to supply 104.7% of our own needs, including the power from the Mesa La Paz wind farm, which began supplying energy in April. However, we had to buy more energy from the Federal Electricity Commission, with a 14.0% higher cost, due to delays in the entry into force of new transmission agreements and migration of qualified users to the wholesale electrical market, which were the result of the energy policy decreed by the Mexican authorities. We remain committed to increasing the proportion of clean energy in our mix, and hope the change in the country's energy policy will allow us to do so.



Leaching pads at Milpillas

102-14

MESSAGE FROM THE CEO



I have the privilege of presenting our 2020 Sustainable Development Report, which provides a transparent account of our actions in the environmental, social and governance (ESG) issues that are material to our stakeholders, and of the way Peñoles creates shared value in transforming the natural resources we use.

Rafael Rebollar
Chief Executive Officer

This value creation extends beyond the materials we produce, which are indispensable to the development and well-being of society, to the economic benefit from our activities not only to the communities neighboring our facilities—through actions that support their progress—but also to the municipalities and states where we operate, and the entire country.

2020 was a year of tremendous challenges and opportunities. The global crisis caused countless losses in human and economic terms and taught us, as a society, the importance of being agile and resilient in continuing our activities. All the worlds' governments were compelled to impose lockdowns and other mobility restrictions that had an impact on most sectors of their economies, dampening prospects for consumption and growth.

Peñoles immediately took steps to protect the health of our people and our communities, and to maintain operating continuity, while complying with official provisions. Thanks to the response of our people and

the cooperation of suppliers, contractors and other partners, we were able to successfully face the crisis caused by the pandemic.

We announced the difficult decision to shut down operations at the Madero unit in Zacatecas and the Milpillas unit in Sonora for an indefinite time, due to the decline in the prices of industrial metals, low grades and high operating costs. As a result of this shutdown, 267 workers were relocated to other company operations, and 630 were laid off with full severance pay under their collective bargaining agreements. Also, as planned, we completed the closure of operations at the Bismark unit after 28 years of operations, due to the exhaustion of its reserves.

In spite of the internal and external circumstances described, higher gold and silver prices and our cost and expense reduction efforts helped contain the growth in financial expenses relating to our placement of bonds and prepayment of debt, in addition to losses taken on the assets of the Bismark, Madero and Milpillas mines.



STRENGTHENED BY our leadership in the production of refined primary gold and lead in Latin America and world leadership in the production of refined silver.

Our company's strong financial profile and the confidence of investors allowed us to successfully issue bonds on international markets totaling US\$ 1.45 billion.

Peñoles remains a benchmark for sustainability, as demonstrated by its inclusion in the newly created S&P/BMV Total Mexico ESG index, which tracks the market performance of issuers with superior corporate sustainability according to RobecoSAM methodology.

In the matter of electrical energy, we continued to increase our use of renewable sources and self-supply. In 2020 the new Mesa La Paz wind farm began operations in the state of Tamaulipas which, combined with the power generated by the Fuerza Eólica del Istmo facility in Oaxaca and Eólica de Coahuila, enabled us to supply 40% of our electrical energy needs from our own, renewable sources. This reflects the efforts and contractual commitments the group has made to operate in an increasingly sustainable manner. Our target for 2028 is to supply 100% of the electrical energy we consume from clean sources.

We are proud of the social responsibility and solidarity we showed to the communities neighboring our operations, taking social action to address needs caused by the pandemic in the states of Guerrero, Chihuahua, Sonora, Coahuila, Oaxaca, Durango, Zacatecas and the State of Mexico, where we donated supplies, equipment and medical material to frontline healthcare workers in hospitals and clinics, benefiting more than 350,000 people.

Minera El Roble (Velardeña) was distinguished with the Silver Helmet award from the Mexican Mining Chamber (Camimex) for excellent safety indicators in the category of "Underground mines with more than 500 workers." This is a great encouragement to us, and it attests to our commitment to protecting the integrity of our people with concrete actions.

Peñoles was also the first company in our industry to receive the Sanitary Safety distinction for all of our industrial plants from the Mexican Social Security Institute (IMSS), which certifies that all of our workplaces are safe sites and have the protocols and trained personnel necessary to avoid or mitigate contagion of the coronavirus.

In the area of ethics, we maintained our Good Delivery certification from the London Bullion Market Association (LBMA), in recognition of our conflict-free supply chain in precious metals.

Other recognitions we earned during the past year included: eleventh place among the 30

Most Ethical Companies of 2020, according to the June edition of *Fortune* magazine in Spanish—the only one in our industry—and second place for "Ethical business philosophy"; the Ethics and Values distinction in the category of large Mexican corporations from the Confederation of Industrial Chambers; and inclusion in the IC500 Index published by *Expansión* magazine, for our commitment to integrity.

We have an obligation to capitalize on the lessons we learned in 2020. Peñoles is beginning a new cycle in its history, whose purpose is to improve the already strong operations and efficiency of the group's companies by fully exploiting synergies, giving us a more precise focus and greater clarity



US\$ 1.45 B

in bonds issued on international markets, making Peñoles a reference in sustainability.

Reforestation program at Capela



In 2021 the organization will assume a new structure with a visionary strategy: the creation of Baluarte Minero, a new entity inside Peñoles that will group shared administrative and technical services to make them more efficient.



Wastewater treatment facility at Tizapa



Simba underground drilling equipment at Sabinas

We will continue improving the efficiency, agility and flexibility of our operations, based not only on profitability but on addressing environmental and social aspects.

in our accountability. To this end, beginning in 2021 the organization will assume a new structure based on the visionary strategy of our chairman: the creation of Baluarte Minero, a new entity inside Peñoles that will group and reorganize functions and structures that provide shared administrative and technical services to Peñoles and Frenillo plc. Besides making them more efficient, this will enable them to take advantage of all possible synergies, respecting their management autonomy and ensuring compliance with the commitments we have with our shareholders.

Strong operating and financial performance also requires complete and decisive compliance in with legal, safety, health and environmental regulations, as well as good relations with communities and authorities in the locations where we operate.

We intend to continue improving the efficiency, agility and flexibility of our operations, working not only to keep them profitable but to prevent and manage the environmental and social aspects that present risks and opportunities for our business.

Although the global outlook presents important and complex challenges, today, more than ever, our focus is to go beyond a state of resilience through improved operating and administrative efficiency, maximizing the benefits of our organizational restructuring and achieving a change of culture that will make us a strong, agile, flexible organization, whose relentless execution will allow us to attain our goals.

Peñoles, strengthened by the challenges and looking toward the future.


Rafael Rebollar
Chief Executive Officer

STRENGTHENED BY

GOVERNANCE



Peñoles' corporate governance structure ensures the solidity and transparency of its management, the application of organizational values, and accountability to stakeholders.

11th

place in *Fortune* magazine ranking of the 30 Most Ethical Companies in 2020.

SUSTAINABILITY MANAGEMENT



Virtual meeting, Tizapa offices



Our sustainability performance is described in each of the chapters of this report, and our contribution to achieving the SDG is found in the table comparing GRI and SDG standards, in the section entitled About this report.

102-18

In support of its corporate governance structure, Peñoles has a Corporate Integrity Manual, which along with the Code of Conduct is available to the public at www.penoles.com.mx. The Corporate Integrity Manual covers aspects such as prevention, compliance, oversight and accountability, for the purpose of avoiding acts stemming from administrative failures (e.g. collusion, conflicts of interest, influence-peddling, corruption and others). It applies to all employees in their relations with outside parties, particularly public agencies and government

employees, in keeping with articles 24 and 25 of the General Law on Administrative Responsibilities and best corporate practices applicable to Peñoles.

The Corporate Integrity Manual also explains the corporate vision, mission and corporate values, has general notes on the organizational structure, the corporate leadership scheme, training and communication programs and mechanisms for evaluation, verification and follow-up in complying with internal and external regulations applicable to the group's companies.

For more information about Peñoles corporate governance, see our 2020 Annual Report, available on our website at www.penoles.com.mx, Corporate governance section.

In 2021

we will be defining the priority SDG for Peñoles, setting targets and proactive measures according to the urgency of the situation and the influence of the organization.



Personnel at Capela unit

We consider sustainability to be a business strategy, one that generates shared value and trust among our stakeholders.

101-2.2, 101-2.5, 103-1, 103-2, 103-3

Our products are indispensable for achieving sustainable development in keeping with the United Nations 2030 Agenda. This awareness compels us to conduct our activities harmoniously, pursuing not only economic goals but the quality of life of our people and the development of neighboring communities, while preserving the environment. With this, our intent is to meet the present needs of our stakeholders without compromising the possibilities of future generations.

In 2019, we took on the task of relating our own significant impacts and material issues to the priority goals contained in the 2030



Morning view at Met-Mex plant

Agenda of the Sustainable Development Goals (SDG). We remain convinced that our products are indispensable for development and quality of life.

In 2021, we will be defining the priority SDG for Peñoles, setting targets and proactive measures according to the urgency of the situation and the influence this organization can have.

The general guidelines for guaranteeing sustainable development throughout or value chain are the following:

- Adoption and practice of a sustainability strategy.
- Comprehensive approach that guarantees our productive operations have high performance in environmental, social, quality, safety and health matters.
- Establishment and communication of accurate performance goals, targets and indicators regarding eco-efficiency, socio-efficiency, health, safety and productivity.
- Creation of a clear organizational structure and definition of roles and responsibilities.
- Permanent efforts to remain at the forefront of international standards, best practices and benchmarking.
- Regular internal and independent audits.

OUR SUSTAINABLE DEVELOPMENT POLICY

It is Peñoles' policy to guarantee continuous, productive, safe operations, respectful of the environment, communities and health in the context of our operations, based on a culture of protection and prevention, enriched through communication with and participation by employees and their representatives.

Our operations must be managed under a system of comprehensive administration subject to continuous improvement, in keeping with international standards, which includes the elimination of dangers and reduction of risks, and compliance with all laws and with the commitments we assume toward our customers and to other stakeholders.

15th
United Nations Global Compact Communication on Progress.

Personnel, Sabinas unit



We try to meet the present needs of our stakeholders without compromising the possibilities of future generations.

Our supply chain includes sustainability practices that take into account the full life cycle of our products, from supply of raw materials and our operations through marketing and sale. It also considers all the phases of our operations—a lifecycle that covers every phase from exploration, research and development to project construction, operation and progressive restoration, and closure of operations.

According to the general guidelines, we implement institutional action by area:

INSTITUTIONAL OBJECTIVES BY AREA

ENVIRONMENT

Complying with and improving our environmental indicators by operating our processes according to the best available practices and applicable regulations to ensure high environmental performance.

HEALTH

Protecting our employees from work-related illnesses and building a culture of prevention of illness in general, ensuring they remain in optimum physical and mental condition.

SAFETY

Ensuring a culture of prevention focused on the safety of our personnel and the continuity of our business. The company's safety philosophy is focused on achieving zero incapacitating accidents, sustained in the design, maintenance and safe operation of processes, supported by a management system that guarantees efficient, safe, and clean operations within an ethical framework.

COMMUNITY

Based on a strategy for developing sustainable communities, to work in a respectful and coordinated manner with local communities, authorities and other partners, in order to achieve social well-being and relations of harmony and trust.

CUSTOMERS AND SUPPLIERS

To be a strategic partner through business relations grounded in good commercial practices, with a deep ethical commitment, and with whom we can establish mutually beneficial, long-term relationships.

HUMAN RESOURCES

Having the best people for the present and future needs of the company, by offering opportunities for development in a work environment that promotes recognition and guarantees an ethical behavior and a sense of pride and belonging.

INTEGRITY AND COMPLIANCE

To encourage a culture consistent with the company's vision, values and Code of Conduct, as well as laws and regulations.

Sunset at Milpillas unit in Sonora



Risk management

102-11, 102-15

The volatile nature of the markets and the business climate pose significant challenges to companies' existence and success. The growing complexity under which companies operate today has caused a steady rise in the level of risk in all areas of business management and commercial activity. As a result, risk management discipline and practices have gradually been extended to various sectors and industries, and in companies of all sizes.

Peñoles defines emerging risks as a new manifestation of risk that cannot yet be fully evaluated; risks that are to a certain extent known but whose materialization or impact are uncertain.

Due to the nature of our business and the competitive climate in which we operate, Peñoles has an obligation to identify, weigh and manage risks in pursuit of our strategic goal of creating and protecting value for our stakeholders. To this end, we developed a Corporate Business Risk Management Manual.

All the organizational risks are contained in a database where they are classified by topic, monitored and compared with external and internal reports. We also have a descriptive catalogue of the risks affecting the entire

business, which are reviewed annually and presented, along with the strategic plan, to directors of both Peñoles and BAL. Our greatest risks and opportunities are: macroeconomic evolution and impact on prices and inputs; potential government action; exploration—new deposits and replenishment of reserves; contractors; negative perceptions of the industry and social problems with the community; access to land and concessions; capital projects; safety; human resources; union relations; laws and regulations; health; digital effectiveness and innovation; major environmental incidents; and cybersecurity.

Peñoles defines emerging risks as a new manifestation of risk that cannot yet be fully evaluated; risks that are to a certain extent known but whose materialization or impact are uncertain; or risks of which the company is unknown but which may in the future have significant implications for its ability to fulfill its strategic plan.



CLIMATE CHANGE

2020 was the hottest year on record for the planet earth, and some countries have closed ranks in their commitment to meet the goal of achieving zero net emissions by mid-century.

Commercial impact: Climate will go from being a matter of global cooperation to a scenario of global competition for a range of clean energies.

Actions: As key actors participating in the extractive industry, we recognize our responsibility to incorporate renewable energies and clean technology into our energy mix.



GEOPOLITICAL UNCERTAINTY

In many countries, domestic policy has been a subject of intense division and setbacks in geopolitical issues, leading to volatility in the costs of inputs and services.

Commercial impact: A trade war or armed conflict would impact the prices of commodities, inputs and/or services.

Actions: We have begun to monitor the geopolitical climate to visualize and anticipate trends in the markets where Peñoles operates.

INTEGRITY AND COMPLIANCE



Roll call personnel at Tizapa unit



101-2.2, 101-2.5, 103-1, 103-2, 103-3, 102-16, 205-1

We upheld our historic vocation for integrity and for inspiring trust in our stakeholders last year by strengthening our Integrity and Compliance Strategy, one of the pillars that sustain this group. The strategy provides a series of guidelines for creating an integrity framework that will promote a culture consistent with our Vision, Values, Code of Conduct, and with applicable laws and regulations.

According to this premise, and bearing in mind that 2020 was an unprecedented year because of the effects of the COVID-19 pan-

dem, we redoubled our efforts to continue operating on the basis of a shared vision and values in order to adapt to an increasingly demanding, complex and regulated environment.

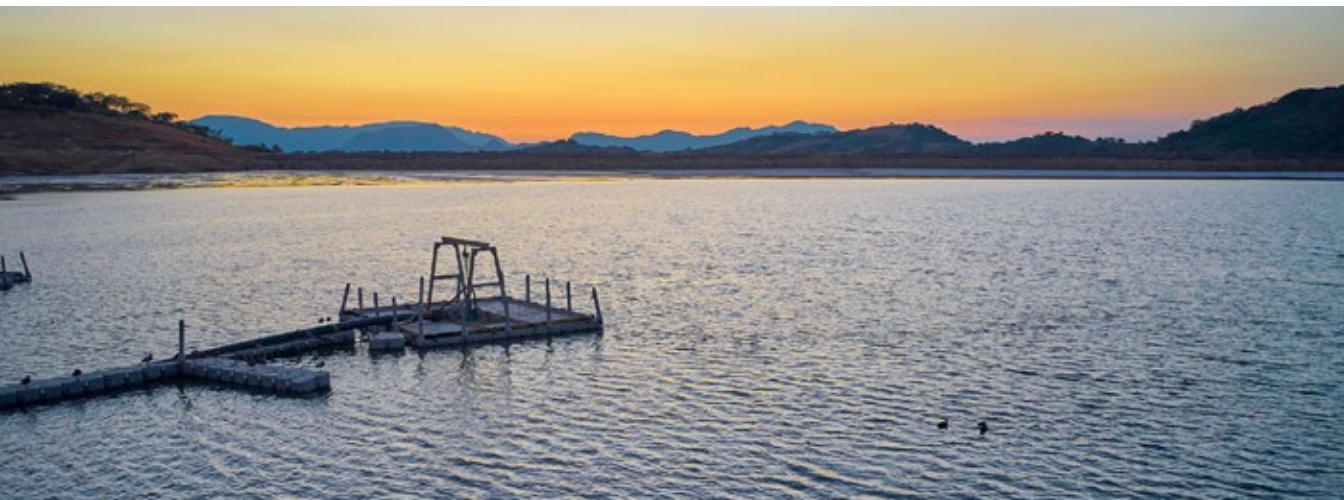
The programs and actions stemming from our Integrity and Compliance Strategy are integral and permanent components of our business processes, and must constantly evolve. Their efficacy and practicability require continuous improvement, and will be sustained if all of us who work at Peñoles strive to be consistent in our words and actions. To the extent that these initiatives succeed in developing mechanisms for informed decision-making, our actions can remain aligned with regulations and best practices in various spheres, which together will guarantee our endurance in the long term.

Regulatory framework

102-16

Regulatory compliance. To continue operating in strict accordance with the law, we conducted a due diligence process check in our 27 business units and workplaces to verify 11 issues: environment, occupational health, industrial safety, union relations, human resources, tax matters, telecommunications, civil aeronautics, mining, energy and agriculture. These were conducted according to our Regulatory Compliance System, an internal mechanism that provides the areas in question a set of criteria by which they can demonstrate fulfillment of their obligations, self-evaluate and automatically identify any shortfalls.

As a result of this compliance verification, potential risks resulting from the anomalies detected in the process were identified and quantified; their level of criticality was deter-



Tailings deposit at Tizapa

STRENGTHENED BY
our vision, values
and strategy.

Flotation area at Madero unit



Results of Regulatory Management System

	Fiscal	Telecommunications	Aeronautics	Mining	Agriculture	Energy	Health	Labor and HR	Environment	Labor relations	Safety	Total
Business unit and topics	18	18	3	8	4	8	14	27	16	15	3	134
Total obligations	40	8	15	28	4	10	195	113	1,622	16	1,078	3,129
Total reports	1	1	1	1	1	1	2	4	2	2	1	17

mined and efforts were focused on the areas of greatest risk. Seventeen final reports were issued in which 3,129 current obligations were analyzed, distributed with varying degrees of preponderance among four divisions: Mines, Metals-Chemicals, Exploration and Administrative Services.

Based on these reports, management coordinated with all areas to devise action plans for avoiding economic, operating, business continuity and reputational contingencies. Progress toward these plans was tracked on an ongoing basis during the second half of the year. This effort resulted in an improvement in the compliance index for four of the five issues where problems were detected.

We also kept our regulatory mapping of the industry constantly up to date to reflect changes in national laws, and organized an awareness-raising campaign for more than 100 people in different areas regarding the importance of strengthening a culture of regulatory compliance.

In November, the Regulatory Management Area of the Compliance Office held a virtual seminar entitled “Regulatory compliance and its importance at Peñoles,” whose main focus was strengthening a culture of regulatory compliance within the company. The event consisted of five sessions, held virtually for people working directly or indirectly with regulatory compliance, particularly

those involved in the Regulatory Management System.

The seminar was attended by 92 people from various divisions: Exploration (including Exploration Peru), Engineering and Construction, Mining, Metals-Chemicals and Administrative Services. The areas of specialization among those attending—meaning the areas in which they work at Peñoles—were environment, health, safety, union relations, human resources, tax matters, energy, telecommunications, mining, and agriculture.

In November, the Regulatory Management Area of the Compliance Office held a virtual seminar entitled “Regulatory compliance and its importance at Peñoles.”

Personal data

Through various actions we complied fully with the regulatory framework on two specific issues: personal data and NOM-035-STPS-2018 (NOM 035).

As to the former, the company's Personal Data Committee defined and published the policies, procedures and manuals regarding the transmission and protection of personal data collected by the various areas, and coordinated a risk analysis of how they are stored. Also, to train and build Peñoles employee awareness about this issue, we continued our partnership with the National Institute for Information Transparency and Access (INAI), called INAI Allies, regarding the protection of personal data.

Regarding the second, when the NOM-035-STPS-2018 and NMX-R-025-SCFI-2015 standards took effect, strategies, procedures and protocols were designed and implemented to comply with those regulations, so that we can identify and mitigate psycho-social risk factors, ensure the productivity of our workplaces, prevent violence in the workplace, encourage labor equality and non-discrimination and with all of this to encourage a favorable working environment.

A multidisciplinary work group was created to work on the policies and procedures necessary to comply with the standard, and



Magnesium oxide plant at Química del Rey

an information campaign was developed for all personnel. In October, questionnaires were applied to 94% of our staff in order to detect those subject to severe traumatic events or psycho-social risk factors and thus to define and carry out action plans to ease these problems. In addition to reducing risk factors, these plans will encourage labor equality and non-discrimination. Awareness sessions were given to staff from the Compliance, Human Resources, Safety, Health and Legal departments.

For 2021, we intend to continue more rigorously the compliance evaluations and regula-

tory mapping for the 11 regulatory issues that require special monitoring, and we will continue training on the importance of regulatory compliance at Peñoles for all our personnel. This will lead to a greater awareness and clarity on the issue of regulatory compliance and its importance in this group.



Awareness sessions were given to staff from the Compliance, Human Resources, Safety, Health and Legal departments.



Laboratory at the Capela mining unit

Inside the mine, Bismark unit



102-16

To the above, we must add the guiding principles we are known for.

VISION

To be the most widely recognized Mexican company in its industry worldwide, for its global focus, the quality of its processes, the excellence of its people and the ethical way it does business.

MISSION

To add value to non-renewable natural resources in a sustainable manner.

VALUES

Trust: To firmly believe that all members of the organization act consistently for the benefit of all.
Responsibility: To keep promises, abide by commitments and meet personal and work challenges.
Integrity: To act with truth, forthrightness and honesty with oneself and with others.
Loyalty: To be faithful to our own principles and those of the organization.

CODE OF CONDUCT

Behavioral bases to help us make informed decisions with the professionalism and ethics we are known for, in addition to conceptual tools to solve any situations of doubt or conflict.

INTERNAL COMPLIANCE SYSTEM

Policies, procedures, management guidelines and standard Peñoles practices.

3,129

current obligations were distributed among four divisions: Mines, Metals-Chemicals, Exploration and Administrative Services.

102-12

Additionally, we comply with the following principles:

- *ISO management standards*
- *Internal controls recommended by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*
- *Practices developed by internationally recognized associations: Association of Anti-Money Laundering Specialists, Association of Certified Fraud Examiners, Ethisphere, Trace International*
- *The United Nations Global Compact*
- *Code of Best Corporate Practices of the Mexican Business Coordinating Council (CCE)*
- *Socially Responsible Company guidelines by the Mexican Center for Philanthropy (Cemefi)*

Integrity and Compliance Program

205-1, 205-2

Our **Code of Conduct** is a guide to the specific behaviors expected of us in our daily activities and our interaction with stakeholders. It has six sections. The first explains the philosophy, purpose, frame of reference for decision-making and commitment to our values. The second focuses on our actions as employees, the importance of reporting unethical conduct, whistleblower protection and conflicts of interest. The third describes how we should deal with our stakeholders (stockholders, customers, suppliers and contractors, employees and the community). The fourth addresses our comprehensive responsibility in the area of sustainable and social development, and our policy of zero tolerance for undesirable situations, gifts and attentions. The fifth offers guidelines on how to protect our assets, information and intellectual property. Finally, the sixth section tells us where to find further information or inquire about matters that arise in the daily performance of our duties.



Two workers at the Tizapa mining unit

Our Code of Conduct is a guide to the specific behaviors expected of us in our daily activities and our interaction with stakeholders.

The **Compass for Behavior**, meanwhile, is a didactic tool that explains our frame of reference for making decisions, particularly when questions arise about how to act in situations that fall under certain categories defined in the Code of Conduct or under applicable laws and regulations. This tool is distributed to all employees through Peñoles' internal communication media.

In 2020 we also actively publicized our **TRIL values**—trust, responsibility, integrity and loyalty—through training sessions, shift meetings, interactive dynamics in our internal publications (*Integración* newsletter), our internal website and distribution of mementos to all our employees.



We strengthened our integrity practices
In order to extend the integrity framework to all of Peñoles, sustained by its vision, organizational values and Code of Conduct, promote trust from the very highest echelons of the company (“tone from the top”), and encourage every employee to internalize the expected behaviors, we took the following initiatives:

- 1. Re-Commitment to Integrity and the Code of Conduct.** In the second quarter of 2020, through the Virtual Campus, which is our internal technological platform, we published a Re-Commitment to Integrity referendum, by which **3,516 employees** certified their understanding and annual commitment to the Code. This represents a **100% participation rate**.
- 2. Conflict of Interest Questionnaire.** As part of the 2020 Re-Commitment to Integrity, employees answered a questionnaire to identify possible conflicts of interest, which involved closed questions about all possible conflicts of interest for a person in their job—employees, customers, suppliers,

3,516
employees certified their understanding and signed their re-commitment to integrity; this meant a 100% participation rate.

public officials—in order to identify potential risks, and options for mitigating them.

3. Promotional program. To keep our employees informed about our Re-Commitment to Integrity, we distributed messages beforehand about issues contained in the document through digital banners displayed on our internal website and e-mail communications, to keep them constantly aware of the expected behaviors and institutional values of Peñoles.

4. 2020 media strategy. The media strategy centered around reinforcing messages on the concept of conflicts of interest, the importance of reporting them, and allowing the company to evaluate and manage the situation sensitively and professionally.

Reducing risk exposure

205-1, 205-3

In order to continue promoting a solid integrity culture in our operations, we generate mechanisms that prevent any situation that might threaten our continuity, endurance and reputation, based on the correct identification of functions and pertinent risk management, as well as taking preventive measures.

Our prevention mechanisms are sustained by the Three Lines of Defense model, which determines the importance of each Peñoles area in promoting a culture of corporate integrity and compliance. The model is conceptualized as follows;

1st Line:

The responsible areas implement and operate strategies, courses of action and controls to avoid risks associated with unlawful behavior like fraud, bribery and corruption; to guarantee compliance with all current laws, regulations, policies and procedures; and to protect assets and information.

2nd Line:

Within the scope of their responsibilities, the compliance officer (i) identifies exposed areas and assists in mitigation activities; (ii) follows up regularly to ensure compliance controls are working effectively; and (iii) notifies Peñoles' Ethics and Corporate Values Committee, or the Audit Committee, as the case may be, of their activities and significant findings. The compliance officer aligns their activities with other corporate governance and risk management areas at the company.

3rd Line:

Based on international control criteria, standards and practices, independent areas like the internal audit department or external auditors, as the case may be, provide opinions about the efficacy of risk management, the internal control system, and the company's corporate governance processes. As for the Compliance Program, this third line makes sure that directives, processes and controls are appropriately implemented, attain their goals and are regularly evaluated.



Roll call personnel at Sabinas

The Three Lines of Defense determine the importance of each Peñoles area in promoting a culture of corporate integrity and compliance.

In order for management to be able to identify, prioritize and determine responsibility for existing or potential threats to our business sustainability, we took the following key actions:

1. Within the company, we publicized the new due diligence procedure through tutorials, key messages in graphic communications and screen savers, to impact the entire organization. The procedure was derived from a risk-based approach adopted in 2020, and applied to all the third parties with which we maintain business relations.
2. Based on the above, our due diligence procedure for outside parties, reformulated in 2019, was successfully implemented. In 2020, awareness of the importance of this process in the organization gave rise to synergies with the different areas of administration and third-party control, for example, registering suppliers and customers. Another success story consisted of integrating the due diligence process in the drafting of contracts, where the Legal area, in coordination with Compliance, determined that, as a prior step to the drafting of any contract, all third parties must have completed their due diligence process. This reflects the commitment of the areas that maintain contact with third parties to apply appropriate due diligence and to make it known to all third parties with whom Peñoles wishes to establish business relationships. With greater awareness inside and outside of the organization, in 2021 we intend to continue strengthening our culture of compliance and closing any gaps where third-party due diligence is still pending..
3. We strengthened measures for tracking possible conflicts of interest. At Peñoles, our commitment to integrity culture is reflected in employees' ability to confidently report on situations that might materialize in a conflict of interest. Based on information collected through questionnaires during our 2020 Re-Commitment to Integrity, the challenge in 2021 will be tracking these cases in a much more agile and detailed way, through control mechanisms that ensure that personnel do their jobs objectively and only on the basis of company's needs and its interactions with other stakeholders.
4. 2020 was clearly a year of new lessons in the area of risk management, which became crucial not just to our company but to many organizations. Team leaders learned better how to make decisions and develop action plans to prevent or deal with any contingency. By the close of 2020, we had a methodological framework in place for identifying and analyzing compliance risks. Our most immediate task will be to identify activities with more likelihood of occurrence and whose impact would be significant. This will determine their degree of criticality and their priority to the group.
5. In keeping with Peñoles' commitment to a conflict-free supply chain, in 2020 we began the process of verifying our remitters, to generate clear and objective information on the character of the parties with which Peñoles conducts commercial transactions, to ensure that they are good commercial partners and share our commitment to corporate integrity.
6. We developed a system for quantifying our remitters' risks from a compliance perspective, in keeping with internal and external regulations and standards to ensure a responsible supply chain—Outside-Party Due Diligence Procedure, London Bullion Market Association (LBMA), Mexican anti-money laundering laws, the OECD. This system involves verification reports indicating the risk assigned to the remitter in question as well as the main findings regarding their situation. The Under Department of Raw Materials thus has more solid information for determining whether or not to continue commercial relations with them. General recommendations were also issued on strengthening the remitter management process, including the creation of files on the third-party due diligence process, compliance with LBMA Responsible Sourcing Program guidelines, formalization of remitter negotiations, improvement in controls for accrediting precious metals, more precise systems information and training personnel about compliance risks in the supply chain. Training in the matter of economic sanctions was also given to all of members of the Under Department of Raw Materials and select personnel from CSC Logistics, the Under Department of Metals and the Under Department of Chemicals whose job responsibilities involve being informed and taking this type of decisions.

Another success story consisted of integrating the due diligence process in the drafting of contracts, where the Legal area, in coordination with Compliance, determined that, as a prior step to the drafting of any contract, all third parties must have completed their due diligence process.

Money-laundering prevention

To address the requirements of the Federal Law on Prevention and Identification of Money-Laundering (the Anti-Money-Laundering Law), the following preventive and remedial actions were taken:



- Publication and distribution of the Manual for Compliance with the Federal Law on Prevention and Identification of Money-Laundering in our internal regulatory system, which is updated continually.
- Follow-up on transactions involving activities considered “vulnerable” in the eyes of the law.
- Remedial actions to correct certain situations within the group’s companies, as permitted by the current laws.



Virtual meeting, Sabinas plant

External Code of Conduct

EM-MM-510a.1-1

In 2021, Peñoles will be publishing an External Code of Conduct intended for all outside stakeholders, consistent with our Integrity and Compliance Strategy as well as our internal Code of Conduct. This document expresses Peñoles’ commitment to corporate responsibility and recognizes that close cooperation with its commercial partners is essential to its vision, ensuring ethical conduct in all its business through a responsible supply chain that promotes environmental protection and guarantees the well-being and development of society.

The External Code of Conduct is based on Peñoles’ internal regulations, and it was also developed in keeping with compliance laws, internationally recognized standards like the United Nations Global Compact, the basic conventions of the International Labor Organization (ILO) and the guidelines on corporate social responsibility issued by the Organization for Economic Cooperation and Development (OECD) and the United Nations.

The Code will ensure that all of our external relations are grounded firmly in corporate integrity and strict compliance with the law, so that we can avoid any situations involv-

2021

Peñoles will be publishing an External Code of Conduct intended for all outside stakeholders.

In 2021 we have various activities planned to deal with expected changes in the applicable regulations and detailed tracking of activities to ensure that we are able to respond to any external request.



Attendants to the “Better company” workshop at Capela

Employee at the Legaria headquarters



ing bribery, corruption, conflict of interest, fraud, money-laundering or terrorism financing. Also, to ensure responsible sourcing, the Code includes terms on environmental protection, occupational health and safety, and respect for human and labor rights. It stipulates rules on the protection of intangible assets, private information and intellectual property and provides tools for external stakeholders to ensure their compliance with the Code and request guidance in the event of any questions or concerns.

The External Code of Conduct is a guideline for action by external stakeholders, and all external partners will be required to familiarize themselves with and accept it in order to begin and maintain commercial relations with Peñoles.

Development of new guidelines

The Internal Regulation System, which incorporates all of Peñoles’ policies, procedures, guidelines and standard practices, disseminates the following polices and procedures in place for keeping the White Book up to date, including Compliance duties:

WHITE BOOK, INCLUDING COMPLIANCE DUTIES



- *Integrity and compliance Policy*
- *Cybersecurity Directive Policy*
- *Procedure for identifying, analyzing and preventing psycho-social risks and workplace violence, and promoting a positive organizational climate*
- *Procedure for compliance management of Peñoles*
- *Procedure for preventing and discouraging fraud*
- *Procedure for donations, sponsorships, gifts, hospitality and entertainment*
- *Procedure for sharing information with outside parties and knowledge of beneficial owners*
- *External Code of Conduct*
- *Personal Data Management System*
- *Personal data directive procedure*
- *Manual of procedures for complying with the Federal Law regarding Personal Data Protection*

Peñoles requires all of its employees to comply with applicable anti-corruption regulations in order to maintain the trust of all our stakeholders.

Anti-Corruption Program

Peñoles complies voluntarily with national and international principles in order to avoid situations that affect the impartial and objective performance of our duties. Among these are the General Law on Administrative Responsibility, or indirectly (attraction clause) regulations like the UK Bribery Act or the U.S. Foreign Corrupt Practices Act. Peñoles requires all of its employees to comply with applicable anti-corruption regulations in order to maintain the trust of all our stakeholders: community, employees, shareholders, customers, suppliers and governments.

Reporting improper conduct without fear of reprisal

102-17-a

As a result of changes in Peñoles’ integrity and compliance structure, in 2020 we strengthened the corporate structure for addressing complaints and the investigation protocol applicable within the group. The purpose is to provide channels for prompt, independent and free reporting of conflicts of interest, situations and behaviors that go against our vision, institutional values, Code of Conduct, or the law. With this, we can continue building a climate of trust, openness and credibility in addressing and dealing with cases without fear of reprisal.

Both employees and external stakeholders can use the **Línea Correcta** hotline through various channels:

 Toll-free phone number: **800 002 8477**

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

 Online chat

 E-mail: penoles@lineacorrecta.com

 SMS: **(55) 6538 55 04**

Remedial actions and disciplinary measures



Human Resources



Compliance



Fraud



Compliance-Corruption

Total cases

	Human Resources	Compliance	Fraud	Compliance-Corruption	Total cases
Employee dismissals	4	3	-	-	7
Documented reprimands	11	1	-	-	12
Improved controls	1	2	-	-	3
Employees transferred	1	-	-	-	1
Cases closed for insufficient evidence to begin an investigation	4	-	-	-	4
Lack of evidence to support claim	7	6	-	-	13
Pending closure *	4	-	1	-	5
In process of being addressed	18	-	4	10	32

* Investigated with remedial/disciplinary action in process

Note: The process of addressing these cases was affected by pandemic conditions, which complicated the corroboration process, as well as the reorganization of the reporting structure, which is now distributed among the Human Resources, Labor Relations and Compliance offices.

Línea Correcta is publicized among all employees as a reminder in the first quarter of every year. We also have permanent channels for communication through our intranet or Peñoles' external website at www.penoles.com.mx, where there is a box that provides a link to **Línea Correcta**.

All reports received are sent to the Ethics and Corporate Values Committee for evaluation. In the more serious cases, the committee decides together on the disciplinary measures that should be applied. These actions take into account the procedure for receipt, attention and follow-up on reports of unethical conduct, and the procedure for evaluating and investigating reports of unethical conduct.

205-3-a, 205-3-b, 205-3-c, 406-1

Statistical information

In 2020 Línea Correcta received a total of 77 reports. Grouped by category:

Human resources :

49 reports

(abuse of authority, abuse of trust, sexual harassment, improper conduct on the job, nepotism, favoritism, professional negligence, working environment)

Compliance:

21 reports

(conflicts of interest and other categories associated with compliance)

Compliance – fraud:

7 reports

Remedial actions and disciplinary measures

Based on the reports received by Línea Correcta, the following remedial actions or disciplinary measures were taken shown in the table above.

Employees at Capela offices



201-4, 415-1

Peñoles receives no government financial aid or assistance of any kind, nor made any political contributions.

205-3-d, 206-1, 307-1, 419-1

In 2020 there were no pending legal actions relating to monopolistic practices, unfair competition or corruption. We received no significant fines or sanctions for failure to comply with the law.

406-1, 411-1, 412-1

No incidents of extortion, abuse, discrimination, slavery or forced labor, unfair labor practices, violations of indigenous rights or any other human rights grievances were filed.

Recognitions

412-1

We maintained our Good Delivery distinction from the London Bullion Market Association, certifying us as a company free of conflict throughout our precious metal supply chain. The Good Delivery certification is proof of the high quality and purity of the bars of gold and silver we produce, which means we have met standards regarding international human rights, anti-money-laundering and terrorism financing, and that we have a responsible supply chain that avoids products from areas at risk or in conflict.

EM-MM-510a.2.

Fortune magazine in Spanish included Peñoles in its ranking of the 30 Most Ethical Companies 2020, published in the June issue. Industrias Peñoles came in eleventh out of 97 companies that met all the requirements for registry. We were the only mining company that participated in the study, and we also came in second in the category of “Ethical business philosophy.”

Furthermore, during the year, Industrias Peñoles received the Ethics and Values distinction in the category of “Major Mexican companies” from the Mexican Confederation of Industrial Chambers (Concamin). Similarly, the magazine *Expansión* included us in the IC500 Index of companies committed to integrity, which have zero-tolerance policies toward corruption and bribery.



Good Delivery

We maintained our distinction from the London Bullion Market Association, certifying us as a company free of conflict throughout our precious metal supply chain.



Aerial view, Sabinas unit

STAKEHOLDERS



Community of San José de Félix, Zacatecas, near the Sabinas unit

During the year we kept communication channels open, with some modifications due to the pandemic, and we reinforced them to make sure we could keep our stakeholders informed.

HIGHLIGHTS OF OUR EFFORTS

101-1.1, 102-40

Peñoles behaves ethically toward its stakeholders (shareholders, employees, community, customers and suppliers), with honest, above-board and fair dealings, respect for human and labor rights and tolerance for religious ideas, political preferences, social and economic condition, to avoid any type of discrimination. We also expect every one of our stakeholders to maintain the same ethical attitude, consistent with our Code of Conduct.

102-42, 102-43

Stakeholders are defined as such by their influence on or dependence on the company. The channels of communication we maintain with them encourage interaction, and we express our commitment to them through transparency and dialogue.

External communication

Communication with our external stakeholders is an essential part of our daily work. That is why one of the priorities of our transparency policy is to ensure that stakeholders, particularly the communities where we operate, are kept informed of all the actions we carry out.

During the year we kept communication channels open, with some modifications due to the pandemic, and we reinforced them to make sure we could keep our stakeholders informed of the various activities carried out by Peñoles.

In order to continue our flagship social programs in this changed environment, we developed and followed protocols for community engagement, maintaining all appropriate social distancing measures. We modified the use and consumption of information, especially in social media, and strengthened digital channels to publicize our social and health programs.




- We developed innovative interactive graphic materials to spread the word about our social responsibility and environmental actions. We also developed content for a training program in our soccer and baseball academies.
- We designed campaigns to publicize social programs, among them Peñoles' efforts to deal with the COVID-19 pandemic: reinforcing sanitary checkpoints at all our operating units, hiring medical personnel for the La Laguna units, following all sanitary protocols required by the public health authorities, community information campaigns about health care, donation of technological and personal protection equipment, and sanitary kits for health institutions and people who live near our operating units.
- We installed an interactive infographic at the Teloloapan Municipal Museum, the first of its kind in the state of Guerrero, as part of our launch of new technologies.
- We bolstered a digital strategy to increase the company's presence and interaction in social media.
- We kept in contact with the news media through newsletters and graphic material.
- We prepared virtual reality videos to continue the Peñoles 360° Experience, which describes the company's operations and environmental care actions, like wastewater treatment and reforestation, among others.
- We produced interactive virtual reality videos to help train personnel in safety matters.
- We participated in industry magazines to share the company's experiences, and we continued to publish a magazine called *Comunidad Peñoles*, which puts out three issues a year in La Laguna.
- Our crisis committees conducted an assessment of the climate and prospects in order to identify our strengths, take advantage of opportunities and work on possible risks.

The results of all these efforts taught us the importance of making the most of communication technology to develop innovative materials and place more emphasis on dissemination of content.

During the pandemic, we redoubled these actions and adapted our communication channels to the needs of our audiences, above all in messages to reinforce the hygiene measures needed to keep everyone safe and healthy. We will continue to rise to the challenge of responding swiftly and appropriately, and sharing information reliably, efficiently and promptly.

In addition to our external communication media, we have other channels to support stakeholder engagement. Our commitment to them is underpinned by transparency, dialogue and trust.

102-40, 102-42 STAKEHOLDER ENGAGEMENT

	Goal	Mechanism	Interaction
 <p>SHAREHOLDERS</p>	<p>Be the best investment option for our shareholders in the medium and long terms, by guaranteeing cost competitiveness, growth, profitability and the survival of the company.</p>	<p>Executive Committee Meetings</p> <p>Shareholders' meetings</p> <p>Various committee meetings</p> <p>Executive meetings</p> <p>Annual reports: Financial and Sustainable Development</p> <p>Reports by the CEO</p>	<ul style="list-style-type: none"> • Provide accurate information that reflects the current status of operations and the business. • Guarantee proper handling of company resources and assets. • Report, eliminate and sanction any conduct that goes against good business practices, the free market, and fair business dealings. • Define strategies to achieve the company vision.
 <p>EMPLOYEES</p>	<p>Be the best place to work, a company they can feel proud of which dignifies them by offering opportunities for development, respect and recognition in a safe environment and in a climate of teamwork.</p>	<p>Strategic and operational planning</p> <p>Code of Conduct</p> <p>Regular workteam meetings</p> <p>Talent Development, Evaluation and Performance System</p> <p>Communication mechanisms: intranet, video calls, dissemination campaigns, talks, etc.</p> <p>Materiality analysis</p> <p>Annual reports: Financial and Sustainable Development</p> <p>Línea Correcta hotline</p> <p>Annual reports: Financial and Sustainable Development</p> <p>Workplace environment survey</p>	<ul style="list-style-type: none"> • Encourage a working environment that enables each person to develop their full potential and creativity. • Encourage collaboration and multidisciplinary teamwork so everyone can contribute to process improvements. • Provide competitive pay and benefits, based on results, avoiding any type of discrimination. • Provide opportunities for professional update and advancement with gender equity. • Precisely communicate plans, procedures, targets and indicators for evaluating performance and achieving goals, and ask for feedback regarding the above. • Grant recognition through established mechanisms. • Hire, train and retain the most capable people. • Investigate and provide substantiated, timely, clear and correct response to concerns and grievances from our personnel. • Promote and maintain safe and healthy workplaces and care for the facilities and the furniture. • Respect freedom of association.
 <p>COMMUNITY</p>	<p>Be a socially responsible company, respectful of nature and supportive of the self-development of the communities where we operate.</p>	<p>Social Development System</p> <p>Media monitoring</p> <p>Grievance mechanisms</p> <p>External communication channels: social networks, dissemination campaigns, committees, interaction with social media</p> <p>Annual reports: Financial and Sustainable Development</p> <p>Socioeconomic diagnosis</p> <p>Perception survey</p> <p>Materiality analysis</p> <p>Fostering self-development</p>	<ul style="list-style-type: none"> • Respect culture and customs in the communities where we operate, in keeping with the legal order, morals and good customs. • Help promote autonomous self-development of the communities where our business units are located. • Establish mutually beneficial relationships and keep communication channels open. • Maintain relations of respect, fair treatment and collaboration, impartially and independent of non-institutional interests. • Avoid any kind of discrimination. • Investigate and provide substantiated, timely, clear and correct response to concerns and grievances from our communities.

STRENGTHENED BY our stakeholders' trust.



Contractor at the Sabinas unit

Transport area, Tizapa plant



	Goal	Mechanism	Interaction
<p>CUSTOMERS</p> 	<p>Be a strategic partner that offers comprehensive solutions and inspires the trust needed to do business over the long term.</p>	<p>Client Administration System Service and satisfaction surveys Technical visits Product catalogue Annual reports: Financial and Sustainable Development Process certifications</p>	<ul style="list-style-type: none"> Supply the products and services requested with the highest quality and timeliness. Conform to current Peñoles policies and procedures. Maintain quality, confidence and process improvements.
<p>SUPPLIERS</p> 	<p>Be a strategic partner, establishing mutually beneficial, long-term relationships based on good commercial practices and ethical commitment.</p>	<p>Trusted supplier catalogue Visits and audits Due diligence evaluations Opinion surveys Annual reports: Financial and Sustainable Development Training workshops Training and assistance</p>	<ul style="list-style-type: none"> Hire suppliers and contractors based on quality, profitability, service, technical capacity, competitiveness and experience criteria. Keep all information received from suppliers and contractors strictly confidential during the entire process of accepting bids for the assignment of purchase orders and contracts. Share ethical and socially responsible business practices, with strict adherence to the Code of Conduct and respect for human rights.

STRENGTHENED BY VALUE

GENERATION



Peñoles' economic impact, value generation and its distribution among stakeholders reflects our social commitment to establish fair and sustainable business practices.

US\$ 2.80 B

generated value by the company and subsidiaries in 2020.

ECONOMIC PERFORMANCE

201-1-a Value generated* (US\$ 000)

	2020	%	2019	%
Net sales	4,673,309	100	4,471,948	100
Domestic costs and expenses	1,649,056	35	1,773,055	40
Foreign costs and expenses	224,871	5	241,780	5
Total costs and expenses	1,873,927	40	2,014,835	45
Total value generated	2,799,382	60	2,457,113	55

* Includes operations by Industrias Peñoles and its subsidiaries.

201-1-a Value distributed* (US\$ 000)

	2020	%	2019	%
Employees	383,813	13.7	392,632	16.0
Contractors	904,904	32.3	1,034,101	42.1
Government	243,597	8.7	18,430	0.8
Shareholders	33,842	1.2	236,858	9.6
Community and environment	63,061	2.3	77,154	3.1
Reinvestment in the company	887,206	31.7	591,889	24.1
Interest	282,959	10.1	106,049	4.3
Total value distributed	2,799,382	100	2,457,113	100

* Includes operations by Industrias Peñoles and its subsidiaries.

The economic impact of our investment is expressed in a redistribution of our value generated among our stakeholders.

Particularly significant were the contributions made to the community and the environment, which were the following:

203-1 Contributions to the community* and the environment** (US\$ 000)

	2020	2019
Community	7,984	11,232
Environment	6,967	7,561
Depreciation of social assets	56,098	47,368
Provision for ecological expense	-7,988	10,993
Total	63,061	77,154

*Includes investments in infrastructure, public services, festivals and cultural events, fairs, exhibits, press and radio expenses, contributions to communities, and others.

**Includes operations by Industrias Peñoles and its subsidiaries.

412-3

There were no significant investment agreements or contracts in 2020 that included human rights clauses or underwent human rights screening. Nevertheless, Peñoles demands that all contractual partners give permanent, unequivocal respect for human rights.

The breakdown of our results and main financial figures for the fiscal year can be viewed in our Fourth Financial Statement, which is included at the end of this report, as well as in our 2020 Annual Report.

103-1, 103-2, 103-3

We aim to be the best investment option for our shareholders in the medium and long terms, offering them growth and profitability, and thus ensuring the survival of the company.

We strive to manage the company's resources and assets wisely and guarantee good practices, fair business dealings and free competition.

102-7-a.iv, 102-45

As the following table shows, the company generated US\$ 2.80 billion in value in 2020.



Product transportation, Química del Rey

Parking yard at Capela unit



ECONOMIC BENEFIT



29,993
total direct jobs.

203-2, 103-1, 103-2, 103-3

At Peñoles, we establish solid, reliable business practices, based on our vision of long-term sustainability and growth. Our economic impact, value generation and its distribution among stakeholders reflects Peñoles' commitment to social responsibility.

Our economic benefit in the states of Mexico where we operate totaled US\$ 110.77 million a month, 46% less than the year before. This benefit reduction was mainly due to the impacts of the pandemic.

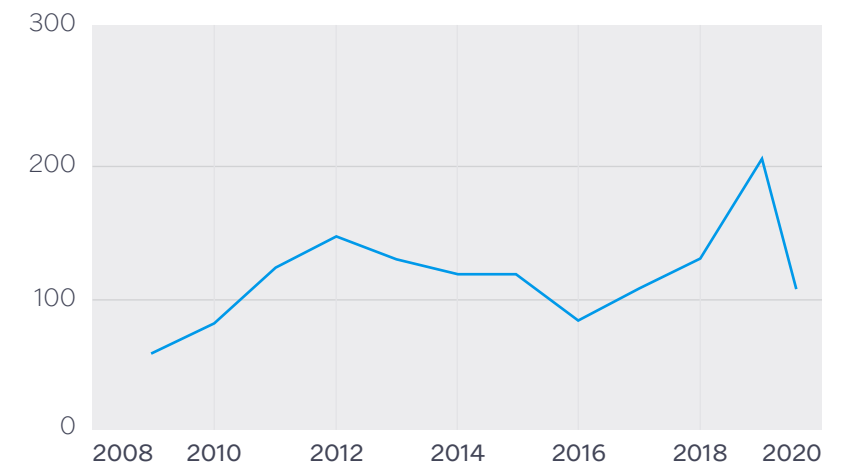
Economic benefit

State	Direct jobs	Local suppliers	US\$ M/month*
Chihuahua	3,061	147	7.97
Mexico City	269	278	6.64
Coahuila	6,912	1,887	29.09
Colima	5	25	0.02
Durango	3,055	637	10.43
State of Mexico	805	235	3.40
Guerrero	926	71	1.95
Oaxaca	89	40	0.32
Sonora	5,027	521	28.36
Tamaulipas	6	23	0.03
Zacatecas	9,838	784	22.57
Total	29,993	4,648	110.77

Economic benefit = wages + salaries + local purchases + local taxes
Direct jobs: employees + unionized personnel + contractors

HISTORICAL ECONOMIC BENEFIT

(US\$ M/month)



"Better company" workshop at Capela

With these results, we prove our commitment to generating shared value for our stakeholders.

4,648
local suppliers during 2020.

Employees waiting for access at the Tizapa unit



Mexican Social Security Institute clinic at Tizapa

JOBS, WAGES AND OTHER BENEFITS

101-2.2, 101-2.5, 103-1, 103-2, 103-3

Peñoles provides competitive and fair compensation and benefits to its employees; we provide them with opportunities to advance their skills and professional positions; we offer various recognitions through established mechanisms; we guarantee that raises and promotions are based on capacity, performance and merit; we promote and maintain safe, healthy, environmentally-friendly workplaces; we respect freedom of association and we prohibit any type of discrimination or harassment.

408-1-c

All personnel working at Peñoles are of legal age according to the applicable laws and international principles of labor ethics. To avoid hiring underage workers, we review and validate the admission documents of every candidate in all of our business units.

202-1, 405-2

We make no gender distinctions among our employees. Compensation policies and procedures are based on the relative value of the position in the organization and the performance of the person who holds that position. The relationship between starting or base salary and compensation paid to men and women is 1 to 1, and is established based on a table of market salary indicators, the level of responsibility of the position in question, and individual performance.

The company believes it is important to have an objective compensation system based on employees' results, so their geographic location, gender, religion and other personal characteristics are not considered in calculating their compensation.

401-2 BENEFITS



- Disability and life insurance for people with full-time employment contracts. Part-time or temporary staff also have life insurance, but for a lower amount than full-time or permanent employees



- Medical insurance for full-time employees



- Pension fund for full-time employees



- Savings fund for full-time and part-time employees

- Economic complement for disability determined by the Mexican Social Security Institute

8.125%

savings of their base salary in which each employee contributes to a plan called Planlibre®.

201-3

In 1980, Peñoles created a defined-benefit retirement plan that complements the Mexican Social Security Institute benefits to which employees are automatically entitled. In 2007, Peñoles changed this to a defined contribution plan called Planlibre®, in which each employee contributes at least 8.125% of their base salary. The plan is managed by a trust and is fully funded. There is no independent fund to cover the company's contributions; the reserve for covering this expense is created on a monthly basis.

102-7-a.i, EM-MM-000.B

Peñoles had 7,708 employees as of December 31, 2020; counting international companies (88) and Fresnillo plc (5,753), this number rises to 13,549.

102-8-a, 102-8c, 405-1-a.i, 405-1-b.i

Peñoles employees* are classified as follows:



Control room, Tizapa plant

102-8-b

100% of Peñoles employees are full-time. Most of them work in the states of Coahuila, Durango, Zacatecas, State of Mexico and Mexico City, as can be seen in the following table.

102-8-b Personnel by state

State	%
Coahuila	58.67
Durango	9.83
Zacatecas	9.02
Guerrero	8.60
State of Mexico	7.81
Mexico City	3.50
Sonora	1.78
Chihuahua	0.32
Oaxaca	0.19
Nuevo León	0.13
Tamaulipas	0.08
Colima	0.06

* These data include only Peñoles operations.

405-1-b.i, 102-8-a, 102-8-c, 405-1-a.i, 405-1-b.i, 102-8-a, -102-8-c

Employees by type of association, contract and gender

	Total by gender	Type of association			Type of contract	
		Unionized 58%	Non-unionized 37%	Executives 5%	Full-time 93%	Part-time 7%
Men	88%	94%	77%	88%	88%	88%
Women	12%	6%	23%	12%	12%	12%

* These data include only Peñoles operations.

405-1-b.ii, 405-1-a.ii

Employees are classified into generations by age, as the following table shows.

Personnel by generation group

Generation	Executives	Non-unionized	Unionized	Total
Traditionalist	1	-	-	1
Baby boomer	144	164	219	527
Generation X	183	756	1,347	2,286
Millennial	65	1,911	2,918	4,894
Total	393	2,831	4,484	7,708

* These data include only Peñoles operations.

401-1b
Peñoles reports an employee turnover index of 9.57 percent among non-unionized personnel. Among unionized personnel, turnover was 12.37 percent.

401-3
A total of 336 employees were entitled to take paternity or maternity leave during the year: 52 women and 284 men. All of them took advantage of that right, and all returned to work.

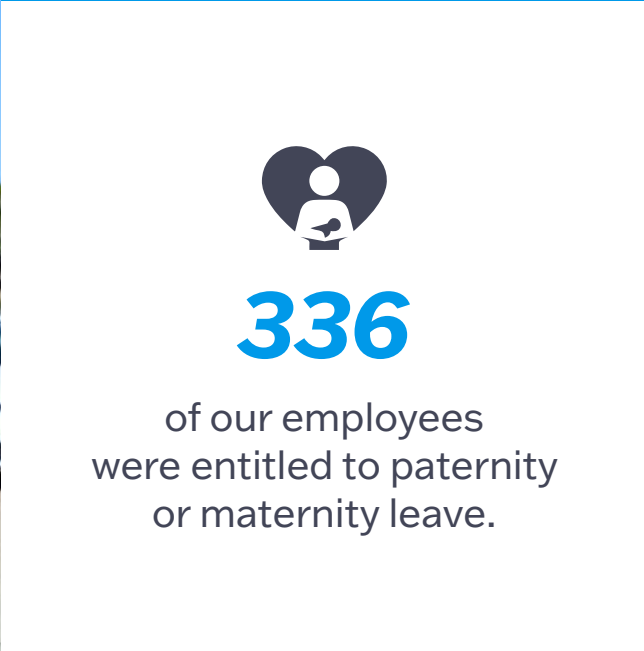
102-8-d
At the close of 2020, Peñoles had 5,414 independent contractors performing various jobs such as sanitation, security, fumigation,

civil construction, calibration and maintenance of scales, insulation, landscaping, loading and unloading, boilers, data networks, among others.

102-8-e, 102-8-f
The data presented were obtained from payroll records. The number of Peñoles employees in 2020 (7,708) was 10.54% lower than in 2019 (8,616) due primarily to the closure of the Bismark mine and indefinite suspension of operations at Madero and Milpillas. The difference would have been even greater had we not relocated 267 of these employees to other group operations.



Contractor at Sabinas unit



Employees with COVID-19 protective measures at Tizapa



STRENGTHENED BY
by the excellence
of our people.



SUPPLIERS



Shipping suppliers at Tizapa

101-2.2, 101-2.5, 103-1, 103-2, 103-3

In managing our sourcing, we try to ensure a reliable supply of raw materials, key inputs and services, according to the needs of our business; this is a strategy for achieving excellence and operating continuity in all our processes.

We want to be a strategic partner to all our suppliers, and that our business relations with them be grounded in good commercial practices with a deep ethical commitment and in mutual long-term benefit.

In our interactions, we seek to:

1. Engage suppliers and contractors through uniform, transparent processes that ensure equitable participation.
2. Choose suppliers and contractors based on criteria of quality, profitability, technical competence and due diligence, that consider ethical and social responsibility principles.
3. Offer and receive fair and honest dealings in every transaction.
4. Under equal conditions, give priority to local/regional/national suppliers.
5. Guarantee confidentiality in the information received from suppliers and contractors.

Our goal is to provide an excellent supply of goods and services to our business units, ensuring their optimum profitability by identifying and evaluating the best products and suppliers in the world.

We focus our strategies on goods that are critical to our productive operations, in order to improve business sustainability and support local, regional and national development.

We consider critical suppliers those which supply goods:

- a. that have considerable weight in our operating costs.
- b. whose quality could affect our processes.
- c. which are scarce or can be obtained from only one source.
- d. with restrictions on purchases and/or imports.

Access to suppliers, Capela unit



To reduce risks in our supply chain we have a due diligence process that every supplier must undergo, and which provides information on their compliance with the laws and regulations governing their operations, as well as matters of business and social conduct—discriminatory practices, dubious partners, among others.

In the case of our raw material suppliers, this due diligence process includes a more in-depth examination of their environmental and social qualifications. We also identify suppliers who are currently the only ones to supply certain critical goods, in order to seek out other potential suppliers, compare specifications and conduct testing for possible future authorization.

We identify opportunities and obstacles in our vendor sourcing based on a catalogue that includes both domestic and foreign suppliers, and a department specializing in imports (Procurement) and foreign trade (Tax Planning), that ensure compliance with

laws and regulations on such transactions. Our strategy also promotes direct acquisition from goods manufacturers anywhere in the world, and our data system is multi-country and multi-currency.

Every year, the Procurement area prepares an operating plan that defines strategies for every category of goods, which encompasses our research into potential suppliers both locally and abroad. Within this plan we define projects that would enable a more thorough systematization and automation of procurement processes, and we review our progress against that plan every month to detect discrepancies and take action to ensure compliance. A regular report is drawn up on pur-

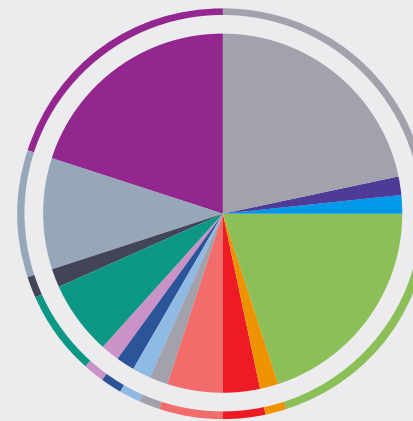
chases from our suppliers, broken down by category of goods and operating unit.

407-1, 408-1, 409-1, 412-1, EM-MM-510a.1

As a matter of policy, Peñoles is committed to high ethical standards. We hold trust, responsibility, integrity and loyalty to be essential values and we abide at all times by internal regulations and the laws that apply to us. We promote respect for human rights and endeavor to maintain a supply chain free of ethical and legal conflict. We avoid relations with third parties that do not share these values and standards.

In order to comply with OECD and United Nations standards, we maintain a zero-tol-

DOMESTIC REMITTERS BY STATE



Number of remitters			
● Chihuahua	13	● Nayarit	1
● Coahuila	1	● Oaxaca	1
● Colima	1	● Querétaro	1
● Durango	12	● San Luis Potosí	4
● State of Mexico	1	● Sinaloa	1
● Guerrero	2	● Sonora	6
● Hidalgo	3	● Zacatecas	12
● Michoacán	1		
		Total	60



erance stance on money-laundering, fraud, bribery and corruption. We do not do business with parties that may actually or in appearance participate in such activities, and we cancel any existing contracts with those who do.

We do not do business with partners in high-risk countries or conflict zones that are not respectful of the environment, life, health and ecosystems, in harmony with the community and sustainable development. Neither do we engage with organizations relating to the mining industry that benefit from, contribute to, aid or facilitate forced labor, child labor, armed groups, human rights violations, or labor discrimination; have dealings with subversive organizations; offer unsafe work conditions; or fail to respect political religious and sexual preferences, among others.

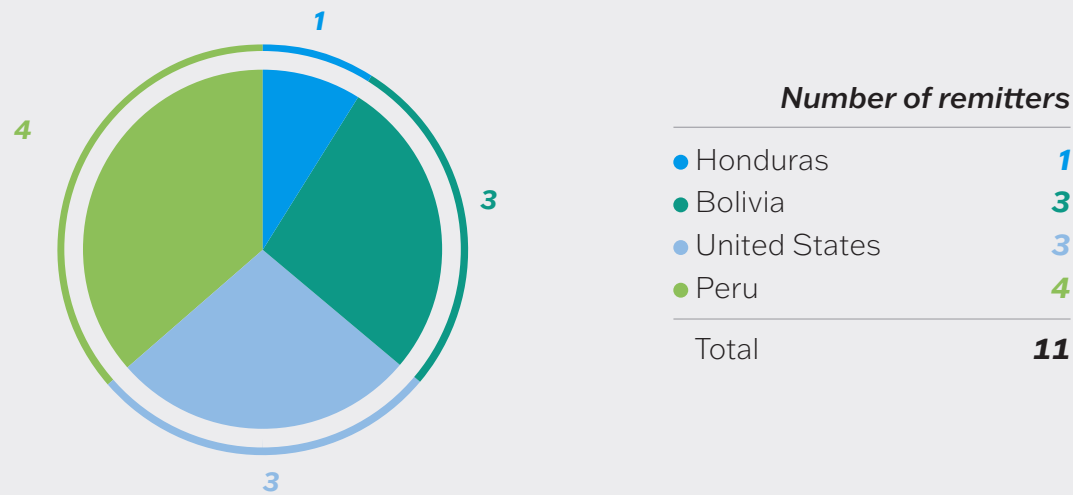
Our suppliers and contractors share our values, and we treat them fairly and honestly. The following summarizes our main actions in 2020 with suppliers of raw materials (remitters), services (contractors) and transportation (freight) services.

Raw material suppliers: remitters

Ensuring a reliable supply of raw materials, key inputs and services according to the needs of the business is a strategic path to excellence and operating continuity in our processes. In metallurgical operations, we have a catalogue of specific information on each supplier of lead and zinc concentrates, doré and ore. In 2020 we worked with 71 remitters: 60 domestic and 11 international.

Contractors at the Tizapa unit

INTERNATIONAL REMITTERS BY COUNTRY (%)



Of course, it is important to ensure that remitters of raw materials have the concessions and permits necessary to produce the materials they ship to Metalúrgica Met-Mex, as part of our effort to ensure responsible procurement of ore in a supply chain free of conflict and risk.

For this reason, and in keeping with our policies and Code of Conduct, all our active remitters are subject to a process of due diligence to determine their degree of risk. We also rate the quality, quantity and timeliness of their deliveries in the period evaluated. In 2020, we conducted 27 evaluations of potential and current remitters, in addition to four reviews currently in process.

Each key remitter is sent a report detailing the criteria that will affect their compliance rating, so that they can take the pertinent preventive and corrective measures.

Service suppliers: contractors
308-1, 308-2, 414-1 414-2

In order to maximize the return on our business, we consider the hiring of external contractors and services to be the most efficient use of our own resources. All of our divisions hire contractors for work relating to engineering services and projects, construction and services for operational projects, maintenance, mining, exploration, energy and technology services.






We recommend to contractors who supply services in remote locations that, to the extent possible and in keeping with the established requirements, they provide job opportunities to people in local communities.

Mines Division

This division holds annual meetings to recognize contractors' safety performance, while encouraging them to create ways to reward their own employees for their safety performance. In mining work contracts, we promote our contractors' productivity by establishing a recognition-penalty system

27
evaluations of potential and current remitters in 2020.

Total amount paid in 2020
OUTSOURCING*

-  **50%**
development and works
-  **27%**
maintenance
-  **9%**
miscellaneous professional fees
-  **8%**
major repairs
-  **7%**
other services

* These data include the operations of Industrias Peñoles and its subsidiaries.

for efficiencies. The user of each service evaluates the contractor's performance.

Given the nature of mining work, we strive to determine the best conditions to our contractors—better camps, services, recreation, and more. We also carry out actions like work tables for brainstorming, agreements and change analysis, in order to reduce staff turnover.

All new contractor workers receive a five-day safety and security induction course followed by ongoing tracking of their results. In addition, contractors participate in specific courses such as rock mechanics. In 2020, we recognized and encouraged contractors for their performance, and in most contracts we also eliminated the requirement to pay for casualty insurance and performance bonds.

This year we supported entrepreneurs in the community neighboring the Capela unit by selling personnel transport trucks under an equipment operating and financing credit agreement and signing of service contracts.

Peñoles' suppliers actions against COVID-19, Capela unit



37

companies attained Reliable Supplier level.

Metals Division

The Metals Division identified critical suppliers based on contract volume, contract value and servicing of critical equipment. We have a process of supplier evaluation that includes both business management and service indicators, by which we can detect areas of opportunity based on a two-year action plan.

In contractor management, our priority is service quality, employee safety, business ethics, and mutually beneficial, long-term relations. Contractors must abide by our own internal rules and management system procedures when working on our premises.

We have a process for supporting our contractors' development, encouraging the growth of local companies and in turn receiving better services with more highly qualified personnel. We have an indicator to identify the number of reliable suppliers and generate action plans to correct any areas of opportunity detected. We also have indicators of service contract volume and value.

As we do every year, we recognized companies that attained Reliable Supplier level—a total of 37 companies in 2020. This recognition is publicized in local news media.

In the area of safety, we evaluate and recognize companies that achieve the Zero-Accidents target for a certain number of years. In 2020 there were 59 companies who earned this distinction for between 1 and 17 consecutive years of zero accidents.

In the matter of health, we created a COVID-19 Contractor Crisis Committee, made up of representatives from the medical, safety, contracts and engineering areas, to ensure compliance with the requested health and hygiene measures.

Onboarding courses were given virtually during the year in order to continue training new hires. We also asked all contractor companies to undergo online training provided by the Mexican Social Security Institute.

We monitored compliance with pandemic-control protocols and measures on a daily basis, including the use of face masks, hand washing, safe distancing and temperature taking, with checkpoints at plant entrances, bathrooms and dressing rooms, and in employee dining rooms.

59 contractors earned the distinction for having zero incapacitating accidents in 2020.

Química del Rey

At Química del Rey, the largest unit in the Chemicals Division, we have a collective bargaining agreement with the National Union of Workers of Companies providing Services for Industries and Companies of the Mexican Republic, which includes a salary tabulator established by category. The contract includes benefits and salaries that are higher than those established by the Federal Labor Law, and even considering the definition of the minimum wage in border areas, no category falls below that level. In November 2020 the tabulator was revised to apply a 3% increase, effective in 2021. A total of 11 due diligence reviews were ap-

plied to the same number of contractors in 2020; due diligence was renewed for four of them, and the process was begun for three more. We also applied the new Third-Party Acceptance and Continuity Form for four contractors.

Because of the public health emergency, the weekly face-to-face meetings with environmental, health and safety coordinators were not held, and the Todos Somos Laguna del Rey cleanup campaigns were also canceled.

The companies subject to permanent evaluations include 17 that work with Química del Rey on an ongoing basis and are mostly local companies. Controls were also established for contractors in the areas of safety, health and the environment, which are tracked on a monthly basis. The level of compliance by local contractors was 73% in safety, 70% in health and 67% in environment.

For hoisting maneuvers within the plant, we have seven cranes that have been certified for verification of operating conditions, issued by companies recognized by the Mexican Accreditation Agency as verification units. Two of these were recertified during the year. These cranes are operated by staff who have earned professional skill or qualification certificates after undergoing 240 hours of training.



General services unit, Química del Rey

Public health emergency

Because of the start of the COVID-19 pandemic during the year we began limiting contractor activities in the month of March. Subsequently, the Ministry of Health published a ruling in the Official Gazette of the Federation on May 14, article four, which deemed construction, mining and the manufacture of transportation equipment as essential activities, which were resumed as of June 1, under certain guidelines.

In 2020, Peñoles recognized 31 contractors who had no accidents of any kind in 2019.

17

contractors evaluated for their safety, health and environmental performance.

Panoramic view of Química del Rey at sunset



With this, our contractors began returning to work between May 18 and 31, in accordance with health and safety rules published by the Ministry of Health and in coordination with the Ministries of the Economy and Labor and Social Planning, as well as the Mexican Social Security Institute.

Protocols were applied to each contractor for the purpose of guaranteeing the safety of personnel before entering our plant for physical work and/or services. They were also provided with guidance on complying with the official health and safety rules, as established in the following documents:

1. Guide on best practices in mining-metal operations: SARS-CoV2 (COVID-19) 2020 public health emergency https://www.gob.mx/cms/uploads/attachment/file/551913/Protocolo_de_contingencia_Covid-19_3.0-1.pdf
2. Guideline for workplace action regarding COVID-19 https://www.gob.mx/cms/uploads/attachment/file/548062/GUI_A_DE_ACCIO_N_PARA_LOS_CENTROS_DE_TRABAJO_ANTE_EL_Covid-19_24_04_20_VF.pdf
3. Protocol for coronavirus containment at construction sites https://www.cmic.org.mx/COVID19/protocolo_coronavirus_CMIC-v2.pdf
4. Technical guidelines on workplace health and safety <https://nuevanormalidad.gob.mx/>
5. Health and safety protocol <http://nuevanormalidad.gob.mx/>

With this, 51 contractors passed their Health and Safety Protocol Self-Evaluation, 36 of which presented sanitary protocols.

Health checkpoints at plant entrance, Capela



Sanitizing measures at Capela

With this, 51 contractors passed their Health and Safety Protocol Self-Evaluation, 36 of which presented sanitary protocols.

Before returning to the job, 197 workers took a course on “Recommendations for a safe return to work during COVID-19”, available on the IMSS platform at <https://climss.imss.gob.mx/>, and all obtained their corresponding certificate. This training was incorporated into the requirements for contractor personnel to obtain their entry credential.



CUSTOMER SAFETY

We operate our portfolio efficiently, and we have a supply chain free of ethical and legal conflicts, which operates in full respect for human rights. We remain abreast of trends in the world, the markets, and among our customers, so that we can maximize our profit margins. We seek out and continually evaluate opportunities for growth with new customers, markets and applications that strengthen the company's competitive position.

Our product quality, technical service, customer attention and on-time delivery has earned us a growing presence in the US market, in Europe, Central and South America, and we remain the top choice for our domestic customers.

416-1, 417-1

According to all applicable regulations in Mexico and in each country to which our products are exported, we have safety fact-sheets on all of them, which cover aspects such as handling, storage, shipping and transportation, how to eliminate waste without environmental impact, and restrictions and emergency recommendations.

In most shipments of Peñoles chemical products, we use wooden pallets that comply with the respective phytosanitary standards. For exports to Europe, Asia, Latin America and the United States, the wood used in these pallets is specially treated and backed by a fumigation certificate. In the Chemicals

Division, no environmental impact mitigation was necessary. Our packing and shipping materials are not recycled. Fertilizer products are registered with the Inter-Secretarial Commission for Process Control and Use of Pesticide, Fertilizers and Toxic Substances (Cicoplafest), which guarantees that these products meet international quality standards.



101-2.2, 101-2.5, 103-1, 103-2, 103-3, 416-1, 417-1

Peñoles is a strategic partner to its customers, offering them comprehensive solutions and earning their trust in long-term business relationships. Our commercial operations are conducted according to the highest ethical standards, consistent with our institutional values of trust, responsibility, integrity and loyalty. We abide by the law, we promote respect for human rights in our value chains, and we avoid doing business with countries and partners who do not meet these standards.

We treat all our customers fairly and honestly, we establish achievable commitments, and we make sure we provide them with the products and services they request with the highest quality and timeliness. We offer our products and services ethically, with honesty, courtesy, consideration and respect, and we strive to maintain quality or even improve our processes.



We treat

our customers fairly and honestly, establishing achievable commitments and making sure we provide them with the products and services they request with the highest quality and timeliness.

Work team at Met-Mex

Product transport, Química del Rey



TRIPS HIRED

By type



By division



In exports to the United States, we attach a label with information on transportation and the CAS registry number from the American Chemical Society, with a warning about its material handling risks and health reactions that may occur upon physical contact with the substance. Exports to Europe comply with the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and ECHA (European Chemical Agency) regulations.

Sacks of bulk product include the registry number and information on optimum handling, possible reactions to physical contact, and specifications and data on the manufacturer.

To guarantee that our technical support and consultancy service is a strength and a differentiating factor, we advise our customers on the products we supply, and our technical team schedules visits to evaluate the service and its benefits. In 2020, 57 technical visits were provided, related with industrial metal products, 68 with agricultural products and 30 with mining products.

Following the procedures established in the ISO 9001:2015 standard, every two years we conduct satisfaction surveys of our customers. In the Metals Division, we applied satisfaction surveys to 278 customers with a rating of 4.03 on the Likert Scale—good and very good—and in the Chemicals Division we sent out 102 surveys receiving a rating of 3.9.

We hired an average of 204 trips per day.

Transport

416-2, 417-2, 417-3, 418-1

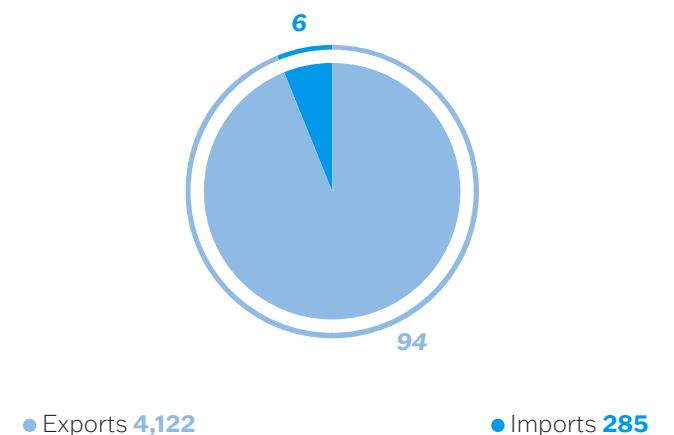
Peñoles complies with all domestic regulations applicable to our products, as well of those of the countries to which we export. To do so, all the areas involved in the process—loading, transportation, labeling, packaging and wrapping—work together.

To transport our products and materials, a total of 63,379 trips of various kinds were made in 2020, an average of 204 per day.

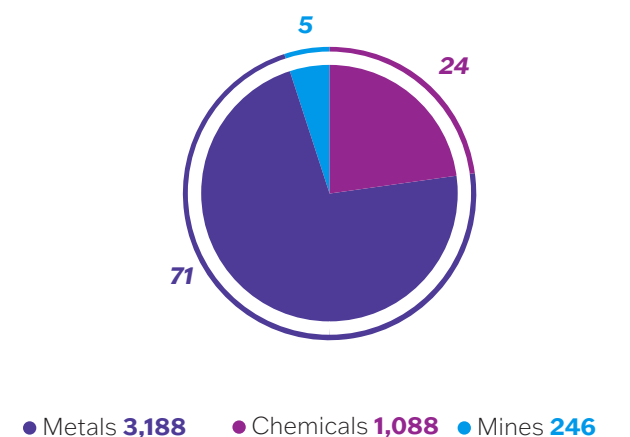
Whenever a transportation vehicle enters one of our plants, it undergoes a check of its physical and mechanical conditions to ensure they meet official Mexican standards. In the case of hazardous materials and waste, we also review the loading and unloading specifications of the Hazardous Materials and Waste Regulation, and drivers receive a medical checkup before loading the materials.

Also, with regard to hazardous materials, we manage the necessary export permits: bismuth requires permits from the Ministry of Energy's National Commission for Nuclear

FOREIGN TRADE OPERATIONS (%)



OPERATIONS BY DIVISION (%)



Boarding, Tizapa plant

Safety and Safeguards, because it is used in the early stages of nuclear product manufacture. We also obtain export permits from the Federal Commission on Sanitary Risk Protection for exports of sulfuric acid.

All of Peñoles' units have certified scales for weighing incoming and outgoing trucks, to determine their net and gross weight. No truck exceeds the weight limits permitted under national regulations for trucking on the federal highway system.

In the case of exports, we meet the guidelines of the International Maritime Organization's International Convention for the Prevention of Pollution from Ships (MARPOL), which guarantees that the concentrates we ship do not contaminate the ocean. We also comply with Safety of Life at Sea (SOLAS) regulation, which requires weighing containers meet permitted weight standards.

Additionally, with the support of Grupo Nacional Provincial (GNP), we conducted evaluations of warehouses and transport suppliers, and we held training seminars for the latter.

416-2, 417-2, 417-3, 418-1

In 2020, there were no incidents or fines paid in connection with the supply and use of products, nor any failure to comply with regulations or voluntary codes regarding information, labeling, advertising, or health or safety impacts from our products during their lifecycle. No claims were received regarding privacy or the loss of personal information on our customers.



Aerial view of loading area at Tizapa



of Peñoles' units have certified scales for weighing incoming and outgoing trucks.

Additionally, with the support of Grupo Nacional Provincial (GNP), we conducted evaluations of warehouses and transport suppliers, and we held training seminars for the latter.

STRENGTHENED BY

COMMITMENT



Our Sustainable Development Policy holds that preventive care of the environment is fundamental for achieving the target of zero significant environmental impacts.

156,482 tCO₂

avoided, thanks to our consumption of clean energy.

ENVIRONMENTAL PERFORMANCE

101-2.2, 101-2.5, 103-1, 103-2, 103-3

Our Sustainable Development Policy holds that preventive care of the environment is fundamental for achieving the target of zero significant environmental impacts. For this reason, our environmental management system involves an up-to-date inventory of the key environmental aspects on the basis of which we define, acquire and efficiently operate, subject to continuous improvement, the material, human and data resources needed to prevent possible related environmental impacts.

OUR ACTIONS TO AVOID ENVIRONMENTAL IMPACTS



Compliance

Abiding by all environmental regulations, even voluntary rules that add value to the organization, exceeding the regulatory minimum.



Water

Minimizing consumption of primary-use water and wastewater discharge, complying with permissible limits.



Biodiversity

Avoiding damage to flora and fauna, operating in harmony with nature.



Climate change

Reducing the emission of greenhouse gases and compounds.



Waste

Reducing generation, handling and disposing of it properly.



Environmental incidents

Preventing environmental damage and being prepared to address any emergencies they may cause.



Tailings dams

Guaranteeing their safe operation.



Reforestation surroundings at Capela unit

71%

of water used in our operations was treated wastewater and recirculated water.

Presa Calero near Bismark unit

ENVIRONMENTAL COMPLIANCE



Environmental compliance

307-1, 101-2.2, 101-2.5, 103-1, 103-2, 103-3

Regulatory compliance is the bedrock of our environmental strategy and key to our sense of social responsibility. To comply with environmental laws and standards, both internal and external, the Corporate Environmental Department conducts regular audits at least once a year. We have a proprietary computer program called the Regulatory Compliance System, which is used to verify compliance with the requirements applicable to every mining explora-

In addition to the laws and regulations that apply to all economic activities, the mining-metallurgy industry is subject to a specific set of environmental laws.

tion project, mine, metallurgical or chemical plant or service sector of the company. If any non-compliance is found, remedial actions are scheduled, carried out and checked for effectiveness.

There are a number of laws and regulations to protect the environment, which apply to all economic activities and therefore to the mining-metallurgical industry:

- *The General Law on Environmental Balance and Protection and its regulations (1988).*
- *The General Law on Prevention and Comprehensive Management of Waste and its regulations (2003).*
- *The Federal Environmental Responsibility Law (2013).*
- *The General Law on Climate Change (2012).*

Under these laws, all sources of environmental damage must have a license to operate, an annual operating certificate, an environmental impact authorization, a change in woodland use authorization and a deposit with the Mexican Forestry Fund. They must also comply with applicable official Mexican standards

- NOM-052-SEMARNAT-2011 Hazardous waste (1993)
- NOM-001-SEMARNAT-1996 Wastewater discharge
- NOM-043-SEMARNAT-1993 Emission of solid particles from fixed sources
- NOM-138-SEMARNAT/SSA1-2012 Hydrocarbon limits and remediation
- NOM-147-SEMARNAT/SSA1-2004 Soil metal limits and remediation

Authorization for changes in woodland use is only granted after justification through a technical study, proving that construction and operation of the industrial facilities will not compromise biodiversity, cause soil erosion, damage water quality or reduce water capture, and that the alternative uses of the

land proposed will be more productive over the long term.

In addition to the laws and regulations that apply to all economic activities, the mining-metallurgy industry is subject to a specific set of environmental laws. These were developed by a task force made up of representatives from the government, private enterprise and academe, at the suggestion of the Mexican Mining Chamber and organized by the Ministry of the Environment and Natural Resources:

- NOM-120-SEMARNAT-2011 Direct mining exploration (1997)
- NOM-141-SEMARNAT-2003 Design, construction, operation, closure and post-closure of tailings dams
- NOM-155-SEMARNAT-2007 Gold and silver leaching
- NOM-157-SEMARNAT-2009 Plans for managing mining-metallurgical waste
- NOM-159-SEMARNAT-2011 Copper leaching

Panoramic view, Tizapa unit



12

of our operations had current certification with ISO 14001 standard during the year.



The National Water Commission administers the process for obtaining permits to build tailings dams, which guarantees their safe operation. These laws, regulations, authorizations, and standards, along with the tailings dam process, impose limits and conditions to avoid significant impacts by mining and metals on the environment. In fact, our industry is one of the most heavily regulated in the country, and it is strictly limited in the way it can do business, ensuring the least impact on the environment with the greatest benefit for society.

Additionally, we comply with ISO 14001 standard, under which 12 of our operations had current certification during the year. We are also enrolled in the Federal Environmental Protection Agency's Clean Industry Program. As a result, three of our operations have Clean Industry certification, and another six have completed the certification or recertification process and have the favorable opinion of the examiner, but are waiting for the corresponding certificate to be issued.

Units with ISO 14001 Certification

Business unit	Expires
Exploration Mexico	06/06/2023
Exploration Peru	12/11/2023
Industrias Magnelec	9/4/2022
Fertirey	9/14/2021
Aleazin	9/14/2021
Met-Mex-Smelter	9/14/2021
Met-Mex-Refinery	9/14/2021
Met-Mex-Zinc	9/14/2021
Bermejillo	9/14/2021
Madero	4/23/2023
Sabinas	3/26/2021
Tizapa	2/21/2021

Units with Clean Industry Certification

Business unit	Expires
Minera Tizapa, S.A. de C.V.	01/22
Minera Bismark, S.A. de C.V.	02/22
Metalúrgica Met-Mex Peñoles, S.A. de C.V. (Bermejillo unit)	08/22

Certified units and plants, or under recertification process (favorable examiner's opinion and waiting for the corresponding certificate)

Business unit	Expires
Minera Roble, S.A. de C.V.	04/20
Metalúrgica Met-Mex Peñoles, S.A. de C.V. (Ramos Arizpe unit)	05/18
Metalúrgica Met-Mex Peñoles, S.A. de C.V. (Planta Electrolítica de Zinc, S.A. de C.V.)	08/19
Metalúrgica Met-Mex Peñoles, S.A. de C.V. (Lead-silver Smelter)	08/19
Metalúrgica Met-Mex Peñoles, S.A. de C.V. (Lead-silver Refinery)	08/19

Wind energy from Eólica de Coahuila



ENERGY AND GHG EMISSIONS

14%

of our annual energy consumption came from renewable sources.

The consumption of fuel and electricity for our operations makes up a substantial portion of our production costs, so using energy efficiently is in our best interests. It should be borne in mind, however, that the energy intensity of mining operations necessarily depends on the stage at which the project is operating, and it grows as ore grades diminish and ore deposits grow deeper, which generally occurs as mining progresses.

The burning of fuels on site contributes to direct (scope 1) GHG emissions by the industry, and the purchase of electricity from the national network can generate indirect (scope 2) emissions.

Although we consume energy from fossil fuels—indispensable due to the technology we use, which is one of the best available at present—most comes from natural gas (78.4%), the least polluting hydrocarbon; we also use metallurgical coke (12.1%) to obtain lead, and diesel (8.9%) for machinery and transportation of the ore to the plants for processing.

302-1, 302-2, EM-MM-130a.1-1

In 2020, total consumption of electrical energy and fuel was 16.69 million gigajoules (GJ).

In our consumption of electrical energy, we are increasing the proportion of renewable sources and self-supply in our mix. In 2020, the new Mesa La Paz wind farm started operations in Tamaulipas. Adding in the power generated by this plant combined with two other wind farms—Fuerza Eólica del Istmo, in Oaxaca and Eólica de Coahuila—40% of the electrical energy generated for self-supply comes from renewable sources. For reasons having to do with official procedures with the Energy Regulatory Commission (CRE) for commercial effects, not all of this energy was assigned by the CFE to Industrias Peñoles, and some was sold on the wholesale electrical market, while Peñoles had to acquire the remaining energy commercially from the CFE to cover our needs.

This 40% reflects the group's efforts and contractual commitments to operate in an increasingly sustainable manner. Our target

Energy consumption by source (GJ)

	2019	%	2020	%
Scope 2 (Consumption of electrical energy)				
Electricity (Conventional sources)	7,251,656	85	6,954,700	86
Electricity (Clean sources)	1,238,048	15	1,115,516	14
Total	8,489,704	100	8,070,216	100
Scope 1 (From the organization)				
Natural gas	7,093,363	73.8	6,754,221	78.4
Metallurgical coke	1,107,274	11.5	1,040,090	12.1
Diesel	1,096,988	11.4	770,149	8.9
Fuel oil	206,116	2.1	0	0.0
Other fuels	113,452	1.2	55,398	0.6
Total	9,617,191	100	8,619,858	100

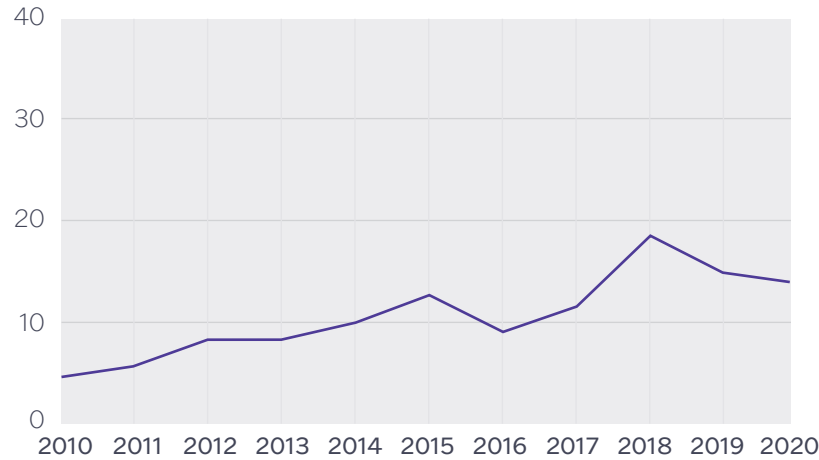
for 2028 is to obtain 100% of our electrical energy from clean sources.

Annual energy consumption by Peñoles alone totaled 2,241.73 GWh, 14% of which (309.87 GWh) came from renewable sources; this is equivalent to avoiding the emission of 153,074 metric tons of CO₂e into the atmosphere* and the emissions of 139,000 people consuming electrical energy in Mexico.**

*Emission factor from the National Electrical System 2020 0.494 tCO₂e /MWh
 **Average electrical energy consumption per inhabitant 2228.1 kWh in 2018, data from the Ministry of Energy.

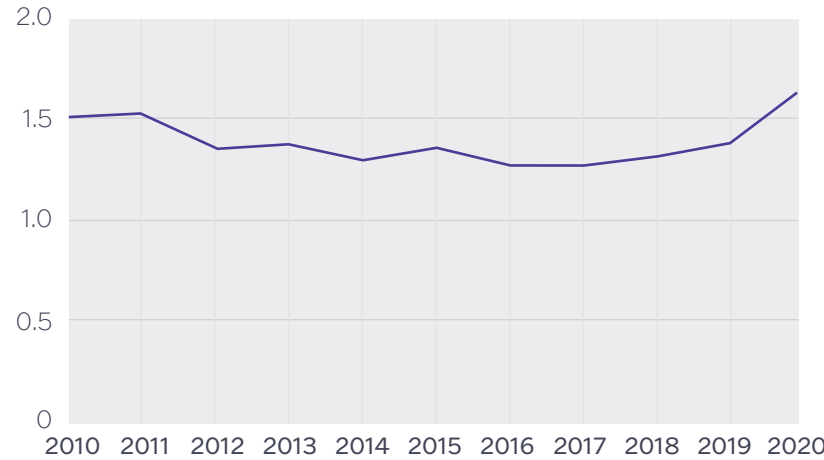
SUBSTITUTION OF ELECTRICAL ENERGY FROM RENEWABLE SOURCES

(%)



CONSUMPTION OF ENERGY AND ELECTRICITY

(GJ/t)



Supervising drill jumbos, Capela unit



Electrical energy by source (GJ)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Conventional	6,633,720	6,820,049	6,606,598	6,748,972	6,886,327	6,362,477	6,420,794	6,259,466	5,847,918	7,251,656	6,953,438
Clean	241,123	335,206	593,630	581,446	743,448	895,903	640,658	740,754	1,252,518	1,238,048	1,115,516
Total general	6,874,843	7,155,255	7,200,228	7,330,418	7,629,775	7,258,380	7,061,452	7,000,220	7,100,436	8,489,704	8,068,954

Eco-efficiency index in consumption of fuel and electricity

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consumption of energy and electricity (GJ) / t production	1.50	1.52	1.35	1.36	1.29	1.35	1.27	1.27	1.30	1.36	1.62

Data includes information only from Peñoles operations.

These determinations are based on the energy balances reported by CFE, derived from transmission agreements and contracts, as well as the utility bills paid at standard CFE rates. They are verified internally by metering systems which transmit data to the Shared Energy Services Center, the area of CFE in charge of this procedure. To calculate gigajoules from fuel consumption we used the calorific power provided by the supplier.

302-3, 302-4, 302-5

Overall, our eco-efficiency index rose last year from 1.36 to 1.62GJ/t, due primarily to the combined effect of more energy consumption in the zinc plant, the suspension of operations at Madero and Milpillas, and the startup and stabilization of the new Capela mine.

The above calculation factors in the sum of the fuel and electric power for the main products of our Metals and Chemicals Divisions and the metric tons milled at our mines; at Milpillas, it is based on the volume of metric tons deposited at the leaching pad.

1.62 GJ/t

eco-efficiency index during the year.

GHG emissions

103-1, 103-2, 103-3, 305-1, EM-MM-110a.2.-5

Regulatory efforts to reduce GHG emissions in order to combat the risks posed by climate change may result in additional compliance costs and risks for companies relating to climate change mitigation policies. There is also the cost of reducing and adapting to this risk. Our GHG emissions reduction strategy involves primarily the use of natural gas and self-supply of electrical energy from clean sources.

In 2020, a pilot test of an emissions trading system for Mexico was begun. The purpose of this program is to phase in a system of emissions trading in our country pursuant to the General Law on Climate Change.

The pilot phase of the project will last for three years, from 2020 through 2022, during which the Ministry of Agriculture and Natural Resources will test the design and rules for assessing the performance of the instrument, and then to propose adjustments of the subsequent operating phase after 2022.

EM-MM-110a.1.-3

Two of our business units will be participating in this pilot phase, which together account for 79% of Peñoles' direct emissions.

In 2020, our scope 1 and 2 GHG emissions totaled 2.2 million metric tons of CO₂e caused by the burning of fuel, process emissions and electrical energy consumption. They include emissions of CO₂, CH₄ and N₂O, expressed in metric tons of carbon dioxide equivalent (CO₂e). We are using 2010 as the base year.

Daybreak at Química del Rey



In 2020

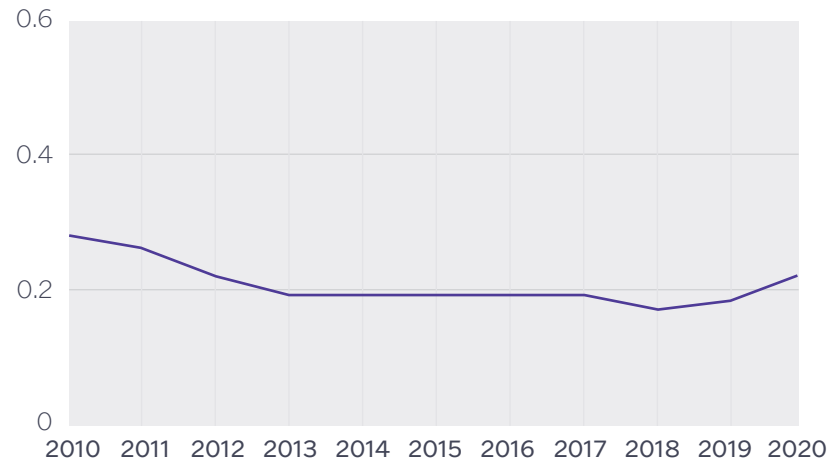
a pilot test of an emissions trading system for Mexico was begun. The purpose of this program is to phase in a system of emissions trading in our country.

305-1, 305-2, -305-3, EM-MM-110a.1 Greenhouse gas emissions

		2020			
		tCO ₂ e	tCO ₂	tCH ₄	tN ₂ O
Direct (Scope 1)					
	Heating and generation of steam in productive processes	492,268.01	491,183.41	17.28	2.27
	Dolomite calcination	92,563.22	92,563.22	-	-
Stationary sources	Direct emission from processes: Reduction of smelted metal with coke-oven tar, metallurgical coke or pet-coke, use of calcium carbonate, use of sodium carbonate	32,033.91	32,021.82	0.15	0.03
Mobile sources	Transportation of materials and personnel	51,265.52	50,376.19	3.96	2.94
	Contractors	4,559.78	4,487.59	0.27	0.24
Subtotal		672,690.43	670,632.23	21.67	5.48
Indirect (Scope 2)					
	Electrical energy consumption	1,555,916.62	1,551,998.31	44.44	10.09
Total		2,228,607.05	2,222,630.54	66.11	15.57

GHG EMISSIONS ECO-EFFICIENCY INDEX

(tCO₂e/t)



0.22 tCO₂e/t
indicator GHG in 2020.

Deposit of material at the Milpillas mine yards



GHG emissions eco-efficiency index

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GHG emissions (tCO ₂ e/ t) production	0.28	0.26	0.22	0.19	0.19	0.19	0.19	0.19	0.17	0.18	0.22

Data includes information only from Peñoles operations. Does not include Fresnillo plc

EM-MM-110a.1.-2,

The methodologies used were established by the Greenhouse Gas Protocol in its document *A Corporate Accounting and Reporting Standard* published by the World Business Council for Sustainable Development (WBCSD), and the World Resources Institute (WRI). It also incorporates information published by the Intergovernmental Panel on Climate Change (IPCC) and Mexican regulations issued on the matter. CO₂e emissions were calculated considering CO₂, CH₄, and N₂O.

In the case of CO₂e emissions from dolomite calcination, we used the IPCC emission factor from chapter 2, "Mineral industry emissions," an average estimate of the purity of the material and mineral losses in the chemical reaction. To calculate the GHG emission factor of Termoeléctrica Peñoles, we used the emission factor this facility supplied.

305-6

Note that Peñoles does not emit substances that deplete the ozone layer.

305-4, 305-5, EM-MM-110a.2.-2

We continue to implement good practices on the efficient use of energy and fuel. We have an indicator for the generation of direct and indirect GHG emissions relating to metric tons of our leading products. In 2020, this indicator rose to 0.22 tCO₂e, primarily

due to increased energy consumption in our zinc plant and the fact that the CFE has not yet assigned the clean energy from the Mesa La Paz wind farm for reasons relating to processing formalities. Other factors included the suspension of operations at Madero and Milpillas, and the startup of the new Capela mine.

EM-MM-110a.2.-1

In 2021 we expect to increase the proportion of electrical energy we consume from clean sources, aiming for a target of 100% by 2028. This will reduce our scope 2 emissions while we search for alternatives to also cut down on our scope 1 emissions.

In 2021 we expect to increase the proportion of electrical energy we consume from clean sources, aiming for a target of 100% by 2028.

Interior view from Sabinas



OTHER ATMOSPHERIC EMISSIONS



Cathode collection at Milpillas

426,287 t

of sulfuric acid in our facilities during the year, which can capture and process emissions and transform them into end products.

All of Peñoles' operations have the necessary equipment installed to comply with regulations on the emission of contaminating substances into the atmosphere.

305-7

Most of the company's emissions can be attributed to its metallurgical processes for producing zinc and lead; we therefore monitor the presence of sulfur dioxide and lead particles in the air continuously and in real time using an automated high-tech network to make sure that we remain in line with official standards to not inconvenience the neighboring community.

Lead concentrations in ambient air must not exceed 1.5 µg/m³ in a rolling three-month average, which is the limit established by current public health regulations.

We control sulfur dioxide (SO₂) emissions to meet our own internal criteria, which are even stricter than the limits ordered by the Mexican Environmental Protection Agency (Profepa). In fact, we maintain levels well below the maximum permissible limits in ambient

air quality for this pollutant. As of February 15, 2020: 0.11 ppm on average for 24 hours, and 0.025 pm on average for one year. Emissions limits were tightened on February 16: the limit for one hour is now 0.075 ppm (196.5 µg/m³), calculated as the arithmetic average of the 99th percentiles of the last three consecutive years, obtained from the daily highs, and the 24-hour limit must be 0.04 ppm (104.8 µg/m³) calculated as the maximum of three consecutive years, obtained from 24-hour averages.

Controlling emissions to comply with these stricter standards has been a complex task, because instead of emitting sulfur dioxide—one of the world's most critical contaminants—generated in the lead and zinc smelting process, we use it to produce sulfuric acid, oleum, ammonium bismuth, liquid sulfur dioxide and ammonium sulfate as fertilizer.

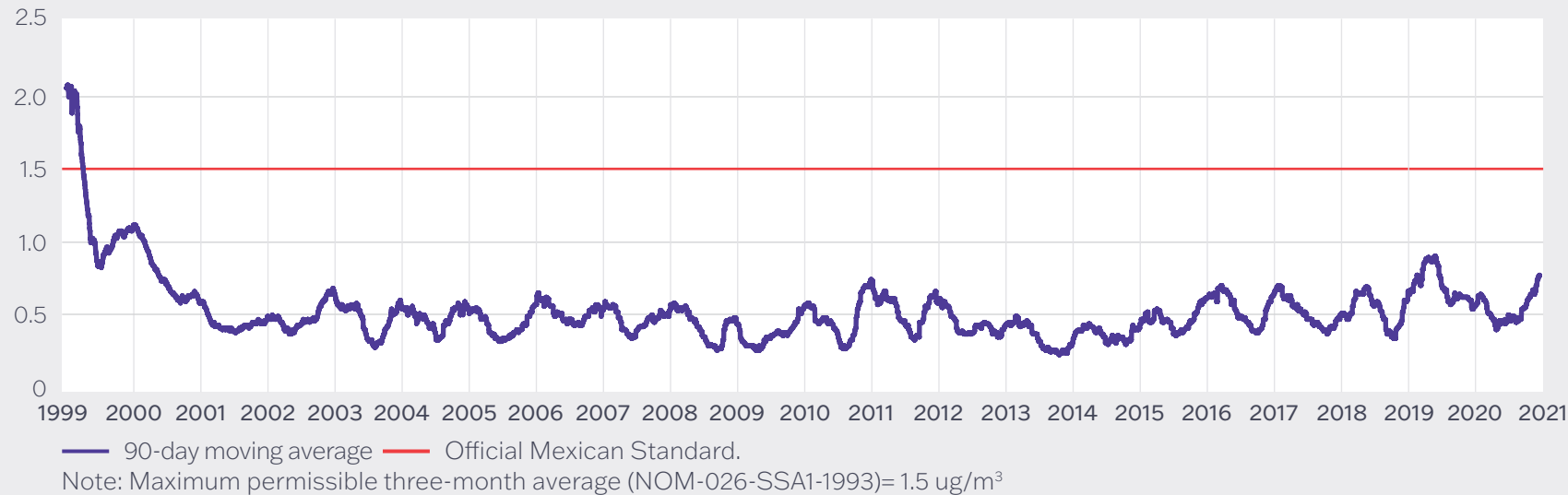
In addition to optimizing our use of sulfur dioxide, we have an emergency plan under which our productive processes can be partially or fully shut down if weather conditions prevent the atmosphere from properly dispersing the pollutants emitted. This helps us



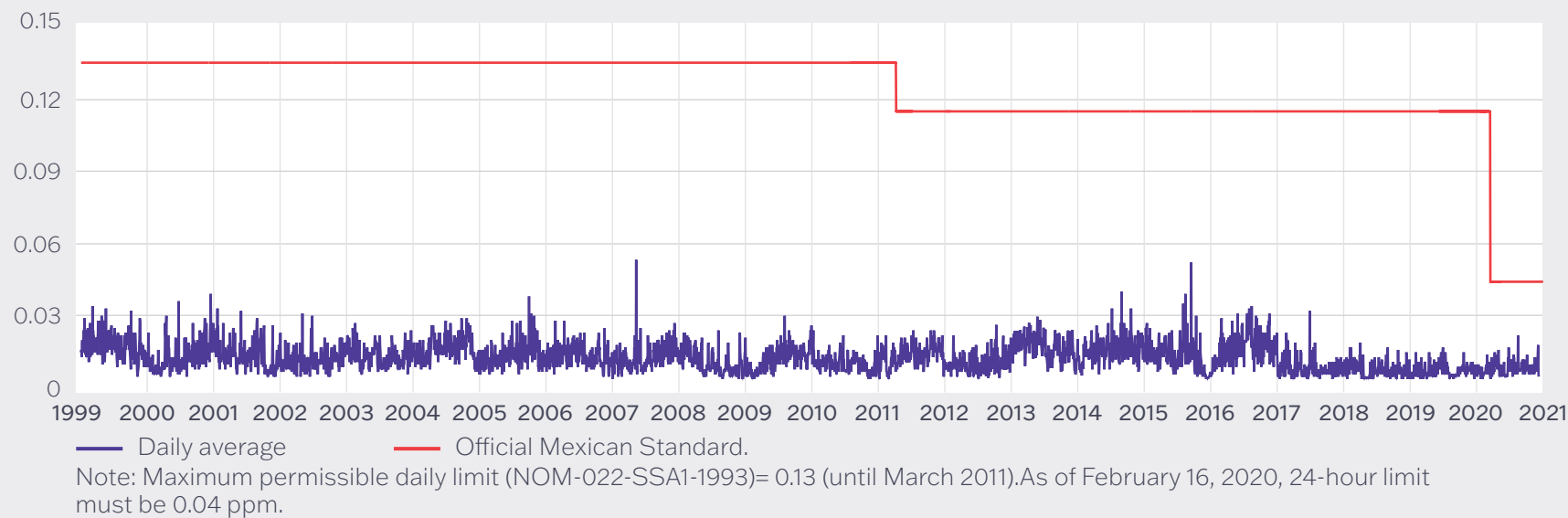
Final filtering, wastewater treatment plant, Met-Mex

Our own internal criteria for SO₂ emissions are even stricter than the limits ordered by the authorities.

90-DAY MOVING AVERAGE LEAD CONCENTRATION IN AMBIENT AIR ($\mu\text{g}/\text{m}^3$), METALÚRGICA MET-MEX, 1999-2020



AVERAGE DAILY CONCENTRATION OF SO_2 (ppm), IN AMBIENT AIR AT METALÚRGICA MET-MEX



As of February 16, 2020, SO_2 concentration limits in ambient air tightened, from a 24-hour average of 0.11 ppm to 0.04 ppm.

avoid surpassing the above-mentioned limits and polluting the air.

We have the facilities necessary to capture and process—meaning monetize—our emission of these pollutants, so that instead of releasing them into the air we transform them into end products. For example, instead of issuing almost 400,000 metric tons of sulfur dioxide into the atmosphere, we produce 426,287 metric tons of sulfuric acid, 11,218 metric tons of oleum, 27,336 of liquid sulfur dioxide and 180,027 of ammonium sulfate (fertilizer).

Most of the emissions generated in our chemical plants are particles, which are captured by dust collectors. And although our mining units do not generate significant atmospheric emissions, they apply measures for containing emissions of flyaway dust, such as keeping tailings dams and roads watered and planted. All ore sample analysis labs in the mines, in addition to the electrolysis plant at Milpillás, have dust collectors and gas cleaners.

Working at furnace smelter, Met-Mex



WATER



Aerial view of tailings deposit, Tizapa unit

103-1, 103-2, 103-3, 303-1

We recognize the importance of water, and we value it as a shared resource. We optimize our water use and avoid discharges by using closed circuits. In most of our facilities we conduct direct and indirect metering and strictly control consumption.

We use water primarily to process minerals, in chemical reactions, the cooling of industrial equipment, control and prevention of emissions, and for drinking and washing by our personnel.

Our operations do not significantly affect any water source. The corresponding regulations require a permit or concession from the federal or national water authorities, depending on the availability of the resource. In the case of pit water, its use also has no impact on water sources, because given the conditions and depths from which it is extracted, it is not connected directly to underground aquifers or surface runoff, which are the supply sources exploited by other users of this resource.

303-3, 303-5

In 2020, the total amount of water extracted from natural sources—springs, ground water, municipal water systems and pit water—for all our operations totaled 8.17 million cubic meters. This was complemented with 5.15 million cubic meters of municipal wastewater, purified in our treatment plants. Both types of water are used in productive processes and sanitary services. The rest of it is recirculated water from our facilities, and is equivalent to the consumption of 14.83 million cubic meters. The reduction in

the amount of recirculated water compared to last year (33.8 million cubic meters) was due to the conclusion of operations at Milpillas, Madero and Bismark.

The volume of surface water, ground water, pit water, treated water or water we consume from outside sources is determined by direct metering; the volume of recirculated water is obtained by an estimate of pumping capacity and operating time.

5.15 million cubic meters of municipal wastewater were purified in our treatment plants, to be used in productive processes.



14.83 M

cubic meters is recirculated water from our facilities.



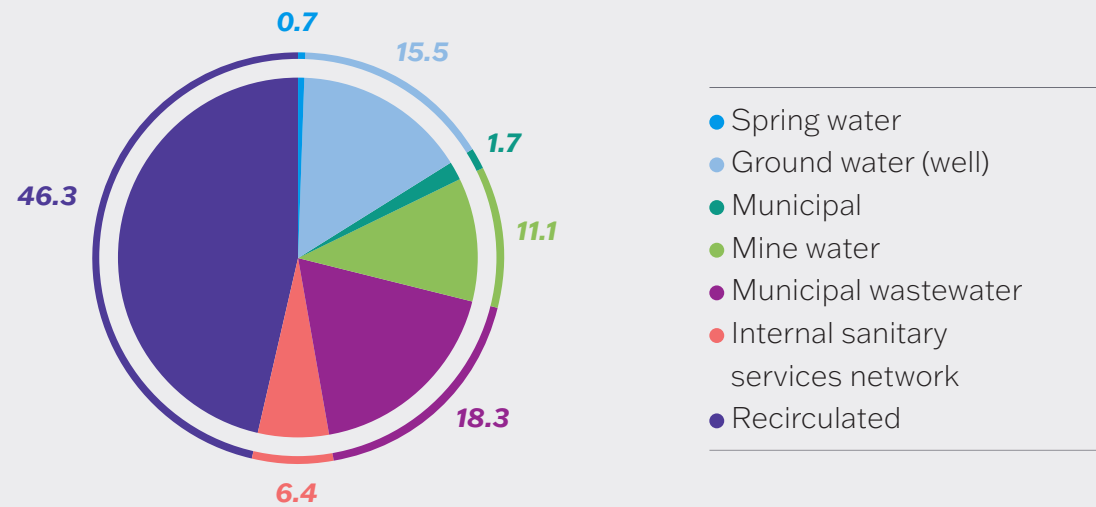
Environmental control, Capela unit

303-5, EM-MM-140a.1 Water use by type

Facilities in water-stressed areas	Unit	First-use water				Treated wastewater	Internally recirculated		Water stress classification in the area	
		Spring water	Ground water (wells)	Municipal	Mine water	Municipal wastewater	Internal sanitary services network	Recirculated	Aqueduct Water Risk Atlas de WRI (%)	National Water Commission (CNA)
Tizapa	m³	206,811.00			500,974.00		14,175.00	1,478,174.38	Extremely high (>80)	Extremely high
Sabinas	m³		272,038.00		477,777.00			1,026,019.58	Extremely high (>80)	High
Velardeña	m³		440,863.00		1,068,920.00		16,663.00	8,190,311.36	High (40-80%)	High
Capela	m³		130,128.98		484,309.00		150,259.20	1,541,770.72	Low - medium (10-20)	High
Madero	m³					545,635.00	1,258,868.71		Extremely high (>80)	High
Bismark	m³				395,718.00			781,367.40	Extremely high (>80)	High
Milpillas	m³				168,737.00		42,873.80	22,621.81	Extremely high (>80)	High
Naica	m³		39,967.00		19,787.80				Extremely high (>80)	High
Exploration Projects	m³			1,666.00	16,130.00				Extremely high (>80)	High
Exploration Offices	m³			2,034.10					High (40-80)	High
Bermejillo	m³		41,852.04						High (40-80)	High
Fertirey	m³			19,938.00		24,166.42			High (40-80)	High
Smelter	m³			135,669.00		1,021,455.00			High (40-80)	High
Refinery	m³			119,277.00		119,394.00			High (40-80)	High
Zinc	m³			191,412.00		3,435,938.00			High (40-80)	High
Ramos Arizpe	m³		20,535.54				2,248.00		High (40-80)	High
Dolomite	m³		213.00						High (40-80)	High
Química del Rey	m³		3,415,569.27				310,108.00		High (40-80)	High
Industrias Magnelec	m³		2,252.00						High (40-80)	High
Salinas del Rey	m³		1,200.00						High (40-80)	High
Química Magna	m³			448.00					High (40-80)	High
Subtotal by type	m³	206,811.00	4,364,618.83	470,444.10	3,132,352.80	5,146,588.42	1,795,195.71	13,040,265.25		
Subtotal	%	0.7%	15.5%	1.7%	11.1%	18.3%	6.4%	46.3%		
	%		17.9%		11.1%	18.3%		52.7%		
	%				100%					

Out of the total water required to make our products:
 52.7% is water recirculated within our facilities, optimizing its use.
 18.3% is wastewater treated in our own or outside facilities, to reduce our consumption of primary-use water.
 29% is primary-use water.
 Source for classifying water stress: WRI Aqueduct Water Risk Atlas.

WATER USE BY SOURCE (%)



Some 3.13 million cubic meters of primary-use water is pit water, and given the depth and conditions under which it is found, it is not generally accessible, unless it is extracted in mining operations. Nevertheless, pit water and the final products of all our operations are included in calculating the eco-efficiency index (m³ water/metric tons of product), except for the mines, where metric tons of milled ore are used.

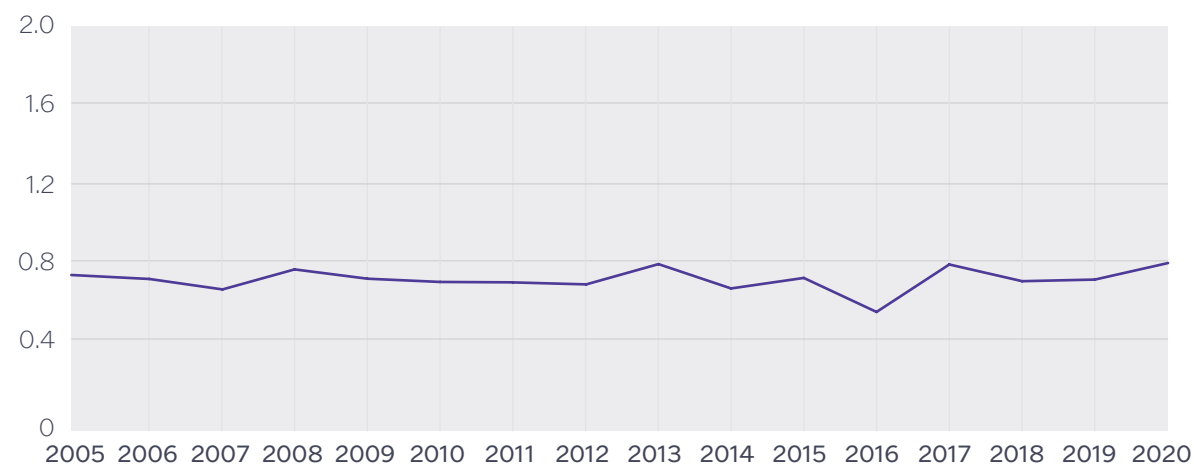
The slight increase in this index last year was due mainly to the drop in production from the Madero, Bismark and Milpillas mines. In 2020, the direct blue water footprint of our products—excluding water from inputs—was 3.43 l/kg for our metal products and 3.84 l/kg for chemical products.

Primary water use eco-efficiency index (m³/t production)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Metals	0.2329	0.2299	0.2211	0.2290	0.2506	0.2493	0.3821	0.3433	0.3277	0.2774	0.2601	0.2933	0.2804	0.3762	0.2800	0.3326
Chemicals	1.9458	2.1018	1.5565	2.2714	2.3585	2.3822	2.3307	2.4191	2.9101	3.0632	3.2134	2.5513	2.9337	2.8562	3.1100	3.0267
Mines	0.5423	0.4867	0.5239	0.4740	0.4333	0.4007	0.4240	0.4485	0.5760	0.4283	0.4562	0.3282	0.5788	0.5206	0.4000	0.5511
PEÑOLES	0.7220	0.7021	0.6498	0.751	0.7039	0.6871	0.6852	0.6750	0.7866	0.6545	0.7074	0.5375	0.7798	0.6910	0.6991	0.7922

PRIMARY WATER USE ECO-EFFICIENCY INDEX

(m³/t production)



BLUE WATER FOOTPRINT*

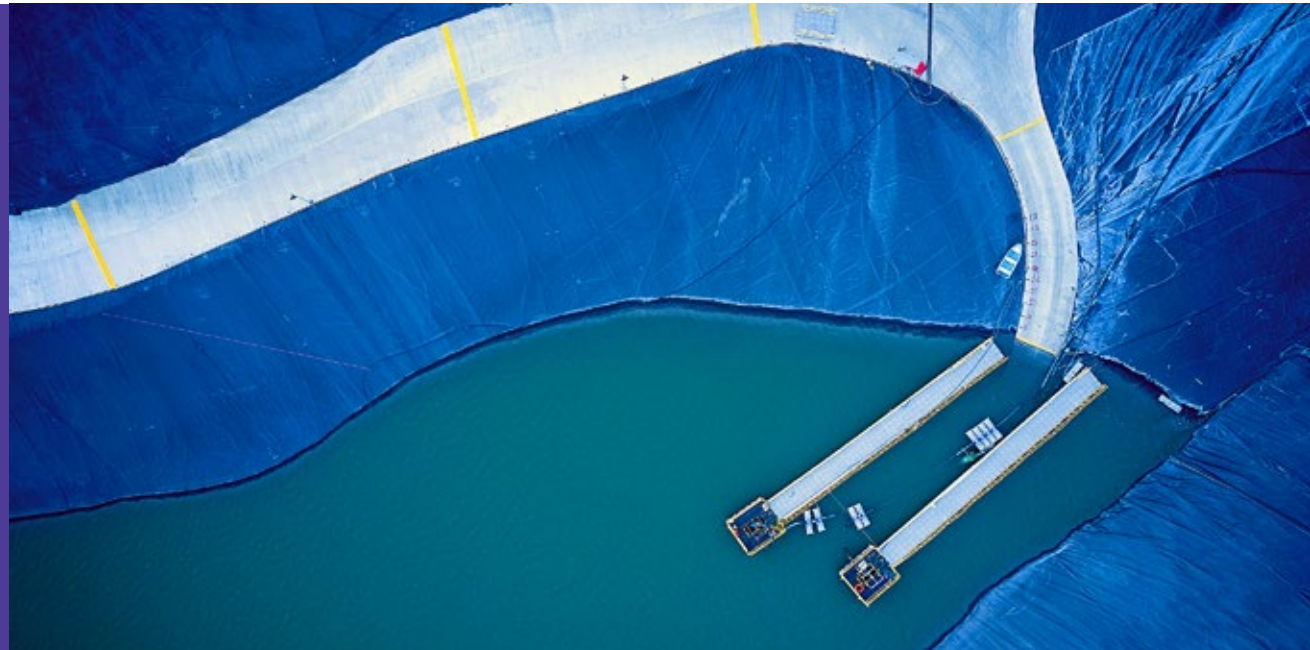


* Calculated based on the rules of the methodology for determining the volume of efficient use of national waters referred to in the Action Program provided in article six, transitory of the Decree to Reform, Add and Repeal Various Provisions of the Federal Water Law, published November 18, 2015 in the Official Gazette of the Federation, 22/02/2016.

303-2, 303-4, 306-5, EM-MM-140a.2

Our business units do not discharge industrial wastewater into water bodies. Only in certain cases do they discharge water from sanitary services, whose quality is within the limits established by applicable regulations. Systems for treating and reusing municipal wastewater enable us to take advantage of this resource while avoiding environmental pollution. In 2020, the total volume of water from municipal waste, sanitary services and recirculation was 20 million cubic meters.

WASTE AND RECYCLED BYPRODUCTS



Tailings aerial view, Capela unit

Conditioning of tailings dam at Sabinas unit

Consumption of raw materials, supplies and inputs (renewable and non-renewable)

Materials	Origin: Intern / Extern	Source: R / NR	2019	2020	Unit
Raw materials *	I	NR	10,474,260.31	7,743,790.68	t
Raw materials	I	NR	4,715,712.71	4,939,064.64	m ³
Raw materials	I	R	154,840.00	174,340.00	m ³
Raw materials	I	R	15,290.88	23,895.00	t
Semi-manufactured materials	E	NR	183,028.71	399,088.58	t
Semi-manufactured materials	E	NR	0.52	286.21	m ³
Semi-manufactured materials	E	R	82,335,748.61	81,902,906.46	m ³
Associated materials *	E	NR	8,545.43	15,290.96	m ³
Associated materials *	E	NR	1,013,828.36	301,726.18	t
Associated materials	E	NR	1,335,066.00	938,898.83	m
Associated materials	E	NR	8,734,624.00	4,299,970.00	pieces
Associated materials	E	R	8,930.83	9,122.67	t
Packaging	E	NR	22.33	8.47	t
Packaging	E	R	327.31	247.44	t
			110,520,827.11	102,245,695.52	

* These amounts were modified due to a double-counting correction in the semi-manufactured and associated internal materials, and were therefore eliminated from the table reported in the previous year. Also in the case of the data reported in 2019 for Raw Materials and External Associates, corrections were made due to the reclassification of some materials.

301-1

The processes we operate and the products we make require various raw materials and inputs, most of which are non-renewable (metallic ores). This is the nature of our business, and it corresponds to the needs of global society. With this in mind we try to optimize our use of these resources.

103-1, 103-2, 103-3, 306-1

Peñoles handles and disposes of its waste appropriately, and continually works to reduce and recycle it. We have introduced risk management policies that deal with the safety of our tailings dams, and to manage our supply, transport, use and elimination of chemical products and byproducts from mining and metal processing, reducing the associated risks.

306-4, G4-MM3

Most of the waste we generate is in the form of mineral impurities that we extract: the tailings produced by the concentra-



tion of metal ores; grease from furnaces, sludge and jarosite from our metallurgical processes; and dolomite powder, quicklime, lime ash and gypsum from chemical processes. All of this waste is handled as directed by applicable regulations and authorized handling plans.

Monetized materials by generation

	2018		2019		2020	
	t	%	t	%	t	%
Materials recycled internally						
Scrap	33.34	100.00	18.62	100.00	8.75	100.00
Tailings	849,532.58	11.06	1,279,654.93	15.17	2,223,377.56	25.38
Wood	77.75	10.63	80.50	0.88	98.43	22.60
Total	849,643.67		1,279,754.05		2,223,484.74	
Waste recycled by outside facilities						
Used oils	589.68	97.52	624.77	98.32	429.81	98.06
Batteries	74.88	93.44	29.67	84.66	22.06	68.33
Cardboard and paper	29.75	100.00	41.77	98.12	62.24	98.79
Scrap	5429.5	100.00	4017.7	100.00	3263.76	100
Materials impregnated with hydrocarbons	191.45	50.58	212.11	57.77	105.05	33.62
Contaminated rubble (refractory brick)	2685.423	98.27	0	0.00	0.00	0
Wood	139.89	19.10	8714.02	95.32	166.14	36.64
PET	134	92.41	62.52	99.69	41.76	99.53
Used tires	22.02	59.59	52.57	50.82	73.29	94.16
Materials with paint	3.1	23.44	1.89	9.84	1.98	3.86
Electronic waste	12.6	97.83	26.24	91.65	18.57	89.84
Miscellaneous	8.73	100.00	0.09	100.00	5.04	80.25
Total	9,321.02		13,783.35		4,189.70	

As a first option, Peñoles looks for internal alternatives where the waste can be put to use; when these are not available, it looks for external recycling options. Materials that cannot be used are confined safely and in a controlled manner.

EM-MM-150a.1

In 2020, the Mines Division generated 6.27 million metric tons of tailings; metal processing generated 1.12 million metric tons. In mining activity we recycled 2.22 million metric tons of tailings (25.38% of the total), up from 15.17% last year (1.28 million metric tons).

Even when, by the nature of our processes, the materials we monetize cannot be used as replacements for raw materials or inputs, we can reprocess some waste by turning it into byproducts or end products.

306-2

The total amount of waste generated in 2020 was 10.13 million metric tons, broken down as shown in the following chart.

Waste disposal by type (t)

Division	Type of disposal	2019	2020	%
Mines	Landfill	7,159,912	6,330,409	73.98
Mines	Recycled outside facilities	2,878	2,553	0.03
Mines	Monetized internally	1,279,655	2,223,485	25.99
Metals	Landfill	1,013,768	1,369,564	99.89
Metals	Recycled outside facilities	10,521	1,402	0.10
Metals	Monetized internally	99	107	0.01
Chemicals	Landfill	274,318	207,188	99.89
Chemicals	Recycled outside facilities	384	235	0.11
Chemicals	Monetized internally	-	-	0.00
Total Peñoles	Landfill	8,448,076	7,907,161	78.02
Total Peñoles	Recycled outside facilities	13,783	4,190	0.05
Total Peñoles	Recycled internally	1,279,754	2,223,592	21.94
	Total	9,741,614	10,134,942	100.0



EM-MM-150a.2.

Our ore processing operations generated 1.37 million metric tons of waste, 0.1% of which which 1,509 metric tons were recycled.

The eco-efficiency index includes the total amount of waste generated for each metric ton of our most important products. The index in 2020 was 0.77, higher than the 0.64 reported in 2019, primarily due to the shutdown of operations at Bismark, Made-ro and Milpillas.

306-3

In 2020, there were no spills of hazardous materials or waste.

306-4

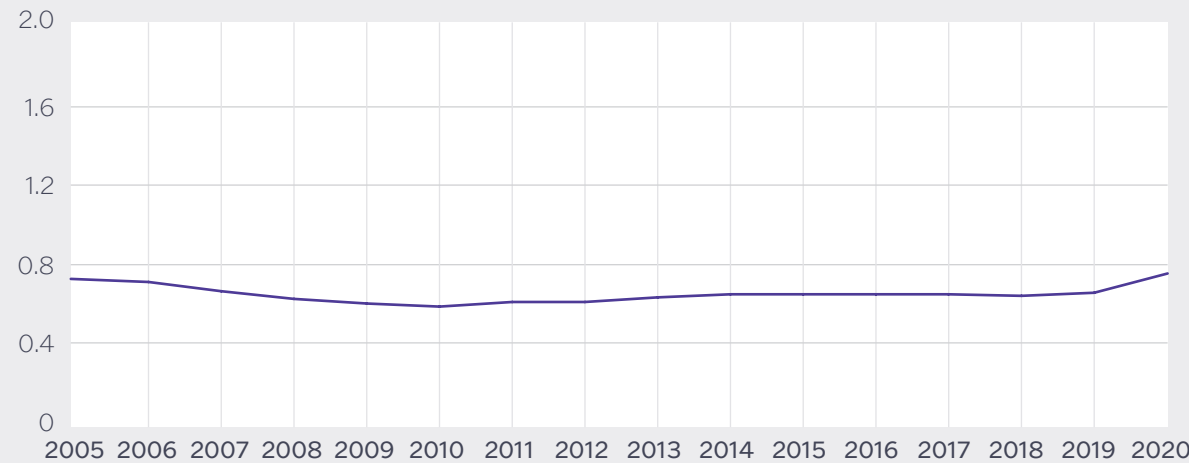
Peñoles verifies that the suppliers it hires to provide any type of waste handling, transport, or final disposal services, have all the necessary authorizations. The company does not export or import any type of waste.



Tailings deposit, Capela unit

WASTE ECO-EFFICIENCY INDEX

(waste / t product)



0.77

waste eco-efficiency index in 2020.



1,509 t

of waste recycled only from our ore processing operations.

Waste eco-efficiency index (waste / t product)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PEÑOLES	0.73	0.71	0.65	0.60	0.57	0.55	0.58	0.58	0.61	0.63	0.63	0.63	0.63	0.62	0.64	0.77

Panoramic view of tailings dam, Tizapa plant



4

dams moved from the construction phase to the operating phase.

Tailings dams

EM-MM-150a.3

Peñoles made substantial progress in implementation of a governance and management framework for tailings and mining-metallurgical waste.

The following dams moved from the construction phase to the operating phase in 2020: dam 3 at La Ciénega, San Carlos, and Fresnillo and dam 1 at Capela.

The following dams went from the operating phase to the care and maintenance phase: expansion of dam 1 at Bismark, dams 1 and 2 at Madero, San Luis, and Los Chinos at Fresnillo.

We remained up to date on the status of the Global Mining Industry Standard on Tailings Management and agreed to its principles. We are preparing a plan to implement and comply with it when possible, which depends primarily on the availability of technical resources.

Some units, like Velardeña, Fresnillo, Saucito, Sabinas, Ciénega, Capela, Tizapa and the south dam at Met-Mex, have introduced a local governance structure that incorporates the positions and duties of the dam owner—that is, the party responsible—and the engineer of record. This is consistent with the standards of the Canadian Mining Association and the Global Industry Standard on Tailings Management.

With actions like this, Peñoles proves its firm commitment to operating its tailings facilities within a governance framework aligned with the standards and rules of the International Commission on Large Dams (ICOLD), the Canadian Dam Association (CDA), the Canadian Mining Association (MAC), the International Council on Mining and Metals (ICMM), and the Global Industry Standard on Tailings Management.

KEY ACTIONS

- *Creation of a Corporate Tailings Dam Department which is responsible mainly for establishing internal guidelines on management and governance, as well as coordinating the activities of the Independent Panel.*
- *Creation of seven Regional Tailings Management Departments, which will apply and ensure the governance guidelines in the processes of site selection, design, construction and operation, closure and post-closure of tailings dams.*
- *Even during the pandemic, the Independent Tailings Dam Review Panel completed its program of activities, which included remote review mechanisms and onsite inspections of conditions at each site.*
- *Creation of a Tailings Review Committee, to ensure that Peñoles applies the most appropriate practices for tailings management and tailings deposits.*
- *Creation of a system for following up on recommendations of the independent reviews, which shows the progress made toward improving the design, construction, operation and closure of tailings dams.*

BIODIVERSITY



Wildlife management facility, Velardeña

304-1, 304-2

All Peñoles operating units are located outside protected natural areas or areas of great value for biodiversity, so there is no impact on flora and fauna included in any special protection category.

Before we begin any new project or expand existing facilities, pursuant to Mexican reg-

ulations, we conduct an environmental impact assessment to determine the potential effects as well as measures to mitigate and/or offset them, in order to obtain the respective permit from the environmental authorities. This assessment includes all phases of the project, from construction and operation through closure. This process is intended to avoid negative environmental impacts.

Additionally, we operate two wildlife management facilities where species are managed intensively: one at Minera Roble (Velardeña unit) for animals, and one at Metalúrgica Met-Mex Peñoles for plants. At the latter we are helping to conserve an endemic species in danger of extinction, the Noa agave, which we reproduce in our nursery and plant in its natural environment.

Mining projects

G4-MM1, G4-MM2, EM-MM-160a.1

Before occupying the site of any mining project or expansion of an operating unit, we carry out rescue and relocation activities to preserve wildlife and local fauna included in

any NOM-059-SEMARNAT-2010 protection category. We have techniques and procedures to drive away, capture and release wildlife into natural woodlands; plant species are extracted from the project area and relocated to nearby areas, ensuring their conservation. In addition, we carry out soil conservation and water infiltration works (arranging the material following the curve of the land), and nursery-grown trees and plants are planted to compensate erosion.

Because of its unique design characteristics, every new project requires selective occupation of sites with vegetation, where environmental benefits are realized, such as soil and moisture retention, fauna for habitat and climate regulation.

As a mitigation measure, we carried out a number of conservation activities to increase soil retention. We opened individual terraces to incorporate plants rescued from construction sites and to serve as a nursery, we laid down rolls of sawdust, and placed stone following the natural curve of the land and filtering dams.



4,947

trees and bushes were planted in adjoining areas and within our facilities.

Our operating units are located outside protected natural areas or areas of value for biodiversity.

Current operations

EM-MM-160a.1

We carry out reforestation actions both in operating units and in neighboring communities. In 2020 we donated 38,598 individuals, including trees, bushes and various plants to the communities, and 4,947 were planted in adjoining areas and within our facilities. All of the individuals were native to the regions where we operate.

Progressive restoration and closure of mining operations

103-1, 103-2, 103-3, G4-MM10, EM-MM-160a.1

The closure of operations is an integral phase in the lifecycle of a mine, so planning it must be incorporated into every phase of its productive existence. In keeping with our guidelines, our philosophy and sustainability policy, during the various phases of operation, planning work is done for restoration and progressive rehabilitation, in order to ensure the functional regeneration of biodiversity in areas that are no longer subject to mining operations.

The purpose of a closure program is to return, to the extent possible, all areas affected by mining operations to physically and chemically stable and safe conditions, according to local uses and customs of the land and its geographic characteristics. With this we guarantee that our operations affect neither the environment nor neighboring communities.

Because closure plans are dynamic processes, they are updated each year, in order to ensure we have a reserve of funds to execute them at the time they are needed.

In 2020, we updated the amounts of the ecological preserve and prepared a conceptual plan for the closure of the operating unit that started up recently (Capela). With this, we now have conceptual plans for the closure of all of Peñoles' mining units.

In the closed units at Cuale, Sultepec, Monte and Minita, maintenance activities and securing of facilities were carried out, along with maintenance of areas that had been planted with trees in previous years. With this we were able to guarantee the development and survival of vegetation and help support phases of environmental succession that will develop habitats at sites formerly occupied by mining activity. As habitats are generated, fauna can gradually return to nature in these areas.

Soil treatment and improvement activities were carried out in lands occupied by mining activity, in order to plant trees in subsequent phases. We also performed maintenance to ensure appropriate operation of rainwater runoff.

At the Bismark unit, we began activities to schedule the closure, which include organization and cleanup, equipment recovery and dismantling infrastructure; the next phases will include characterization, remediation, and reforestation of these areas.



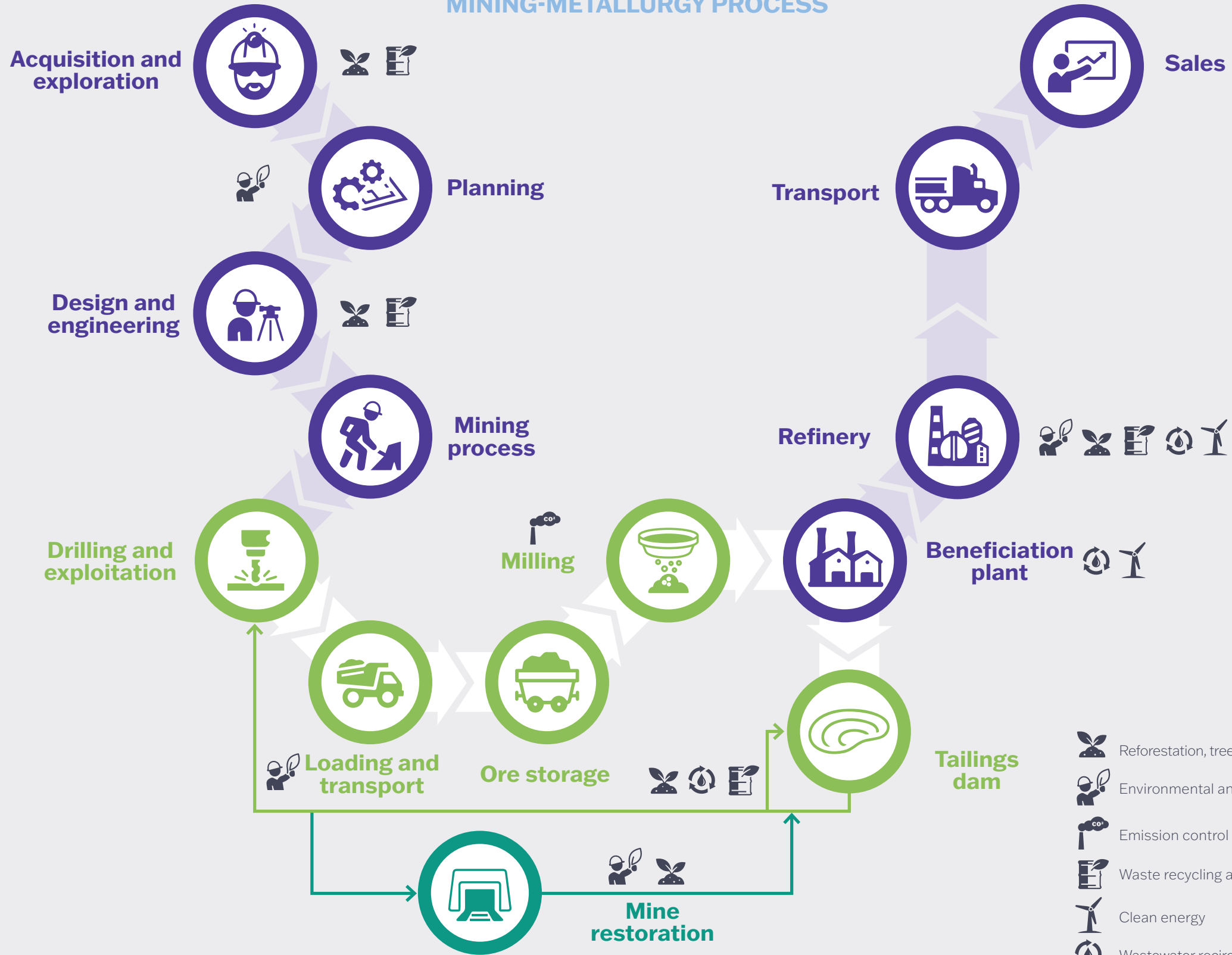
Flock at the La Noria Recreational Center, Sabinas unit



38,598

individuals, including trees, bushes and various plants were donated to the communities.

MINING-METALLURGY PROCESS



- Reforestation, tree planting and/or donation
- Environmental and safety heads (MAS)
- Emission control
- Waste recycling and/or reuse
- Clean energy
- Wastewater recirculation and/or treatment

STRENGTHENED BY OUR PEOPLE



Social development is an important pillar in Peñoles' business strategy. We try to be the best option for work for our employees, offering them development opportunities and recognition in a safe environment and in a climate of teamwork. For our communities, we aim at being a socially responsible company, respectful of nature and supportive of their self-development.

HUMAN RESOURCES



Employees inside the flotation area, Capela mining unit



101-2.2, 101-2.5, 103-1, 103-2, 103-3

Our employees are our greatest strength. Because of this, we are committed to providing a safe workplace environment in which they can attain their full potential and exercise their creativity.

We offer competitive and fair compensation and benefits. We hire, train and retain the most competent people; we provide them with opportunities to advance their skills and professional position; we offer various recognitions through established mechanisms; we guarantee that raises and promotions are based on capacity, performance and merit; we promote and maintain safe, healthy, environmentally-friendly workplaces; we respect freedom of association and we prohibit any type of discrimination or harassment.

Talent development

Talent integration

401-1a

Peñoles has a recruitment and hiring process, whose purpose is to make sure we bring in talent—unionized and non-unionized—that can contribute know-how and skills and can also demonstrate ethical conduct in keeping with our institutional values. Key to this process is seeking candidates first among our existing work force, which also builds a culture of growth and advancement in the organization.

Our Engineers-in-Training program supports the strategy of employee incorporation, in which employees receive training in behaviors and skills that ensured optimum development of key business operations. Between its creation in 2003 and the present, 2,056 engineers have joined the program, primarily in the fields of Mining, Geology, Electrical, Civil, Metallurgical, Mechanical, Chemical and Industrial Engineering, as well as Accounting and Administration. This represents a total of 84 different classes of engineers trained in the program. In 2020, Peñoles hired 48 engineers-in-training.



2,056

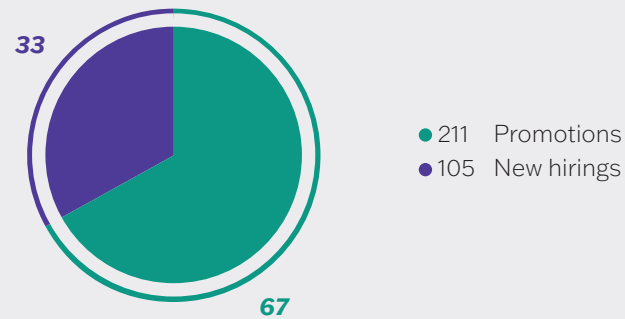
engineers have joined the training program since its creation in 2003.



Employees at the milling facility, Capela unit

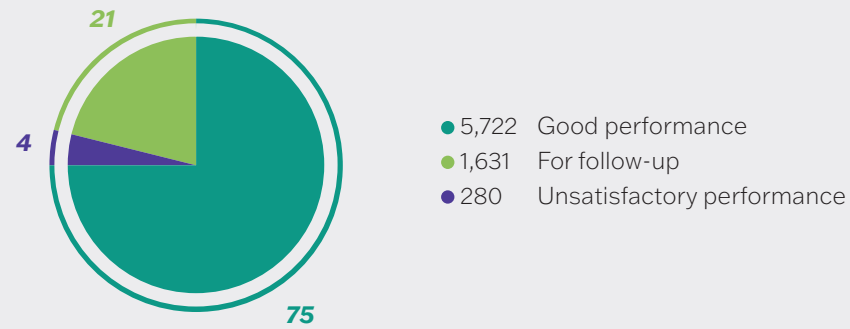
PROMOTIONS VS. NEW HIRINGS

(%)



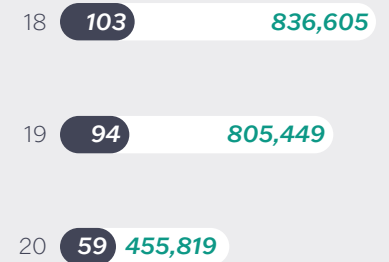
PERFORMANCE NOTES 2020

(%)



TRAINING 2018-2020

hours



● Average hours per employee
● Total hours of training

Performance evaluations

404-3

Aware of the importance of conducting a formal exercise of target setting and performance evaluation, we carried out this process for the eleventh time in a row in 2020, involving 100% of our non-unionized full-time employees. One of the main purposes of this evaluation is to have a clear and measurable alignment of priority strategic goals for each year with specific goals and operating targets for each area and employee. The results of this essential process are a key component in determining raises and in deciding on employee training, development and retention plans.

As a complement to our prompt follow-up, intended to ensure we achieve the established goals, we have a system of performance notes that formalizes prompt feedback on the employees' progress during the year. This process provides evidence to ensure that evaluations are fair and clearly documented.

Skill formation

404-1, 412-2

One of Peñoles' fundamental interests is the advancement and training of its personnel. To this end, we have regularly scheduled, specific training programs to meet current and future challenges in technical, administrative and human skills, and thus to obtain better indicators that can be used to encourage productivity, quality and competitiveness. In 2020, a total of 455,819 work-hours of training were given, equivalent to an average of 59 hours per employee.

404-2

Committed to the professional advancement of our employees, in 2020 we provided 48 scholarships for high school, college and postgraduate education. The number of employees with undergraduate education grew from 60.7% in 2019 to 64.1% in 2020.

Aware of the importance of leadership in achieving extraordinary results, we have a training program called School for Leaders, based on the Peñoles Leadership Model, which promotes and develops behaviors

aligned with the four essential characteristics of the model: inspire, facilitate, motivate and recognize.

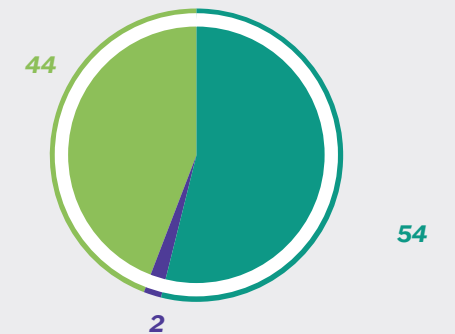
In 2020, 385 leaders participated in both types of program: 23 in classroom training—which was moved to live online sessions when the pandemic began—and 362 in on-line courses. The classroom module consisted of 56 hours of course work, and the online program of approximately 64 hours.

59

average hours of training per employee.

SCHOLARSHIPS FOR ACADEMIC STUDIES, 2020

(%)



● Specialization courses
● Master's
● Undergraduate

Retention and development plans

Peñoles has a system for recognizing our employees which includes:

- *Gold Program, recognizing talented employees who have been identified as having high leadership potential and whose last performance evaluation was outstanding. The recognition, which consists of a bonus and a commemorative medal, is given in a special ceremony attended by all of Peñoles' senior management. Forty-three employees received this recognition in 2020.*
- *An academic achievement bonus, given to those who satisfactorily completed their studies with high grades; 82 bonuses were given during the year.*



Teamwork at sintering plant, Met-Mex

Recognitions for academic achievement

Type of studies	2018	2019	2020
Diploma	94	72	59
Undergraduate	6	11	3
Master	17	20	20
Total	117	103	82

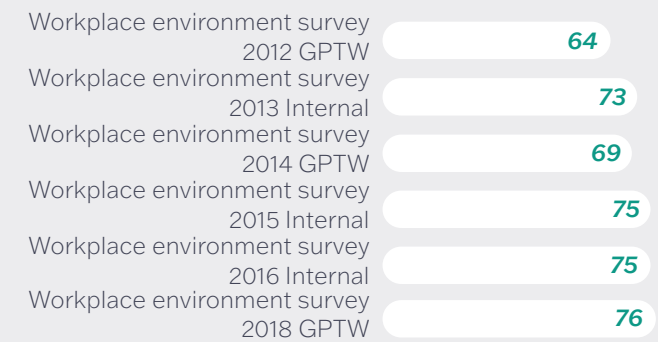
82

bonuses given during the year.

Identifying positions that are critical for the operating continuity of the business is a high-impact, highly relevant strategic human resource action. Because of this, since 2012 we have been identifying positions considered key to the company and preparing succession and career plans that guarantee there are qualified people to occupy these positions as they become vacant. In 2020, 409 key positions were logged, and succession plans were developed and updated for 95% of these, corresponding to 390 positions. In the next five years, we expect some 135 positions to open up due to retirement and are therefore preparing 293 potential successors with leadership training, prepara-

WORKPLACE ENVIRONMENT SURVEY

(%)



tion and technical knowledge—an average of two candidates for each position expected to become available.

Working environment

102-43

In 2020 we continued to base our actions on the results of the October 2018 Workplace Environment Survey—the first year we applied this biannual survey to all unionized and non-unionized employees working at the group. The survey, which was conducted by the Great Place to Work Mexico organization, collected the opinions of 7,178 employees—92% of our total workforce—and confirmed a satisfaction index of 76%, 7 percentage points higher than the previous survey. Based on these results, Grupo Peñoles received the Great Place to Work certification.

At Peñoles, we defend the human and labor rights of our personnel. We do not permit child labor, forced labor or slavery, and we respect differences in ethnicity, gender, political association and ideas. We also comply with the principles of the United Nations Global Compact.

Inspecting low-profile trucks, Tizapa mining unit



In 2020 there were no reported incidents of extortion, abuse, discrimination, forced or compulsory labor, unfair labor practices, violation of indigenous rights or any other complaint related to human rights. We have a Code of Conduct and the Línea Correcta program to avoid any practices that go against our own ethical principles.

Labor relations

102-41, 407-1

The company abides by all laws, treaties and international conventions on labor matters to protect the rights of workers, including the right to free association and collective bargaining. Our unions regularly appoint review commissions which, together with the company, analyze and negotiate the existing collective bargaining contracts.

The company and its unions share the values of workplace safety and competitiveness that distinguish us, and we value the ongoing commitment to open dialogue and continuous improvement in all our processes. Our labor relations are based on trust, a permanent focus on ethical con-

duct, and the constant pursuit of mutual benefit.

Each of the collective bargaining contracts signed with our national unions incorporates the rights and obligations of both parties, and a shared commitment to safety, productivity, and quality of life on the job.

Union organizers have free access to the assigned areas and are given facilities to meet with workers. At the unions' request, the company agrees to allow union meetings to be held as long as they comply with safety and hygiene measures.

EM-MM-310a.1

Collective bargaining agreements cover 59% of our active workforce; all of our employees are Mexican.

EM-MM-310a.2, G4-MM4

Our good working relationships are reflected in the fact that our 2020 salary, contractual and third-party (contractor) agreement reviews were negotiated without strikes or any type of work stoppage.

402-1

Constant dialogue with trade union representatives allows us to keep them promptly informed of any significant operational change, and be transparent in sharing business information, as well as to meet the commitments we have acquired with our stakeholder groups.

At the same time, we have continuous improvement, evaluation and incentives systems based on results in productivity, costs, safety and environmental protection, which help us to meet our goals and challenges.



Worker at Capela unit



dialogue

and continuous improvement.

Employee at offices in Torreón



Keyout operator at Capela unit



101-2.2, 101-2.5, 103-1, 103-2, 103-3

Peñoles maintains a culture of prevention focused on the safety of our people and on business continuity. Our safety philosophy is based on the design, maintenance and safe operation of our processes toward a zero-disabling accident rate.

403-1, 403-8

Our management system is grounded in a culture of prevention and responsibility toward our workers, which is set within our Sustainable Development Policy and our safety philosophy principles. This system comprises 12 safety and hygiene management best practices that include the 14 elements of the Safety Administration Process (SAP). It applies to all our business units and is aligned with our internal regulations as well as with international and national standards. It is audited internally and may also be audited by independent experts.

Our units establish preventive measures consistent with the Workplace Safety and Health Self-Management Program recommended

403-8 Workers covered by Management System

Work and/or workplace controlled by the company			Covered by Management System		Audited internally		Certified or audited independently	
Employees	Contractors	Total workers	Number	%	Number	%	Number	%
7,708	5,414	13,122	13,122	100	1491	11%	4,680	34

*Due to the public health contingency, only two safety and health audits were conducted: at Minera Tizapa and Minera La Parreña.

Status of the STPS Self-Management Program

Business unit	Level 1	Level 2	Level 3	Level 3 rev.
Fertirey	Certified	Certified	Certified	Certified
Central Laboratory		Certified	Certified	
Salinas del Rey	Certified	Certified		
Bermejillo		Certified		
Wastewater treatment plant	Certified	Certified		
Explorations (Toluca and Zacatecas)	Certified			
Ramos Arizpe unit (Aleazin)	Certified			
Tizapa	Certified			

by the Ministry of Labor and Social Planning. This earned our company recognition as a Safe Company by that Ministry.

In 2020, the El Roble mine at Velardeña earned Silver Helmet distinction in the category of "Underground mine with more than 500 workers." This award recognizes the safety performance of companies that are members of the Mexican Mining Chamber.

The Sabinas mine maintained its ISO 45001:2018 certification for the second year in a row, for its Workplace Health and Safety Management System, while Industrias

Magnelec obtained this certification for the first time.

The Química del Rey and Fertirey plants continued their certification in the Comprehensive Responsibility Management System developed by the National Chemical Industry Association.

As part of its safety culture, Peñoles has a program of regular corporate safety and health audits, to analyze the degree to which safety and health risks are controlled at each business unit. This helps improve our operations. This year, however, the on-site audit program was suspended in order to reduce employees' exposure to contagion.

Safety organization

403-4

Peñoles' management structure is modeled on a high-performance team and committees. The leadership team is responsible for providing resources, facilitating and ensuring follow-up, and improving safety and management processes in the business units. This is based on the Sustainable Development Plan, Strategy 7.0, and on Environment, Safety and Health Guideline L.71, which includes safety.

Simba drilling equipment inside Sabinas unit



grams include activities relating to safety and risk management.

All business units have safety specialists responsible for training and advising workers, as well as emergency brigades trained in areas like mining rescue operations, firefighting, first aid, and handling of hazardous material emergencies and evacuation.

Furthermore, as mandated by law, every business unit has a Safety and Hygiene Commission made up of union and non-union members. Mining units have committees made up of contractor personnel, which conduct regular checks to identify hazardous conditions and unsafe actions, proposing measures to prevent labor risks and investigate accidents.

Strengthening safety culture

403-7

We promote a culture of prevention regarding our workers' safety, according to our Sustainable Development Policy. The concrete actions are based on our Code of Conduct and on our organizational values of trust, responsibility, integrity and loyalty. Organizational safety culture, which centers around 12 best practices, is embodied in the leadership and visible and proven commitment of our senior management, division business heads and the alignment of all the business units.

In 2020, we faced the challenge of keeping our axes of action in motion amid a public health emergency, with all the physical and administrative measures necessary to guarantee safe practice in all our workplaces, and using data resources to continue the processes of safety dissemination, training and preparation, as well as advice, support and performance tracking.

For the past ten years, we have worked on building a positive safety culture based on employer-union synergies. The main advanc-



Sampling at Met-Mex plant

All workers, at all levels of the organization, have specific roles and responsibilities for complying with the safety guidelines. Programs are designed for the various models of collaborative work, participation and inquiry, like committees, work teams, safety and hygiene commissions, emergency brigades, mixed training and skill-building commissions, company union relations, and others. These pro-



Supervising jumbo drill equipment, Tizapa unit

es and results of this have been professionalization of the safety and hygiene commissions through certification of their members, the certification of work positions: fork lift drivers in our metallurgical plants and operators of specialized equipment like low-profile trucks and loaders and drill jumbos for mining work.

An interdivisional team was formed to follow up on agreements and commitments with the National Mining and Metals Workers' Union (FRENTE) to bolster safety culture. This team focused on human skill-building, practice standardization, training, leadership workshops for local committees, new members and prospects, and strengthening security based on behavior. We also conduct-

ed inspection visits in which company, union and safety and hygiene committees worked together to check on safety conditions in our facilities, verifying synergies between each local executive committee and leaders of the workplaces.

As part of the preparations for the 10th annual Safety Symposium, the LEAL survey was redesigned. This instrument is used to measure workplace attitudes and conduct. Due to the pandemic, the survey was applied differently this year: personnel voted using their feet on carpets. The survey was conducted between August and October, and covered all union and non-union member personnel. The results were incorporated automatically into a database so they could be analyzed.

In the last quarter of the year, with the support of members of the FRENTE national executive committee, a tool called the Dynamic Tracking Table was developed, which will continue the work on agreements and commitments resulting from various lines of management-union action, one of them being the Safety Symposium.

Training

403-5, EM-MM-320a.1

Our business units reported the participation of 102,499 people (72,004 union and non-union employees and 30,495 contractors) in safety training, a total of 330,440 work-hours. Some of the issues covered were: orientation on environment, safety and health; review of on-the-job safety techniques through preventive observation (STOP); interpretation of the ISO 45001:2018 safety standard; non-routine work; safety conditions for work in confined spaces; protection against falls from low heights; soldering and cutting (NOM-033-STPS-2015); fire prevention and protection in the workplace (NOM-002-STPS-2010), maintenance and storage of materials-occupational safety and health conditions

El Roble (Velardeña) mining unit earned safety Silver Helmet distinction in 2020.

(NOM-006-STPS-2014), underground mines and open-cut mines-occupational safety and health conditions (NOM-023-STPS-2012); operating discipline; accident investigation-root cause analysis (RCA); operating and maintenance procedures; globally harmonized system (GHS) (NOM-018-STPS-215); task safety analysis; standard safety and health practices; process safety administration workshop; and courses on electrical safety, and defensive driving.

We also carried out safety campaigns at various workplaces on topics like safety culture, review of task-based safety analysis and work cycle review; STOP review; prevention of accidents involving rock fall; being careful about hands and feet; use and handling of fixed refuge chambers; order and cleanliness; transportation, store, use and handling of explosives; flora and fauna; work at heights and creativity; vehicle-related accidents and respect for priority rules of zero tolerance and spirit of service; shielding and protecting equipment; and respect. The issues of planning, load hoisting and sustainable development were also addressed, along with statistics on electrical accidents and measures to prevent them.

330,440
work-hours of safety training.

Grinding unit, Madero plant



79

workers were trained in competency standard EC039101 “Verification of workplace safety and hygiene conditions.”



Paramedic at Madero unit

Our emergency brigades have workers certified as firefighters, prehospital medical attention technicians and paramedics by institutions like the University of Texas (Texas A&M Engineering Extension Service), the Mexican Red Cross, the National Council for Standards and Certification of Labor Competencies (Conocer), and the Emergency Brigades Training School in the city of Celaya, Guanajuato.

Members of the safety and hygiene commissions are trained in competency standard EC0391.01 “Verification of workplace safety and hygiene conditions.” In 2020, 79 union and non-union workers were trained and 12 were evaluated, 11 of which are now certified. Due to the sanitary measures, we had to stop the evaluation process, so as to reduce the workers’ danger of exposure.

Risk exposure

403-2

Workers receive training and participated in the process of identifying hazards and evaluating risks, both for routine and non-routine work. They have mechanisms for reporting any work-related hazard and the authority to stop any activity that may place their own life or those of their coworkers in danger. As part of the ten elements of our safety philosophy, we guarantee the families of our employees that our operating processes are designed and operated to ensure the health and physical safety of every one of our employees. In the case of any accident, a report is drawn up and investigation and analysis conducted; the information is entered into the Safety and Health System in order to follow up on recommendations and avoid a recurrence. This information is also used in trend analysis and statistics.

403-9

In the past ten years, the Accident Index (AI) has gone from 1.94 to 1.47, the Days Lost Index (DLI) went from 1.22 to 1.00, and the Accident Rate (AR) went from 1.90 to 1.13, a marked downward trend in all cases.

Nevertheless, Peñoles deeply regrets six fatal accidents in 2020: the first of them at the Capela project, where an employee was struck by an object on February 21; the second at Francisco I. Madero due to rockfall on February 24; the third at the refinery, where an employee was pinned by a traveling crane on May 7; the fourth and fifth at the Capela project due to the collapse of an embankment on May 27, and the sixth at the Lead Smelter, when an employee was struck by equipment on June 8.

403-9

Among the most prominent work-related hazards, which pose a risk of serious injury, are rockfall, fire, entrapment, electrocution, being struck/run over by a vehicle, fall from heights and being struck by objects, among others that were detected in a process of



emergency

brigades have certified workers



risk identification and assessment pursuant to NOM-023-STPS-2012 and the Comprehensive Safety Management System.

consistent with regulations—identification of hazards, risk evaluation and implementation of controls. Data were collected from accident and incident investigation reports.

The following are the results of our safety indicators, which were calculated using corporate standards and based on the total number of personnel and assessments

Potential risk analysis; safety and health software information records.

Direct employee safety indicators (accidents, lost days, accident index, accident rate, safe events) **

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of A accidents (accidents without lost time)	477	395	383	373	364	356	426	321	350	362	338
Number of C, D, and E accidents (accidents with lost time)	133	115	109	121	156	138	139	126	153	148	110
Number of F accidents (fatal)	1	0	0	1	1	0	0	1	1	2	2
Number of lost days	1.02	0.78	0.61	0.69	0.77	0.77	0.6	0.64	0.68	0.74	0.81
Accidents rate (AR)	2.3	1.8	1.69	1.78	1.94	1.73	1.88	1.69	1.96	1.71	1.37
Severity rate (SR)	1.88	1.13	0.83	0.98	1.2	1.04	0.9	0.87	1.08	1.01	0.86

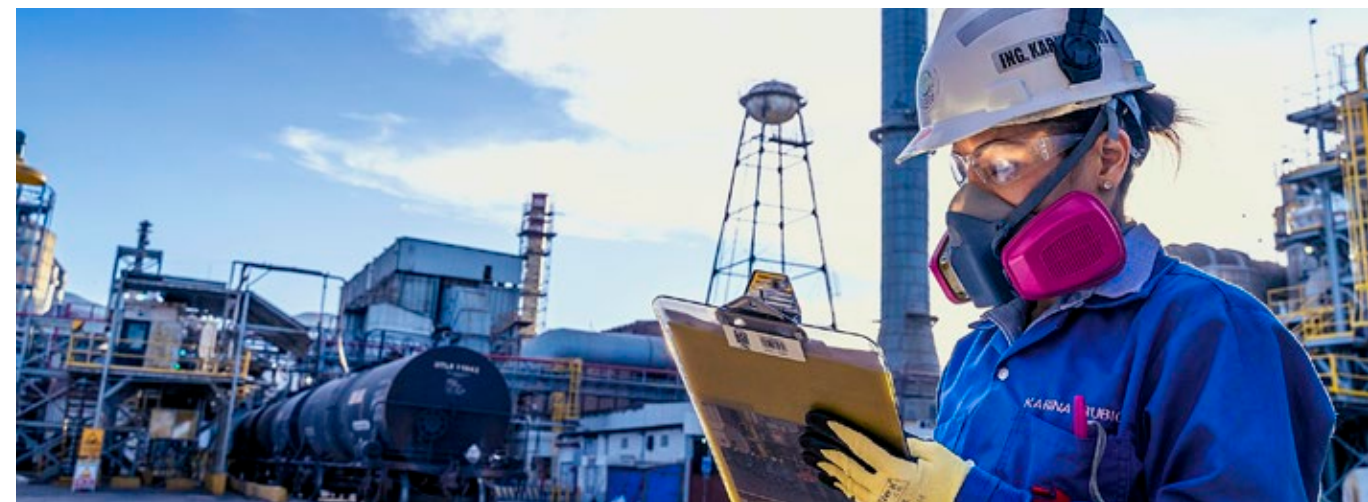
** Data includes information only from Peñoles operations.

Indirect employee safety indicators (accidents, lost days, accident index, accident rate, safety events) **

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of A accidents (accidents without lost time)	171	183	221	166	189	193	230	247	253	279	160
Number of C, D, and E accidents (accidents with lost time)	75	86	99	98	87	89	97	119	141	127	88
Number of F accidents (fatal)	4	0	5	3	0	1	1	3	2	0	4
Number of lost days	1.44	0.55	1.43	1.33	0.66	0.64	0.79	1.07	1.04	0.66	1.26
Accidents rate (AR)	1.53	1.35	1.59	1.51	1.39	1.54	1.49	1.7	1.7	1.6	1.62
Severity rate (SR)	1.77	0.6	1.83	1.61	0.73	0.76	0.94	1.46	1.41	0.85	1.58

** Data includes information only from Peñoles operations.

Environmental monitoring at Met-Mex



403-9 Direct employee safety indicators (accidents classified by region and gender) **

	Peñoles Total	By region										By gender	
		Chihuahua	Coahuila	Durango	State of Mexico	Guerrero	Oaxaca	Sonora	Zacatecas	Peru	Chile	Male	Female
Personnel number (Employees)	8,191	195	4553	755	728	595	15	317	972	47	14		
Number of A accidents (accidents without lost time)	338	3	223	17	18	38	0	4	35	0	0	304	34
Number of C, D, and E accidents (accidents with lost time)	110	3	78	4	8	5	0	2	10	0	0	106	4
Number of F accidents (fatal)	2	0	1	0	0	0	0	0	1	0	0	2	0
Worked hours	20,837,904	496,080	11,582,832	1,920,720	1,852,032	1,513,680	38,160	806,448	2,472,768	119,568	35,616	-	-
Number of lost days	0.81	1.04	0.76	0.28	0.78	0.09	0.00	1.25	1.82	0.00	0.00	-	-
Accident index (AI)	1.37	1.54	1.74	0.53	1.10	0.84	0.00	0.63	1.13	0.00	0.00		
Severity rate (SR)	0.86	1.23	1.02	0.11	0.66	0.06	0.00	0.61	1.59	0.00	0.00		
Safe events rate (SER)	71.92	70.81	73.45	82.09	72.80	61.54	88.02	70.62	61.26	0.00	0.00		

** Data includes information only from Peñoles operations.

The calculations presented are based on the official regulations applicable in Mexico.

403-9 Indirect employee safety indicators (accidents classified by region and gender) **

	Peñoles Total	By region										By gender	
		Chihuahua	Coahuila	Durango	State of Mexico	Guerrero	Oaxaca	Sonora	Zacatecas	Peru	Chile	Male	Female
Personnel number (Employees)	5,681	284	2035	542	246	598	68	588	1300	6	14		
Number of A accidents (accidents without lost time)	160	8	67	6	9	31	0	2	37	0	0	120	40
Number of C, D, and E accidents (accidents with lost time)	88	3	36	4	6	10	0	6	22	1	0	84	4
Number of F accidents (fatal)	4	0	1	0	0	3	0	0	0	0	0	4	0
Worked hours	14,452,464	722,496	5,177,040	1,378,848	625,824	1,521,312	172,992	1,495,872	3,307,200			-	-
Number of lost days	1.26	0.59	0.85	0.36	0.62	6.06	0.00	0.76	0.64	1.83	0.00	-	-
Accident index (AI)	1.62	1.06	1.82	0.74	2.44	2.17	0.00	1.02	1.69	16.67	0.00		
Severity rate (SR)	1.58	0.48	1.20	0.20	1.17	10.18	0.00	0.60	0.84	23.61	0.00		
Safe events rate (SER)	71.92	70.81	73.45	82.09	72.80	61.54	88.02	70.62	61.26	0.00	0.00		

** Data includes information only from Peñoles operations.

The calculations presented are based on the official regulations applicable in Mexico.

HEALTH



Medical personnel at clinic at San Martín, in Sabinas

101-2.2, 101-2.5, 103-1, 103-2, 103-3
2020 was an atypical year because of the COVID-19 pandemic, which prompted changes in epidemiological health monitoring. Public health and social security authorities developed sanitary protocols, and we in turn adapted our health monitoring system. For information about the various programs created to deal with the pandemic, see page 85.

We provide epidemiological oversight of our employees' health through a management system that identifies and prevents workplace risks, guaranteeing the continuity of our operations. We try to protect our people from professional illnesses and encourage a culture of prevention of general illness, in

order to keep them in optimum physical and mental health.

403-3, 403-6, 403-7
Our plans and programs are aimed at preventing workplace accidents and work-related illnesses, which is an important part of our sustainable development policy and strategic objectives, and thus a core component of our management systems. These plans and programs are continually being improved based on annualized targets. An occupational health program is made up of the activities and resources necessary to guarantee the individual and group health of workers and is developed in the respective business units comprehensively and on an interdisciplinary basis.

Health monitoring program

The Occupational Health Program allows each workplace to identify and control risk factors for various positions; this protects workers' health and prevents professional and general accidents and illness. During 2020 various activities were carried out to address and control contagion from the pandemic.

In response to the public health crisis caused by the global pandemic—which began in Mexico in the month of February—and in order to guarantee our employees' health, at the end of the first quarter we took the preventive action of temporarily suspending all medical exams, including regular checkups, gynecological exams and executive checkups. Only employee entrance checkups were conducted, and routine activities continued.

Bien Estar Siempre

The Bien Estar Siempre (Wellness Always) program promotes self-care for the health and wellness of our workers and thus contributes to their development and productivity and the competitiveness of the company itself, from a spiritual, emotional, intellectual and physical approach. The tools of this program enable us to measure aspects that currently pose a risk to health.

The operating actions of the Bien Estar Siempre program established in the work plan had to be put on hold, however, while we focused on the priority needs raised by the pandemic.

Monitoring access at Tizapa unit



Preventive health: healthy lifestyles

Nutrition

The Self-Care Health Challenge program was developed to build a culture of health awareness through proper diet and physical activity, and thus to prevent and control chronic-degenerative diseases.

In the first quarter of the year, 340 consultation visits were given (compared to 2,167 in 2019). But beginning in the second quarter these had to be suspended and were replaced by digital consultation across a variety of platforms, through e-mails and video calls. With this, employees were able to receive personalized follow-up on their nutrition plans on a biweekly basis; 1,220 sessions were given. Because anthropometric and biological measurements could not be obtained (weight, BMI, waist measurement, hips, glucose levels, uric acid, cholesterol and triglycerides) an area of opportunity was detected to establish new indicators as a result of online nutritional consultation.

A satisfaction survey regarding the quality of the online nutritional consultations showed a 100% satisfaction rate and an 83.5% continuity rate.

100%

satisfaction rate in online nutritional consultations.

Dining rooms

To protect the health of people entering our employee dining rooms, we set up the measures indicated in protocols issued by the public health and labor authorities, which helped us to avoid the risk of contagion from asymptomatic personnel.

As part of the Healthy Dining Room Program, in the first quarter of the year we conducted an internal audit of all workplaces that had employee dining rooms, in keeping with NOM-251-SSA1-2009: "Hygiene practices for processing food, beverages or dietary supplements."

Due to travel restrictions, these audits could only be conducted in the first quarter, and



Tehuixtla health center, in Guerrero, near the Capela unit



only at some facilities. These included a review of facilities and equipment, personnel and processes, training, and surveys of outgoing diners regarding food, facilities, service and staff. The dining room service is subcontracted by each workplace.

Psychology

For the purpose of transforming habits and behaviors that are harmful to the physical and emotional health of our personnel, in 2015 we introduced a program called Psychological Anti-Stress and Relaxation Orientation (POPAP), which helps measure stress levels, signs of depres-

sion, anxiety and suicide risk, starting with the first interview.

In 2020, 104 employees enrolled in the program, and attended a total of 584 sessions. At the end of the year, participants took a test to measure their ending stress levels. The result was a 65% reduction in the risk factors that cause stress and an increase in protection factors. This was done primarily through increased exercise, improved diet and sleeping habits, among other changes.

Due to the public health emergency, psychological counseling was provided in various forms:



- Individual psychological counseling by video call
- Individual and group anti-stress workshop (POPAP) by webex



- Emotional Health Risk Workshop by webex
- Emotional health support for patients with anxiety or depression due to COVID-19 after-effects



Certifications

Because of the pandemic, it was not possible to complete our program of activities to continue certifying all of our buildings as cardio-protected spaces and 100% smoke-free. But we were able to maintain certification for the buildings that had already obtained it, made possible, among other things, by adapting strategic sites for automated external defibrillator equipment, certified health and non-health personnel trained by official agencies in CRP administration and automated external defibrillators. These spaces provide a first response to a cardiovascular emergency, acting together

Certified personnel for cardiovascular emergencies, Sabinas unit



Also, together with the external communication team, videos were prepared to share with the community over social media. These dealt with issues like anxiety, consequences and lessons of COVID-19, advice on how to teach children about care and protection against contagion, phases of grief, bad habits resulting from the pandemic, and coming out of confinement.



16,928

work-hours of online health training.

with internal emergency systems, as well as external suppliers.

Health training

We switched to online training in 2020, using primarily our virtual campus and the webex platform for live sessions, some on pandemic-related issues, established as part of the government protocols for a safe return to work. 11,125 participants were registered, totaling 16,928 work-hours.

Preventive health campaigns

It was not possible to conduct our annual health campaign coinciding with the calendar of the World Health Organization. But in order to build awareness and inform employees about prevention, early detection and tracking of the most common pathologies, we distributed information through institutional e-mail and Peñoles internal communication webpage on flu, zika, chikungunya, dengue, and World Diabetes Day. For people suffering from cardiovascular and chronic-degenerative illness we included information on activation and physical exercise, healthy eating and nutri-

11,125

participants registered on our virtual campus for pandemic-related issues.

tion, among others, in addition to advice on how to avoid contagion from COVID-19.

403-3

The main professional illnesses the company has recorded among its employees are hypoacusis (hearing loss) and silicosis (respiratory illness) and, since 2019, muscular-skeletal disorders, which we track and attend to, as well as work-related accidents after-effects.

Another factor that we watch for is the biological monitoring of blood lead levels in people whose jobs expose them to this substance.

Audits

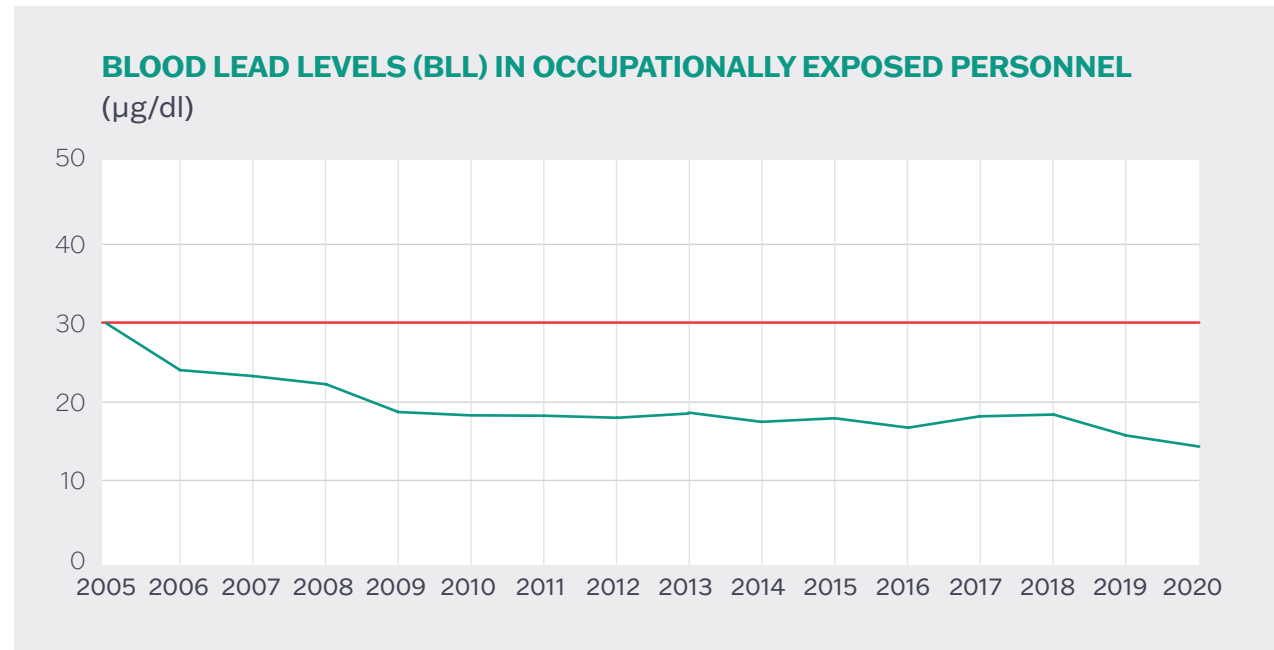
Every year we conduct internal audits on compliance with Labor and Health ministries' regulations on health and hygiene in each workplace. We have used the results to design epidemiological monitoring programs so that we can create consistent prevention programs for employees exposed to risk agents and factors that might cause work-related illnesses or accidents. In order to avoid having auditors and support personnel travel physically to the different workplaces, occupational health audits to verify legal compliance were suspended, although we were able to follow up on work plans based on results collected by e-mail and video calls.

403-10 Cases of work-related illnesses

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Hypoacusis	9	18	6	18	12	6	25	26	28	15	11
Silicosis	1	24	5	6	11	1	11	23	11	4	9
Accidents after-effects	9	1	0	5	4	7	1	4	8	3	0
Muscular-skeletal disorders*	-	-	-	-	-	-	-	-	-	2	6
Total	19	43	11	29	27	14	37	53	47	24	26

*Recorded starting in 2019.

Note: This data includes information related exclusively to Peñoles operations.



Official Mexican Standard NOM-047-SSA1-2011, Environmental health workplace biological exposure indices of personnel occupationally exposed to chemical substances. Lead occupational exposure limit: 30 µg/dl. Average blood lead levels in occupationally exposed persons (µg/dl).

* This data includes information related exclusively to Peñoles operations.

Every year we conduct internal audits on compliance with regulations on health and hygiene, according to the Labor and Health ministries' guidelines.

Flotation area at Capela unit



STRENGTHENED BY THE CHALLENGES OF THE PANDEMIC



COVID-19 measures before accessing the Tizapa unit

The crisis caused by the spread of COVID-19 has had multiple repercussions. At Peñoles, we took action to protect the health of our people and our communities, and to guarantee our operating continuity, to the extent possible, while complying fully with official provisions.

When the first case of COVID-19 was detected in Mexico in February, the country still had no public health guidelines or specific plan of action to confront the crisis. The first official document did not come out until May 17.

From that point on, in order to control the risk of contagion among our workers, medical services at each workplace began developing, implementing and operating safety and health protocols in strict accordance with the Technical Guidelines on Workplace Health and Safety issued by the Mexican Social Security Institute (IMSS); the Safe Return to Work Plan, also issued by the IMSS; the Guide to Best Mining-Metallurgy practices: 2020 SARS-CoV2 (COVID-19) Public Health Emergency published by the Ministry of the Economy;

and the Guide to Workplace Actions during COVID-19, issued by the Ministry of Labor and Social Planning. With all these guidelines in place, we were able to resume our operations once they were designated as essential economic activities by the authorities.

Personnel from our administrative and support areas were assigned to work from home, which presented a challenge to our IT areas in setting up the necessary information systems and guaranteeing cybersecurity.

A Contingency Management Advisory Committee was created, made up of the CEO and the heads of the operations and maintenance, human resources, community engagement, administration and finance, health and safety, legal, and property protection areas, all with sufficient response capacity to make operating decisions. A Local Contingency Management Committee was also formed for each workplace, according to the above-mentioned guide from the Ministry of the Economy.



2020

in February, the first case of COVID-19 was detected in Mexico.

This committee established the general policies and parameters for contingency plans at each workplace, coordinating their development, implementation, tracking and evaluation.

One the main challenges we faced was countering an attitude of resistance to self-care and skepticism about the virus' existence among our employees and in our communities.

CONTINGENCY PLANS

- *Measures for vulnerable people*
- *Reduction of staff on site at the workplace*
- *Safe-distancing and general hygiene measures*
- *Control of access to workplaces as well as safe handling of internal transport*
- *Traceability of contagion chains*
- *Education, communication and awareness-building*
- *Social impact on host communities*
- *Measures for a safe return to work*
- *Epidemiological surveillance program*
- *Promotion and monitoring of physical and mental health*
- *Entérate en Vivo (Hear about it Live) program*
- *Development of a COVID-19 platform*

ADDRESSING CHALLENGES WITH ACTIONS

- *We encouraged the cration and work of multi-disciplinary teams.*
- *We raised awareness among personnel regarding the self-reporting of contagion risk factors.*
- *We kept our personnel informed with truthful, prompt and up-to-date information on the pandemic, through various institutional media.*
- *We supervised compliance with the guidelines issued by competent health authorities for obtaining the necessary permits and distinctions.*



The Contingency Management Advisory Committee established the general policies and parameters for contingency plans at each workplace.

Measures against COVID-19, Tizapa unit

Measures to prevent contagion in the company

A continuación mostramos dos conjuntos de medidas par Promoción de la salud y Protección de la salud..

PROMOTING HEALTH

- *Creating a program of physical and mental care for personnel.*
- *Developing a protocol for handling cases of contagion, whether suspected or tested positive, to protect employees, their families and their coworkers.*
- *Promoting sanitary precaution, preventing contagion and monitoring the health of people who tested positive, in order to detect possible complications.*
- *Having instruments on hand for prompt detection of symptoms and, through traceability, breaking the chains of contagion by isolating persons who had been in contact, professionally or socially, with the infected employee.*
- *Identifying vulnerable personnel within the company who may suffer from chronic-degenerative disease or immune deficiency, or who are retired, pregnant or nursing.*

PROTECTING HEALTH

- *Ensuring safe distancing through signage, marking off areas and/or physical barriers. When a process required personnel to work in close proximity, personal protection equipment was provided.*
- *Controlling access with entrance- and exit-only points for personnel, protected by physical barriers, sanitizing carpets, automatic gel alcohol dispensers with presence sensors, cameras for measuring body temperature at a distance (anyone with a reading higher than 37.5° C was assigned to a temporary stay to be evaluated by company doctors), facemasks for all personnel entering the company and when necessary, face shields and gloves as well.*
- *Guidelines for visitors and suppliers.*
- *Meetings held by video instead of face-to-face, to avoid large groups and shield our most vulnerable employees from exposure.*
- *Implement protective measures in dining rooms, including face masks, shields and gloves for all personnel who work in industrial cafeterias; physical barriers at tables, staggered working hours and signage for safe distancing.*
- *Establish cleaning and sanitation protocols for each area.*
- *Implement sanitary measures in personnel transport in order to minimize the risk of exposure.*
- *Have random PCR testing of all personnel.*
- *Provide personal protection equipment for operating personnel: half-face or full-face respirators, depending on the activities carried out in each work area.*
- *Acrylic protectors for personnel who interact with a large number of people, along with high-visibility face shields and NK-95 face masks.*

Monitoring and supervision

A system for monitoring and recording compliance with contagion prevention protocols was created and implemented, incorporating structural and administrative aspects, personal protection equipment, information and training, and the COVID-19 Structure and Evidence Vault. Application of the program involved the Safe Return Committee, the Health and Safety Committee and the union. Visual verification logs were kept and discrepancies reported for correction.

Within the random testing program, 12,165 PCR tests and 7,452 rapid antibody tests were given as part of travel protocols, visits and supplier access, as well as return to working areas.

With the support of a multi-disciplinary work team we developed a COVID platform to guarantee identification, registry and tracking of patients with some risk factor, and to provide data for decision-making.

SPECIFIC OBJECTIVES

1. Automate records.
2. Generate statistics and reports for decision-making.
3. Guarantee efficient tracking of patients with some risk factor and traceability of positive cases.
4. Standardize tracking and control criteria.
5. Strengthen the organization's medical areas in order to ensure employees a high-quality, humane treatment.

Testing for COVID-19 at San José de Félix, Sabinas unit



https://www.youtube.com/watch?v=np_0W6KVbvM

159,843

donations

409,593

beneficiaries

Health promoter in Tehuixtla, near Capela

The COVID platform is exclusively for the use of medical personnel. It keeps records and reports on random PCR testing; tests on patients that are being tracked; follow-up on patient health, including those that are hospitalized; traceability of workplace contagion; registry of patients with specific vulnerabilities; generation and update of historic statistics; and graphs that show the pandemic's evolution within the organization. Construction of a COVID vaccination control panel is currently under way.

Community engagement during the emergency

During the pandemic, our social engagement and development programs conformed to the sanitary protocols and measures suggested by international organizations and the Mexican government. We maintained a participative dialogue, presence and coordination with communities and authorities through virtual and hybrid mechanisms. The solidarity between communities, authorities and company enabled us to jointly address the health emergency and adapt to the new normal.

Peñoles carried out social actions to address the needs caused by the pandemic in the states of Guerrero, Chihuahua, Sonora, Coahuila, Oaxaca, Durango, Zacatecas and Mexico, supporting healthcare personnel in hospitals and clinics with supplies, equipment and material. We also provided food, water, sanitizing gel, preventive campaigns, cleanup of public spaces and face masks for vulnerable groups and the community at large.

During the public health emergency, our joint work with authorities, foundations and communities included:

- *The donation of 141 Phillips Respironics E-30 respirators, in coordination with Fundación Mexicana para la Salud (Funsalud), to IMSS and ISSSTE hospitals and clinics in the states of Guerrero, Chihuahua, Durango and Coahuila.*
- *Ongoing preventive health campaigns to prevent contagion through ambient loudspeaker advertising and print materials.*
- *Virtual workshops promoting healthy lifestyles, physical activation and recreation for communities in Coahuila, Durango, Guerrero and Oaxaca.*



We also took action to deal with the pandemic in communities surrounding Peñoles operations in Peru, through preventive campaigns. Peñoles made 5,433 donations, in coordination with community presidents and representatives of health organizations in Tarica, San Antonio de Urcón, Alfonso Ugarte de Huichanga, Juan Velazco de Pasacancha, Catorce Incas, Huayllahuara, Vilca and Alto Larán.

Our internal work as a multi-disciplinary team, combined with our efforts in partnership with external stakeholders, bolstered our resilience during the year, and strengthened our sense of corporate responsibility. We are confident we can confront the public health emergency and expand our vision, aware that these new global challenges require us to continue preparing ourselves and working sustainably.

COMMUNITY ENGAGEMENT



Teloloapan, Guerrero, Capela unit

101-2.5, 103-1, 103-2, 103-3, 413-1, EM-MM-210b.1

In our community engagement, our Management System is grounded in a strategy of sustainable community development, and in respectful and coordinated work with the community and authorities, to achieve social well-being based on relations of harmony and trust.

This Management System is consistent with all laws and best practices and an internal system of standards that stresses social commitment: Code of Conduct, Sustainable Development Policy, social development guidelines and institutional values, among others.

EM-MM-210a.3

Our Code of Conduct incorporates policies and guidelines that reflect the principles of the United Nations Global Compact and OECD and CSR guidelines regarding sustainability, good practices and domestic and international standards on human rights, culture, traditions, regional vocation, and the sustainable development of local communities.

The Social Management Plan is one way we ensure continuity, integration and mainstreaming of operating process management. It covers each phase of Peñoles' value chain, from exploration to the closure of operations to project construction and operation.

The Social Management Model provides for general education and awareness-raising in the internal and external communities, building shared knowledge, reflection and dialogue that strengthen our relations with the community.

Peñoles' guidelines on social development embody our commitment to respect for culture, traditions, regional vocation, participative dialogue, skill-building and the development of sustainable communities, in an environment of trust with local communities, their inhabitants and authorities.

The social development model starts with the very shape of the social structure, in which Peñoles is an active member of the community. We involve ourselves in efforts to achieve social development and support

SOCIAL DEVELOPMENT GUIDELINES



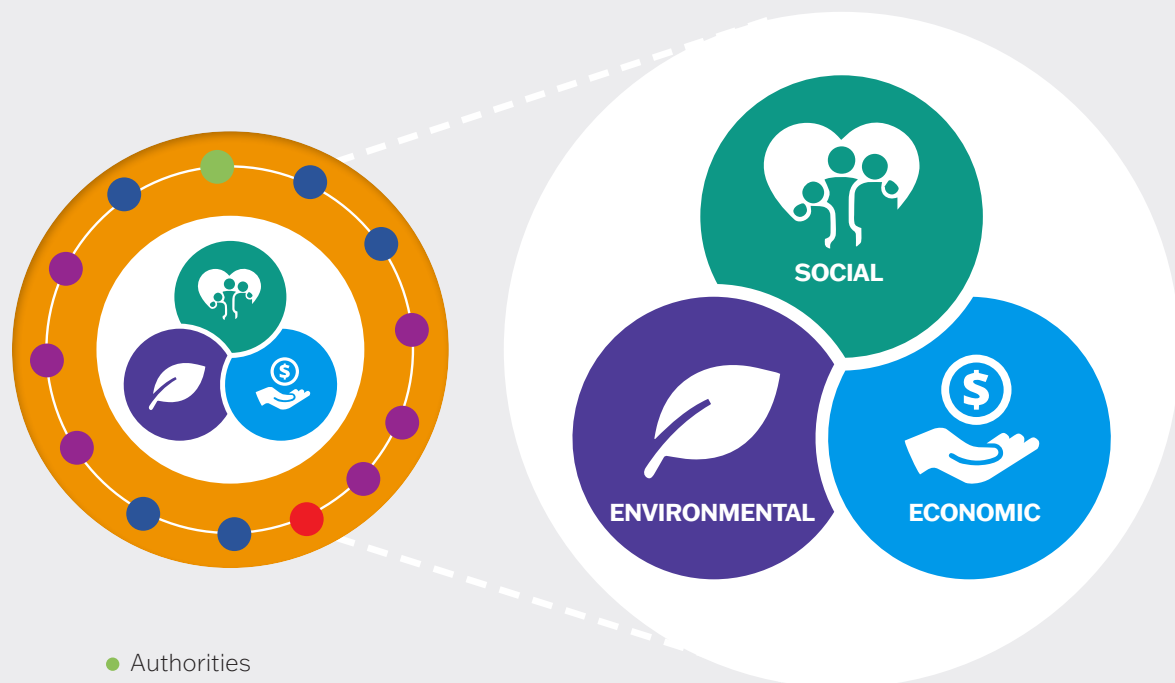


We are transforming ourselves into sustainable communities.



Reforestation team at Capela unit

OUTREACH MODEL



- Authorities
- Peñoles
- Leaders
- NGOs / Nonprofits
- Community

the goals of society at large, harmonizing and recognizing the guiding role of the State as administrator, and the shared responsibility of the community in building social well-being.

413-1a.i

Communities are one of the five stakeholder groups we define as a priority. Our pledge is to be a socially responsible company, respectful of nature and supportive of the self-development of the communities where we operate and of which we are part. To do so, we have social diagnosis mechanisms that determine the economic, social and

Community school, Capela unit



environmental impact of our operations. The aim is to magnify the positive impact of our operations, and to avoid, mitigate or remediate any negative impact they might have on the environment and society.

G4-MM5, G4-MM8, G4-MM9, EM-MM-210a.3

The approach we bring to our impact assessment is one of full respect for human and indigenous rights, which is embedded in our management model. Peñoles has no operations adjacent to indigenous lands or where artisanal and/or small-scale mining is practiced; nor have there been any resettlements or mobilization of communities because of such operations.

Constant and ongoing engagement with the communities to which we belong contributes to healthy understanding and stronger relations of trust, cooperation, local development and well-being. The social management model ensures the creation of shared value with commu-

SOCIAL IMPACT EVALUATION



Reforestation at tailings dam area, Capela unit

122

people responsible for operating strategic social development programs.

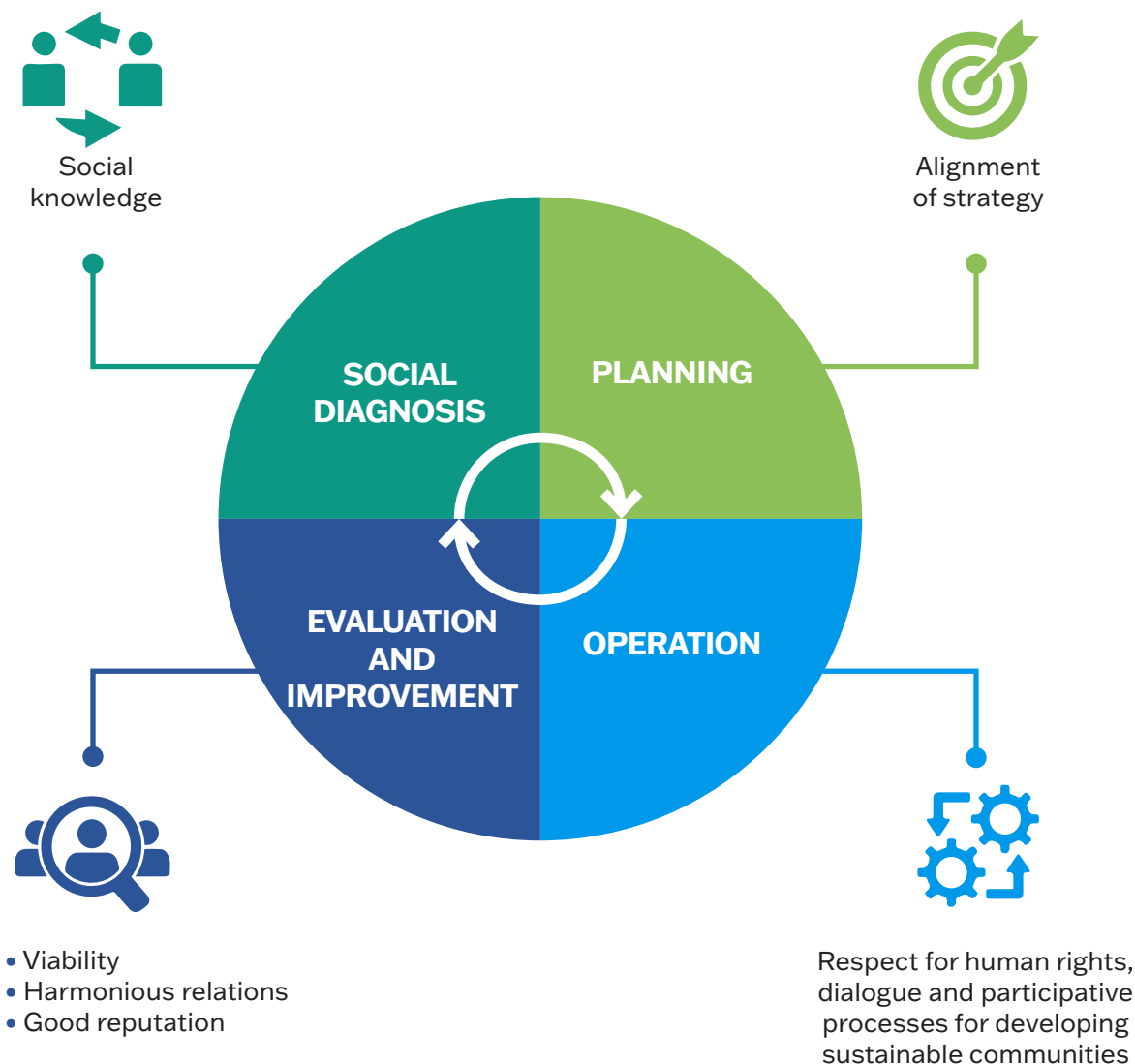
nities and authorities; it is contained in a cycle of continuous improvement, as follows:

Peñoles contributes to social welfare and development through a strategy, operating plans and leadership management indicators led by our executive team and operated by a structure of 53 direct heads and 69 indirect leaders, as shown below.

The Social Development Management System is designed to ensure the efficacy of planning and value creation for our stakeholders.

413-1a.v, 413-1a.vi, 413-1a.vii, Local community beneficiaries receive information from the company, participate in the design of projects, express their viewpoints and make decisions through various mechanisms.

SOCIAL MANAGEMENT MODEL



CORPORATE STRUCTURE



LOCAL COMMUNITY MECHANISMS

- *Community committees that provide training and design social solutions for the various problems and needs of local communities.*
- *Participation in image and reputation surveys and social impact assessments, where communities can offer their opinion on needs, problems, socioeconomic status, expectations and concerns; and on this basis, prepare diagnoses, profiles, indicators and impact statements.*
- *Mechanisms through which the community can manage problems and social solutions in coordination with the company and authorities.*
- *Sharing our technical expertise in various specialties with authorities, community committees, ejidos and inhabitants, to design and create technical-administrative projects for public tender processes and the mining fund, among others, and assisting them throughout the process.*
- *Addressing complaints and concerns from the community and other stakeholders and taking action to prevent, remediate or mitigate them.*
- *Institutional communication through mass media, direct dialogue with the community, fairs, presentations, activations and campaigns.*

413-1a.iv

These mechanisms allow us to support the improvement and evaluation of institutional programs, which operate on five axes of social development:

Results

We are a socially responsible company, and in pursuit of that commitment, we work along five axes of development. Over the past 133 years, we have built relationships

of cooperation and development with the communities in which we operate and of which we are a part.

AXES OF ACTION



EDUCATION

Improve educational performance: focus on science-technology and human development, values, school retention and support for culture.



ENVIRONMENTAL

Environmental awareness-building, training and campaigns, to identify and mitigate impacts, encourage positive environmental behaviors.



SELF-DEVELOPMENT

Develop capacities and skills for being self-sustainable and starting businesses.



FAMILY

Health and dietary habits, personal advancement, women and older adults, sports and recreation.



INFRASTRUCTURE

Shared vision and management of public services.



Tehuixtla, a community near our Capela unit



Education Axis

“This course has taught me the importance of emotional and cognitive mediation in this digital age we’ve been called upon to live in...”



Testimonials
<https://bit.ly/3r72jD5>

Laura Trigo Álvarez, teacher

Educational Excellence

In this “new normal” brought about by the COVID-19 pandemic, Peñoles refocused its educational actions in order to keep its promise to work together with stakeholders, stressing support for education through digital platforms.

For 16 years now, Peñoles has allied with the Instituto Mexicano para la Excelencia Educativa, A.C., a nonprofit organization dedicated to improving educational quality, to create a professional refresher program for teachers, administrators, authorities, parents and students of schools in areas neighboring our mining units, benefiting children and youth in these communities.



Training path for teachers

To address the new challenges of learning during a pandemic, this year virtual workshops were held on the topic of “Being a mediator of meaningful online learning.” Before lockdown measures began, classroom courses were given on “Neurosciences as a foundation for learning” and “Evaluating to improve,” involving 345 administrators and teachers from local communities. The workshops benefited 22,393 students from 82 educational institutions at different levels.

We also continued our training path for parents, providing a space for reflection on the responsibilities of being a parent, and for promoting a harmonious environment for our children’s growth.





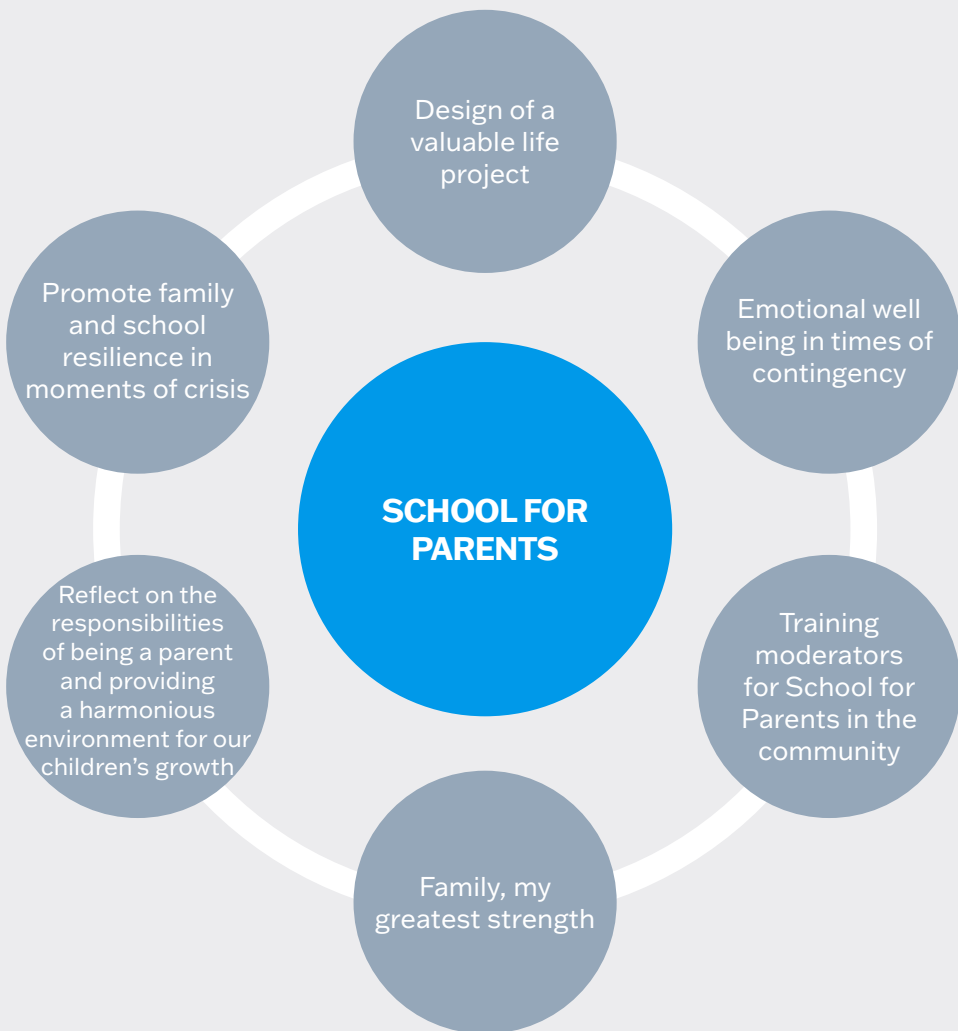
Education Axis



2,905

parents in various states of Mexico have participated since 2004.

SCHOOL FOR PARENTS



Since 2004, we have helped 7,466 administrators and teachers, and 2,905 parents, develop and strengthen core skills in various states of Mexico.



TV secondary schooling, Capela unit



Education Axis

Peñoles FIRST Robotics Program

It was in 2011 that Peñoles first decided to inspire passion for science and technology through fun and holistic learning in the Peñoles FIRST alliance, in which youth can acquire the tools and experience needed to support their academic progress.

To create value in this initiative, other activities have been incorporated to strengthen technical and life skills in the same schools, as well as feats of knowledge in regional and world events. The VelaBots team from Veldardeña, Durango, attended the world robotics competition in Arkansas.

The program involved 719 students—281 women and 438 men, mentors and lead coaches for 23 Peñoles FIRST robotics teams at the Torreón events and the Mexico City regional championship.

This year volunteers from Peñoles FIRST donated their time to design face shields and deliver basic supplies and support to vulnerable groups, as solidarity actions during the COVID-19 public health emergency.

Peñoles Chorus

Since 2008 we have had a space dedicated to promoting art, convinced that this can help youth build self-respect and talent and strengthen the social fabric. The Peñoles Chorus is a program designed to bolster inter-family relations, develop life skills and cultivate the values that help build better citizens.

Children from the Comarca Lagunera region attend daily singing lessons, not only enjoying this pleasurable exercise but also strengthening their life skills. During the year, 359 children from neighborhoods adjoining Met-Mex participated in the Peñoles Chorus.

Since its founding, the chorus has staged a number of performances, among them a concert with the Coahuila Chamber Orchestra, a concert at the Isauro Martínez Theater and performances at the Nazas Theater in Torreón. Also, thirty chorus members participated in the Voices in Movement concert at the Nazas Theater with famed Mexican tenor Javier Camarena.



Peñoles Chorus at Met-Mex plant

“They’ve aroused their interest in culture, in music, in discipline; the kids that come to the chorus are outstanding kids.”

Liliana Torres, teacher



<https://www.facebook.com/IndPenoles/videos/398533591411247>



Education Axis



https://www.facebook.com/MuseoDeLos-Metales/videos/?ref=page_internal

Metals Museum at Met-Mex unit

Metals Museum

The Metals Museum, created 13 years ago in the heart of Peñoles' Metalúrgica Met-Mex plant, is a place where people can come together and learn. In its ten permanent exhibit halls visitors can learn about geology, mineralogy and the history of metallurgy, as well as current mining-metallurgy processes, sustainable development, art, the uses of minerals, metals and chemicals in daily life.

Because of the public health emergency, the museum was only open for in-person visits until March, and after that on virtual platforms. During that initial in-person period, 872 students and teachers visited the museum as part of class trips; 415 people from the general public and 1,578 participants in workshops, lectures and other activities, including the following:

Educational services

To offer didactic support to elementary school students with limited access to social networks, Peñoles prepared and printed

booklets entitled *Tours and activities in the Metals Museum for boys and girls at home*, and distributed 3,544 copies to 18 schools neighboring the Torreón, Bermejillo and Velardeña units.

Workshops were also held on topics such as "Youth of Laguna in science" and "The periodic table in the classroom," and talks and panels were held for high school and preparatory school students and teachers like "The importance of soil in producing healthy food," "Technological innovation," "What's a virus?" and the panel "Vocational influencers," among others.



<https://bit.ly/31lj2So>



<https://bit.ly/39iaPZs>



872

students and teachers visited the museum in the first quarter of the year.



Publicizing science, technology and art

In the context of the pandemic, Peñoles sponsored demonstrations, experiments and activities to promote hygiene measures, healthy eating, staying fit and correctly using face masks. It also held workshops and published material about jewelry made with organic materials as well as others on reading, skin care, home vegetable gardens, ecology, sustainable development, earth sciences and environmental care.

The museum broadened the reach of its content through social media such as Facebook, Instagram, Twitter, and Blog Word Press, a total of 225 productions that were played 91,747 times and reached 398,019 viewers.

- #EIMuseoContigo
- #LaboratorioEnCasa
- #MineríaEnTuVida
- #MiniclubEnCasa
- #NickEIMinero
- #PorTuSalud
- #RincónDelArte
- #CienciaYTecnología
- #ConstrucciónDelConocimiento

91,747

reproductions of the museum's contents in social networks.



Education Axis

Centro de Estudios Técnicos Laguna del Rey A.C. (CETLAR)

CETLAR provides education in human, technical, administrative, business culture and volunteer skills to youth in communities where Peñoles is present. Its purpose is to strengthen their personal and professional development by providing them with technical certification through a comprehensive, excellent education.

Since 1993, under a dual training scheme, we have been providing a well-rounded education to our students with a focus on science and technology in order to meet the company's need for highly qualified employees. Students acquire skills both in the classroom and on the job, creating the competitive advantage of performance in keeping with international standards.

Students obtain the following incentives:

- *Food and lodging*
- *Recreational spaces*
- *Education based on a German dual scheme*
- *Full scholarship*
- *Job opportunities at Peñoles*

CETLAR has graduated 766 certified technicians to date. As of December 2020, 136 scholarship students were enrolled in electrical-mechanical and electricity instrumentation skills.

Program graduates can then join Peñoles for work in various positions in the business units. This also contributes to the company's ability to hire certified local labor.

Aerial view of CETLAR, Química del Rey unit



CETLAR workshop, Química del Rey

766

certified technicians graduated from CETLAR to date.





Environmental Axis

Building environmental awareness

We help build environmental awareness in local communities as well as in the company, through campaigns both in person and online that deal with water stewardship, biodiversity, reforestation and forest rehabilitation, tree donation, waste management campaigns and recycling talks, among others. The purpose of this awareness-building effort is to encourage communities to celebrate, volunteer and take collective action for the environment, based on the key concerns outlined by the United Nations.

These are some of the highlights of the 81 environmental actions involving more than 4,781 people:

- World Water Day, March 22, images explaining how water can help mitigate climate change and that we are all part of that change.
- World Environment Day, June 5, whose goal was building awareness about the importance of biodiversity.



“The botanical garden has become a support instrument for educational institutions at all levels ...”



https://www.youtube.com/watch?v=U-R_-Z2Flyo

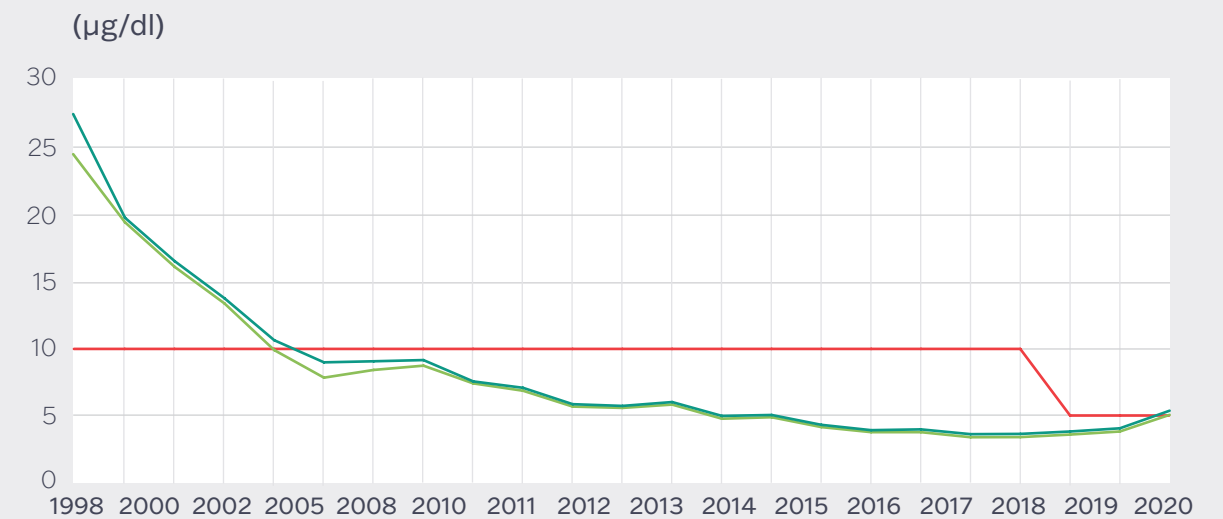
413-1-a.ii, 413-2

In the Torreón community near Met-Mex, we monitor lead concentrations in ambient air, because even when levels are kept below regulatory amounts, an environmental contingency might cause inconvenience to local residents.

In a parallel effort, the Environmental Health Unit continuously monitors blood lead levels in residents who live in the neighborhoods close to the plant, particularly children. As the graph shows, there has been a noticeable declining trend in blood lead levels in people who live near the plant.



BLOOD LEAD LEVELS IN POPULATION NEIGHBORING MET-MEX PEÑOLES



Blood lead levels in population neighboring Met-Mex Peñoles (µg/dl)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Children	27.62	19.84	16.58	13.80	10.65	8.99	9.07	9.16	7.56	7.08	5.85	5.72	6.01	4.97	5.04	4.30	3.90	3.96	3.60	3.62	3.80	4.04	5.36	
General population	24.61	19.50	16.15	13.41	9.91	7.84	8.42	8.74	7.41	6.86	5.67	5.57	5.82	4.76	4.87	4.13	3.75	3.75	3.37	3.38	3.57	3.80	5.05	
Action level:	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	5.00	5.00	5.00
Safe limit = 5.00 µg/dl																								

Note: Starting in 2018, the regulatory safe limit was lowered from 10 to 5 ug/dl. 2020 observations:

*The latest samples were taken from January 1, 2020 to December 31, 2020.

*Because of the health contingency, blood tests in the general population were reduced considerably, since they were carried on only at the Environmental Health unit: this meant a reduction of almost 70% vs. 2019.



Self-development Axis



Community projects

We support economic self-development initiatives in coordination with communities and authorities, to promote well-being and sustainable development.

Brucellosis- and tuberculosis-free herds at the Tizapa unit

Because local livestock farmers have recently had to comply with new requirements from the National Sanitation, Food Safety and Agro-Food Quality Service, and the US Department of Agriculture, we continued a sampling project in a three-part collaboration with farmers and the municipality of Zacazonapan.

With the participation of livestock producers, the assistance of Peñoles, and veterinary physicians from UNAM, this year the Ministry of Agricultural Development and the municipal authorities of Zacazonapan presented various Brucellosis- and Tuberculosis-free Herd certifications. The document states that the livestock in question is of good quality and meets all standards for sale within or outside of Mexico.

The initiative has the following benefits:

- Recognition of Zacazonapan as a brucellosis- and tuberculosis-free municipality.
- Lending prestige to the municipality's livestock by guaranteeing the health of the animals.
- Opening markets to dairy products manufactured in the municipality.

This program contributes greatly to the economic diversification and development of the region's vocation.



Certified brucellosis-free cattle, Tizapa unit

“The training I received at the Community Center has helped me a great deal, like learning how to start my own business ...”

Soledad Durán



<https://www.youtube.com/watch?v=FH9ofi6HGmQ>



Self-development Axis

Peñoles – ProEmpleo

Peñoles, in partnership with Fundación Pro-Empleo A.C., holds workshops that help building a community of entrepreneurs and businesspeople with the talent and drive to get ahead, and the commitment to strengthen means of subsistence for local communities.

During the year, 132 people received training in workshops on “Enterprise,” “Improve your business” and “Start your business,” which covered topics like human development, administration, marketing, finance, sales and social responsibility for businesses. Specialized business consultants gave 50 business advice workshops. With the participation of entrepreneurs in these workshops, participants could identify areas of opportunity for developing their enterprising and business capacities.

We encourage people who want a more dignified, productive life, giving them training and advice on self-employment or on starting up or improving family micro-businesses; to create

132

people received training in workshops and 50 businesses received advice.



Personnel transport in Teloloapan, Capela unit



88

direct jobs in the community from nine companies that were incorporated to our local supply chain.

“Improve your business” workshop at Capela unit

jobs, help keep existing jobs, and give a boost to enterprising ideas that strengthen environmental, social and economic development.

The “Enterprise” workshop, promoted by the Capela unit in the community of Tehuixtla, Guerrero, was designed based on the Entrepreneurs project, identifying human capital and business ideas. Forty-eight entrepreneurs took part, from seven communities: Tehuixtla, Teloloapan, Ahuehuetla, Zacatlán, Zacuapa, El Capire and Tepozonalquillo.

The initiative identified and characterized entrepreneurs and small and mid-sized businesses, which will then be given administrative and/or technical training according to their needs. Participants receive assistance and advice to gradually learn and develop technical, administrative and financial skills. Time limits will be set for this assistance, along with training on legal rights and obligations.



The initiative resulted in the creation of nine companies that were incorporated to our local supply chain under a financial support mechanism. The new local companies are engaged in areas like personnel transport, cleaning and food service, generating 88 direct jobs in the community.



Self-development Axis

Peñoles Community Center

Because of the COVID-19 pandemic and the accompanying sanitary measures imposed by the authorities, Peñoles temporarily closed its community centers to protect people's health, but we continued reaching out to our neighbors and community via virtual means.

Community centers are spaces for people to meet, build community visions, create togetherness and development, with classes in computers, cooking, sewing, beauty care, English, personal advancement, tae kwon do, computers for kids, music, drawing, tai chi and crafts. Over the course of the year, 938 people attended the center in person, 327 of them receiving diplomas.

The Peñoles Community Center in Torreón, opened in 2016, has directly benefited residents of the twelve neighborhoods adjoining the Met-Mex metallurgical plant, as well as other inhabitants of the Comarca Lagunera region.

The purpose of this space is to build relations between the company and the community in a place where people can learn life and work skills, develop abilities, learn

about culture, practice sports and pursue their talents, all of which leads to a harmonious meeting of stakeholders.

The virtual activities of the community center—conducted via Facebook—prompted an increase in followers, from 5,841 to 8,319, and its posts reached a total of 597,249 people.

Education in community program, Capela unit



Community committees

At present Peñoles is working with 30 committees from communities near its facilities, helping to build sustainable communities, strengthen local organizations and social leadership, promote teamwork and shared responsibility, and design solutions to social challenges and problems

Volunteer work

For 18 years, Peñoles has worked in an alliance with the Mexico United Way Fund, through which we encourage volunteering and help solve the problems of our community by directly involving company employees in these efforts.

Volunteer committees are involved in deciding on the social investment and support that will be given to nonprofit organizations working in communities near our operations, with funds donated through employee payroll deductions.

During the year, Peñoles worked on various projects with strategic community allies.

In the area of health, we donated equipment, supplies and medical instruments to institutions in various parts of Mexico, like X-ray equipment to the University Children's Hospital of Torreón, personal protection supplies to IMSS and ISSSTE clinics, reclining chairs for



3,169

people in vulnerable situation benefited.

family members of people being treated in Coahuila hospitals, and a dental campaign for elementary school students in Bermejillo, among others.

In the sphere of education, we channeled support for the advancement of disadvantaged youth, renovated bathrooms and helped build a cistern, provided maintenance to classrooms and prepared recreational spaces, along with other kinds of support to various charitable organizations in Sonora, Coahuila, Zacatecas, Chihuahua, State of Mexico, Guerrero and Durango.

Social investment through Peñoles' volunteers and employees benefited approximately 3,169 people in vulnerable situations.

IMSS clinic, Tizapa unit





Self-development Axis

Peñoles – Somos el Cambio Alliance

Somos el Cambio is a nationwide program that encourages boys and girls, youth and adults to work for their urban and rural communities through the Design Thinking methodology.

Participants are able to bring about meaningful positive change in their communities, supporting self-management, a tool that provides abilities for social development and for addressing the needs of a specific group.

In the 10th year of this partnership, Peñoles introduced 24 local community impact projects, competing with 18,764 other projects conducted across the nation. Among these a school participating in the Fuerza Eólica del Istmo unit won an award for its outstanding project.

18,764

projects participated in the 10th edition.

Fuerza Eólica del Istmo: Life and Technology Project (VITEC)

As part of this project, the Abraham Castellanos primary school in El Espinal, in the municipality of Juchitán, Oaxaca, was recognized for its outstanding initiative involving the entire student community, teachers, neighbors, local organizations and authorities, in restoring and equipping a multimedia classroom for the school. Participants collected 2.5 metric tons of PET—making El Espinal a trash-free municipality—and received a donation of 13 computers from the municipal government and collaboration with other recycling-related causes, benefiting the Asociación Mexicana de Ayuda a Niños con Cáncer (AMANC) in Oaxaca.

Mining Fund

The Mining Fund, created by the federal government in 2014, has raised the quality of life for inhabitants in mining production areas by investing in social infrastructure, the environment and positive urban development in these communities.

Peñoles has supported initiatives to apply this funding to investment in the mining areas where it is present, through dialogue and lobbying with representatives of the federal, state and municipal governments involved.



Sunset, Fuerza Eólica del Istmo

“We worked together with the community authorities to restore common areas.”



<https://www.youtube.com/watch?v=FH9ofi6HGmQ>



Family Axis

Zinc Saves Kids

Peñoles is currently involved in a project called Zinc Saves Lives, a strategic partnership with UNICEF and the International Zinc Association (IZA) and its members in Mexico. Peñoles signed this agreement as a member of IZA in 2016.

The project's goal is to amass scientific evidence to help update Mexican regulations regarding the use of zinc in acute diarrheic illnesses in children under five, in the third poorest segment of Mexico's population.

The most important phases of this project during the 2018-2020 period were the following:

- Clinical essay on the effectiveness and safety of administering zinc sulfate to reduce the duration of acute diarrheic episodes in children between 6 and 59 months of age.
- Training and awareness-building campaign for health personnel and parents on early detection, diagnosis and treatment of acute diarrheic illnesses (including development of materials).
- Measurement of serum zinc levels in children under five years in the third poorest segment of Mexico's population.
- Work on modifying health standards to permit zinc to be used in medical treatment protocols was suspended due to the pandemic.

Among the conclusions of this study are that strategies are needed to help children prevent and control zinc and iron deficiency, particularly under the age of two, a crucial age at which their growth and development may be compromised.

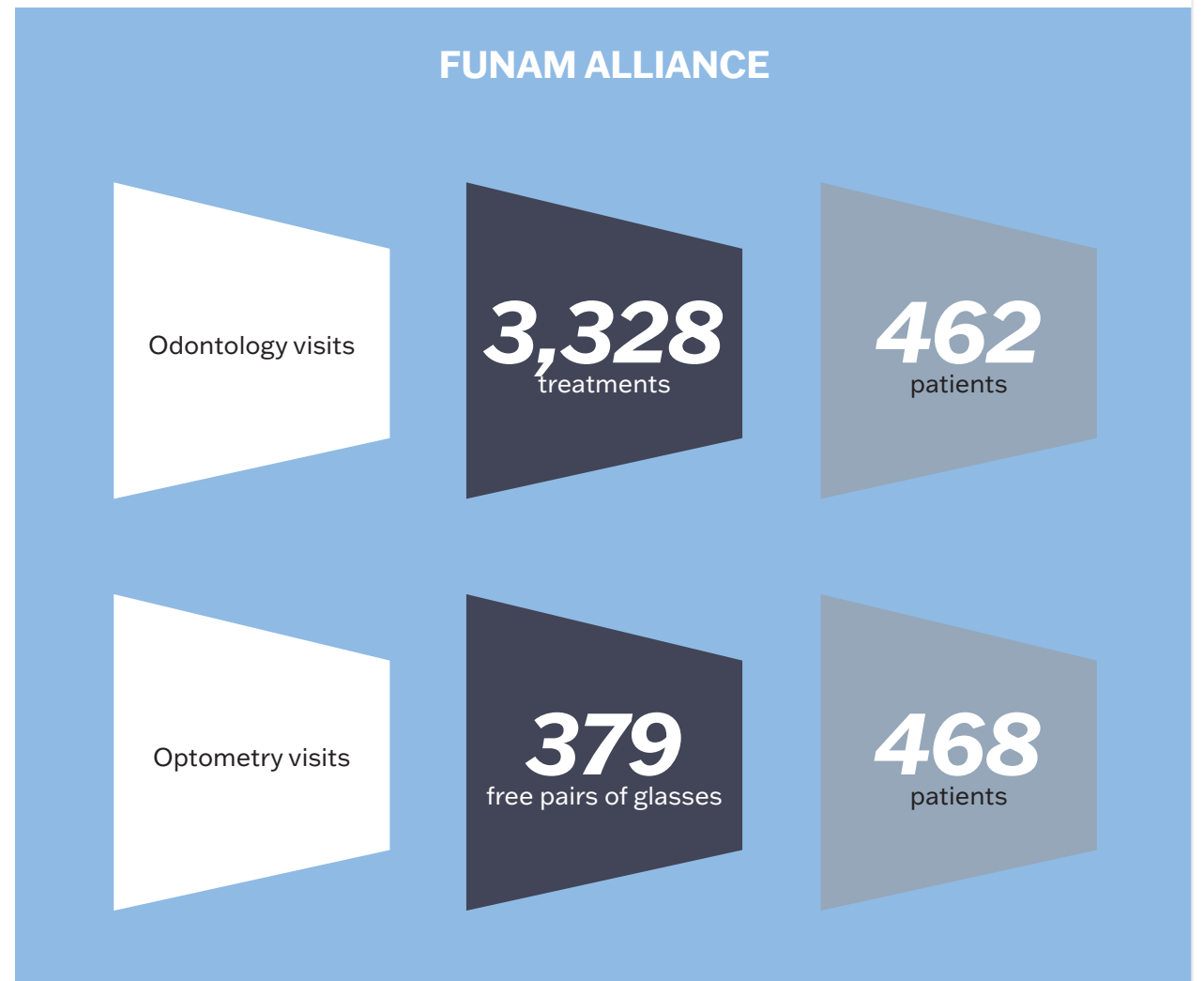
In Mexico, UNICEF has been championing and protecting children's rights for more than 60 years. It works in 190 countries and territories to save children's lives and defend their rights.

Peñoles - Fundación UNAM Alliance

Peñoles actively works to support a culture of preventive wellness through healthy lifestyles and support for health authorities' actions in the community, offering free optometric and dental attention and general checkups for children, youth and vulnerable adults in the communities neighboring our operations.

Since 2013, Peñoles' commitment to health has been embodied in its partnership with Fundación UNAM (FUNAM). In February 2020 a Health Day was held at the Madero unit, which included a number of activities and 930 medical checkups.

This FUNAM program is staffed by university medical students completing their social service requirement, in coordination with Peñoles and local health authorities. They provide service in communities surrounding our operations in Durango, Zacatecas, and the State of Mexico. Last year 4,612 checkups were given to 2,032 men and 2,580 women.





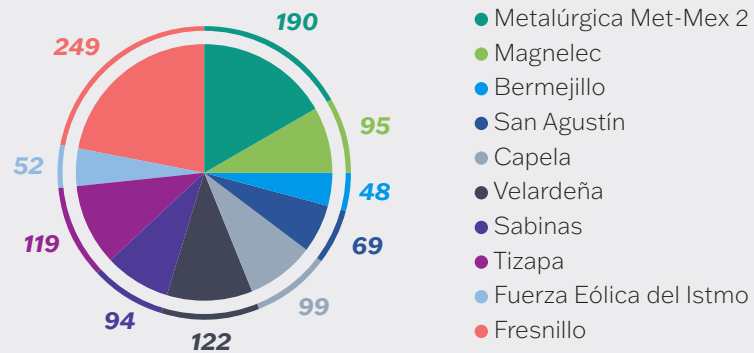
Family Axis

Santos Peñoles Soccer Academy

We have 11 Santos Peñoles soccer academies, attended by 1,137 boys and girls in six states of Mexico.

Due to the health emergency, the Santos Peñoles Soccer Cup was canceled, along with in-person training in the various academies. To ensure the continuity of this project

PARTICIPANTS IN SOCCER ACADEMIES



Virtual training in a community neighboring Tizapa unit

during the pandemic, a virtual education plan was developed, including audiovisual materials and virtual capsules on physical activation, through which information, knowledge and tools were transmitted via official external channels.



<https://www.youtube.com/watch?v=eiZolGh-C50w>





Aerial view at sunset, Capela unit

Grievances and requests

413-1a.viii

The administration of grievances and requests, which is part of our Social Development Management System, is a mechanism for open dialogue with stakeholders.

In 2020 we fielded 29 grievances from local communities, 28 of which were addressed and one is in process.

Through management and joint work with communities and authorities, 422 requests were received regarding support for sports, educational and cultural activities, infrastructure, health and family togetherness, among others.

The COVID-19 pandemic challenged us to continue working for sustainable development of local communities. On the principles of awareness, trust, cooperation and solidarity, we will be strengthened by the challenges, as we look towards the future.

COVID-19

pandemic challenged us to continue working for sustainable development of local communities.



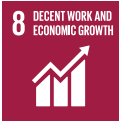










Health services for the community of Tehuiztla, Guerrero, Capela unit

Our social engagement and development are aligned with the United Nations Sustainable Development Goals, through actions listed in the table below.



Peñoles' social contribution to the Sustainable Development Goals

Axes of action	SDG	
 Self-development		We develop social capacities through productive projects, community centers, job training, community committees co-management of social infrastructure, support for health, education, and partnerships for development.
		We promote entrepreneurship and improvement of local businesses through training in technical, administrative and human skills as well as consulting, internships and supplier contracts.
 Family		We help improve health systems, sanitation, good hygiene and nutrition habits, preventive health care, promotion of sports, family togetherness and emergency response.
 Education		We contribute to academic excellence, support arts and culture, help protect cultural heritage and promote science, technology and infrastructure.
 Environment		We help build environmental awareness through programs aligned with UN objectives. We help conserve, relocate, forest and reforest species of flora and fauna in the places where we operate. We produce forestry species in our own plant nurseries, and we have land and facilities for handling wildlife, to protect and conserve local animals.
Self-development Family Education Environment		We administer a system for social engagement and development with an impact on environmental awareness, development of social skills, strengthening entrepreneurship and micro-businesses, protection of cultural heritage, educational excellence, family togetherness, health, sports, productive activities and co-management of social infrastructure.
		Peñoles forms strategic partnerships for pursuing the Sustainable Development Goals, which strengthen our commitment to the environment, the economy and social development.

View of Tizapa plant at sunrise



AWARDS AND RECOGNITIONS



2005

we became signing members of the United Nations Global Compact.

In 2020, we received or maintained the following awards:

In **sustainability** and **social responsibility**

- Since its creation, Peñoles has been listed in the Mexican Stock Exchange (BMV) Sustainability Index now Total Mexico ESG.
- We were selected to be part of the FTSE4Good Emerging Index of the London Stock Exchange for the fifth year in a row.
- Socially Responsible Company (ESR) for the 19th consecutive year, from the Mexican Center for Philanthropy (Cemefi).
- Fourth place in the Corporate Social Responsibility ranking by the Sonora Mining Cluster.
- Fifteenth Communication on Progress of the United Nations Global Compact, of which we have been signing members since 2005.

In **environment**

- Certification as a Green Office to Peñoles' Environmental Health Unit and Industrias Magnelec, granted by the Coahuila Ministry of Environment.
- Clean Industry Certificate, awarded by the National Environmental Audit Program of the Federal Environmental Protection Agency (Profepa) for Tizapa, Bismark and Bermejillo units; another six await certification.

In **safety** and **health**

- Sanitary Safety distinction from the Mexican Social Security Institute (IMSS), certifying that all of our workplaces are safe sites and have the protocols and trained personnel necessary to avoid or mitigate contagion of the coronavirus.
- Safe Company certification by the Ministry of Labor and Social Planning to eight of our plants.
- Silver Helmet distinction by the Mexican Mining Chamber (Camimex) to El Roble mining unit (Velardeña).

In **ethics**

- We maintained Good Delivery conflict-free recertification for the entire precious metals supply chain from the London Bullion Market Association (LBMA).
- Ethics and Values in the Industry award for the 15th consecutive year, awarded by the Confederation of Industrial Chambers (Concamin).
- Second place in the "Ethical business philosophy" category and eleventh in the 30 Most Ethical Companies 2020 ranking, both by *Fortune* magazine.
- Included in the IC500 Index of companies committed to integrity, which have zero-tolerance policies toward corruption and bribery by the magazine *Expansión*.



Reactors at Capela unit

ASSOCIATIONS

102-13

Related to products

International Zinc Association (IZA)

The Silver Institute

Latin American Association of Refractory Producers (Alafar)

Related to the type of business and operation

Mexican Mining Chamber (Camimex)

National Association of the Chemical Industry (ANIQ)

Coahuila Energy Cluster

National Manufacturing industry Chamber (Canacindra)

Mexican Association of Shipping Agents (AMANAC)



102-13

Related to sustainability

Mexican Chapter of the World Business Council for Sustainable Development belonging to the Business Coordinating Council (CESPEDES)

Inter-American Network of Foundations and Business Actions for Grassroots Development (RedEAmérica)

United Way

United Nations Global Compact

Instituto Mexicano para la Excelencia Educativa Excelduc, A.C.

Fundación Educar Uno: Alianza Somos el Cambio, A.C.

Fundación ProEmpleo, A.C.

United Nations Children's Fund (UNICEF)

UNAM Foundation (FUNAM)

Association of Applied Research and Technological Development (ADIAT)

World Environment Center (WEC)

Colorado Cleantech Challenge

Center for Leadership Ethics (University of Arizona)

Ethisphere's Business Ethics Leadership Alliance (BELA)

Mujeres WIM de México, A.C.

For Inspiration and Recognition of Science and Technology (FIRST)

Club Santos Laguna, S.A. de C.V.

Some of our employees participate in the activities of the following associations

Business Coordinating Council (CCE)

Mexican Center for Philanthropy (Cemefi)

Confederation of Industrial Chambers (Concamin)

Confederation of Mexican Employers (Coparmex)

Mexican Chapter of the World Energy Council

Professional organizations

Mexican Wind Energy Association (AMDEE)

Association of Mining Engineers, Metallurgists and Geologists of Mexico (AIMMGM)

Mexican Institute of Financial Executives (IMEF)

Stockpile detail, Milpillas mine

STRENGTHENED BY HONESTY



At Peñoles, we work in a socially responsible and ethical manner, and generate shared value for our stakeholders.

US\$ 4.67 B
in ordinary sales revenues.

102-7-a.iv, 102-45, 103-1, 103-2, 103-3, 201-1-a, 203-1, 203-2

At Peñoles, we work in a socially responsible and ethical manner, and generate shared value for our stakeholders: shareholders, employees, communities, customers, suppliers, government and financial institutions.

The Fourth Financial Statement^{1,2} presented here shows the value generated by Peñoles and contributed to Mexico's economic development, and how it was distributed among its various stakeholders:

Technical notes:

- The data reported for costs include only tangible goods and services used in production.
- A distinction is made between national and international costs, depending on whether the good or service was purchased in Mexico or if it was imported from another country.
- The "Reinvestment in the company" item includes profits for the 2020 fiscal year that will be made available to the Board of Directors in accordance with the powers delegated to it by the Shareholders Meeting.

201-1-a Value generated* (US\$ 000)

	2020	%	2019	%
Net sales	4,673,309	100	4,471,948	100
Domestic costs and expenses	1,649,056	40	1,773,055	40
Foreign costs and expenses	224,871	5	241,780	5
Total costs and expenses	1,873,927	45	2,014,835	45
Total value generated	2,799,382	55	2,457,113	55

* Data include operations of Industrias Peñoles and its subsidiaries.

201-1-a Value distributed* (US\$ 000)

	2020	%	2019	%
Employees	383,813	13.71	392,632	16.0
Contractors	904,904	32.33	1,034,101	42.1
Government	243,597	8.70	18,430	0.8
Shareholders	33,842	1.21	236,858	9.6
Community and environment	63,061	2.25	77,154	3.1
Reinvestment in the company	887,206	31.69	591,889	24.1
Interest	282,959	10.11	106,049	4.3
Total value distributed	2,799,382	100	2,457,113	100

* Data include operations of Industrias Peñoles and its subsidiaries.

1 The Fourth Financial Statement is prepared based on the principles developed in the publication *Social Report: A Fourth Basic Financial Statement, on the Social Dimension of Companies* by Luis Perera Aldama, ed. PricewaterhouseCoopers, Chile, 2003.

2 The figures presented are based on the company's financial statements as of December 31, 2020 and 2019 and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Work team Level 1520, Milpillas mine



The attached notes are an integral part of the Fourth Financial Statement and explain the details about the components of value generation and distribution.

More information about the macroeconomic environment, as well as of the company's operating and financial performance can be found in the 2020 Annual Report and at www.penoles.com.mx.

Note 1: Origin of revenue**a) Revenue**

In 2020, we reported a total of US\$ 4.67 billion in ordinary sales revenues.

b) Prices

Due to the pandemic, metal prices dropped sharply, particularly in the first quarter of the year. In the case of industrial metals, prices recovered gradually; zinc and lead quotations recovered some of their value, but on average ended the year 11.2% and 8.7% lower, respectively, than the year before. For copper, with better market conditions, the average price grew slightly (2.7%). As for precious metal

US\$ 2.80 B

total value generated and distributed among stakeholders.

prices, although they dropped initially, they recovered to levels higher than in the recent past. The price of silver gained 27.7%, and gold, considered a safe haven asset, increased 27.1%, buoyed by widespread uncertainty over the pandemic.

c) Production

Refined gold output fell to 957,209 ounces (-14.0%), due primarily to lower treatment of doré at the Herradura and Noche Buena mines. Some remitters temporarily suspended the supply of concentrates, and although

the situation returned to normal around mid-year, we had some trouble supplying the necessary amount and quality needed for mixtures to be processed at the lead smelting plant. With this, lead and silver production declined by 2.4% and 6.2%, to 70.6 million ounces and 111,538 metric tons, respectively, from their levels in the previous year.

The following details show how revenue was generated according to the different markets we supply.

Sales by market* (US\$ 000)

	2020	%	2019	%
Domestic	629,201	13	711,611	15.91
United States	2,347,724	50	3,060,145	68.43
Asia	429,632	9	287,426	6.43
Europe	629,123	13	371,330	8.30
South America	40,493	1	20,897	0.47
Canada	583,362	12	433	0.01
Others	13,774	0	20,106	0.45
Total	4,673,309	100	4,471,948	100

Sales by product (%)

Product	2020	2019
Silver	31	26
Gold	35	35
Zinc	13	16
Lead	5	6
Ore concentrates	7	7
Copper	2	3
Sodium sulfate	2	3
Other products	5	5
Total	100	100

Note 2: Cost components

a) Costs

The following table shows the change in costs for the years 2020 and 2019:

Operating costs (US\$ 000)

	2020	%	2019	%
Metal	1,019,928	54	945,992	47
Energy	378,985	20	416,381	21
Operating materials	345,973	18	374,662	19
Raw materials	31,428	2	34,063	2
Others	97,613	5	243,737	12
Total	1,873,927	100	2,014,835	100

The following tables describe the breakdown of energy resources, operating materials and raw materials:

Energy resources (US\$ 000)

	2020	2019
Electricity	211,435	191,564
Natural gas	21,710	26,599
Coke	18,363	21,809
Diesel	111,753	155,682
Fuel and lubricants	15,724	20,726
Total	378,985	416,380

27.7%

increase in price of silver
and 27.1% in gold.

Operating materials (US\$ 000)

	2020	2019
Explosives and detonators	49,127	61,191
Balls and bar mills	35,844	35,682
Tires and inner tubes	17,598	19,173
Other materials	14,709	14,856
Sodium cyanide	23,456	26,502
Steel and drilling bits	14,967	16,589
Slaked lime	7,130	8,218
Cement	3,286	4,583
Safety equipment	13,620	14,273
Other reagents	24,514	25,062
Steel and iron	7,446	10,908
Hoses and accessories	7,331	11,527
Construction materials	8,920	11,014
Magnesium-calcium alloy	2,119	2,434
Zinc	5,060	6,004
Mills and crusher armor	14,879	15,468
Anchors	8,704	11,586
Others	87,263	79,591
Total	345,973	374,661

Raw materials (US\$ 000)

	2020	2019
Ammonia	19,599	21,421
Copper cement	4,404	3,906
Magnesium oxide	4,226	5,331
Zinc slag	1,514	1,682
Sulfuric acid	214	175
Others	1,471	1,547
Total	31,428	34,062

b) Purchases

We had a total of 30,498 suppliers, more than the 29,890 of the previous year. The breakdown of suppliers by type of purchase for 2020 and 2019 is detailed in the following table:

Registered suppliers

	2020	%	2019	%
Supplies	11,055	36.2	10,881	36.4
Transport	1,202	3.9	1,193	4.0
Contractors	1,389	4.6	1,358	4.5
Customs agents	216	0.7	213	0.7
Services	16,094	52.8	15,709	52.6
Fixed assets	40	0.1	40	0.1
Concentrates	502	1.6	496	1.7
Total	30,498	100	29,890	100

Peñoles promotes the country's development by creating jobs and business opportunities for different domestic industries. We have domestic suppliers distributed across Mexico.

As for suppliers outside of Mexico, the United States ranks first, with 58% of the total, followed by Canada, with 9%, the United Kingdom with 5% and other 64 countries collectively accounting for the remaining 28%.

Note 3: Value distribution indicators**a) Employees**

At Peñoles, we generate dignified and fair job opportunities. During 2020 we paid a total of US\$ 383.8 million to direct employees and other employees working for the company.

Value distribution to employees (US\$ 000)

	2020	2019
Wages	108,056	114,553
Salaries	57,092	59,000
Benefits	90,816	96,956
Subtotal	255,964	270,509
Overtime	15,126	14,352
Other benefits	83,119	89,705
Profit-sharing	29,604	18,066
Total	383,813	392,632

US\$ 383 M

paid to direct
employees in 2020.

b) Contractors

In 2020, we paid a total of US\$ 904.9 million for outsourced services. The following table shows the different services received and amounts paid:

Contractors (US\$ 000)

	2020	%	2019	%
Development and works	455,197	50	504,078	49
Maintenance	240,069	27	264,915	26
Major repairs	70,359	8	77,137	7
Fees	77,859	9	87,458	8
Security	16,627	2	16,786	2
Other items	44,793	5	83,727	8
Total	904,904	100	1,034,101	100

c) Government

Total tax payments in 2020 were US\$ 243.6 million.

d) Shareholders

Peñoles is a public company whose shares have been listed on the Mexican Stock Exchange (BMV) since 1968 under the PE&OLES ticker symbol.

Distribution of ordinary dividends (US\$ 000)

	2020	2019
Shareholders - controlling entity	3	155,243
Non-controlling interest	33,839	81,615
Total	33,842	236,858

e) Community and the environment

The following table reflects the different contributions made by the company in connection with our responsible and sustainable commitment to the environment:

Contributions to the community and the environment (US\$ 000)

	2020	2019
Community	7,984	11,232
Environment	6,967	7,561
Depreciation of social assets	56,098	47,368
Provision for ecological expense	-7,988	10,993
Total	63,061	77,154

US\$ 296 million in fixed assets for social use or social purposes.

In accordance with the Peñoles Sustainable Development Policy, there is a provision that is used to progressively restore the mining units up to the date when it is estimated that their mineral reserves will be depleted. In 2020, this provision totaled US\$ 460.6 million.

f) Reinvestment in the company

Items that provide for the regeneration or survival of the company's production capacity, capital or social value are included; essentially, earnings net of dividend distribution and fiscal year depreciations (including the results in the cancellation of fixed assets)

Reinvestment in the company (US\$ 000)

	2020	2019
Depreciation, amortization, depletion and others	955,432	793,275
Income from operations	-34,384	35,472
Less controlling entity shareholder dividends and noncontrolling interest	-33,842	-236,858
Total	887,206	591,889

Retained earnings remain at the disposal of the Board of Directors, in accordance with the powers delegated to it by the Shareholders Meeting.

g) Interests

In 2019 and 2020 we paid US\$ 106 and US\$ 283 million, respectively in interest payments and foreign exchange losses. It also considers the company's obligations to financial institutions and other capital suppliers or third-party financing and the payment of special, additional and extraordinary rights to mining companies for the constitution of the Mining Fund for Sustainable Regional Development, whose investment goal is to favor physical investment with a positive social, environmental and urban development impact for mining municipalities.

US\$ 904.9 M
paid to contractors.

STRENGTHENED BY

SYNERGIES



Our purpose is to contribute to people's well-being by sustainably mining gold and silver.

Fresnillo plc subsidiary

FRESNILLO PLC SUBSIDIARY



Simba operator at Ciénega unit

Sustainability strategy

We believe responsible mining must be compatible with the highest expectations of our stakeholders in terms of ethical, social and environmental performance. We are convinced that our social license to operate depends on the level of trust we inspire in them. This is why it is important to maintain responsible business practices that are closely connected with our business model and to take into account factors that are important to our stakeholders in all the decisions we make.

Actions relating to COVID-19

COVID-19 is a public health crisis with unprecedented social repercussions. During

this crisis, our priority has been protecting the health of our people and our communities. To this end, we took a variety of actions.

STRATEGY



Priority

during this crisis has been protecting the health of our people and our communities.

ACTIONS TO PROTECT OUR PEOPLE

- **Crisis committees:** We created crisis committees in every business unit, coordinated by a corporate Crisis Committee headed by our CEO.
- **Protection of vulnerable personnel:** We proactively identified vulnerable members of our work force according to age, chronic illness (diabetes, high blood pressure), and those who were pregnant or nursing, offering them the possibility of working from home with full pay, in order to avoid contagion.
- **Communication:** We launched a creative communication campaign about preventive measures to take at home and at work.
- **Training:** We trained our people in IMSS guidelines for safe work.
- **Entrance controls:** We set up entrance checkpoints where employee temperatures were checked and they were asked about symptoms or contacts with people suspected of having COVID-19. At our operations in remote areas, people were monitored before boarding company transport and upon arrival at the mine.
- **Safe distancing measures:** We applied social distancing measures in common areas like entrances, dining rooms, dormitories, and meeting rooms, with the support of floor markers.
- **Protection and sanitation measures:** We made the use of face masks mandatory and encouraged the use of antibacterial gel to minimize the risks of contagion, as well as a program of sanitizing work areas and personnel transport vehicles on a daily basis.
- **Rapid testing and contact tracing:** We conducted rapid testing and contact tracing to request quarantine as a preventive measure. We monitored the status of quarantined personnel or those with confirmed cases of contagion on a daily basis.

COMMUNITY ENGAGEMENT

- **Communication:** We communicated preventive measures to reduce the risk of contagion and spread of the coronavirus, and also to combat the anxiety caused by misinformation. We worked together with the authorities in communicating official information, and in all of our operations we organized donation and mask-wearing campaigns.
- **Strategic donations to the healthcare industry:** We supported health care professionals and institutions by donating personal protection equipment and respirators to hospitals in regions where we operate.
- **Support for the most vulnerable:** We provided basic food supplies and information to the most vulnerable members of the communities where we operate, and we developed projects.
- **Synergies with the community:** The Peñoles FIRST robotic teams from Fresnillo (Jeunes d'argent) and Caborca (Cabots) manufactured protective face shields for regional hospitals and groups in the communities of San Julián and Juanicipio, and face masks for the community and our people. They also helped authorities with the sanitization of public spaces.
- **Remote social programs:** We transmitted the Picando Letras and Empredemos Juntos programs through digital platforms. In an alliance with Innovec, we produced a video course called "COVID-19! How do I protect myself and others?"

We donated personal protection equipment and respirators to hospitals in the regions where we operate.

Dental Health Day in Torreón.



Occupational health

Focused on identifying health risks in advance and managing them, we worked to keep our people healthy and avoid occupational illnesses. Preventive care and promoting healthy lifestyles can help avoid certain chronic illnesses and improve general wellness and physical ability for work. Although we focus on prevention, emergency response is a core skill for all our health teams.

Preventive care and promoting healthy lifestyles can help avoid certain chronic illnesses and improve general wellness and physical ability for work.

KEY ACTIVITIES:

- **Identifying and monitoring** the level of exposure to physical and chemical risks to our people's health: noise, dust, vibration, contamination from heavy metals, extreme temperatures.
- **Establishing** procedures, protective equipment, training and operating controls.
- **Evaluating and improving** the ergonomics of our equipment to prevent muscular-skeletal disorders.
- **Guaranteeing** a health checkup for new hires, including both physical and psycho-social assessments.
- **Routine checkups** to monitor occupational illnesses and give advice on preventive care.
- **Administering** new rehabilitation facilities to accelerate recovery from injury.
- **Starting up** our Healthy Lifestyles Program to encourage good eating habits and prevent and control the risks relating to obesity.
- **Biological monitoring** to prevent sanitary risks.
- **Organizing** workshops on behavioral change, facilitated by psychologists, to reduce accident risk.

Occupational health certifications

Unit	Healthy Company	Smoke Free Company
San Julián	In process	Certified
Fresnillo	Certified	Certified
Saucito	Certified	Certified
Ciénega	Certified	Certified
Penmont	Certified	Certified



Occupational health, Ciénega mine

Seguridad - Me Cuido, nos Cuidamos

We want to instill in our people a culture of care—sustained by the shared values of this organization—propelled by our leaders and focused on high-potential incidents. The Me Cuido, Nos Cuidamos (I take care of myself, we take care of each other) strategy includes:

Strengthening safety goals by tracking proactive performance indicators.

ME CUIDO, NOS CUIDAMOS STRATEGY

Leadership: Developing a values-based leadership style.

Accountability: Integrating safety into operating systems, processes and responsibilities

Risk competencies - Behaviors: Instill the security and safety culture.

Risk competencies - Systems: Consolidate a management system focused on risks.

Learning environment: Reduce risks through engineering, systems, and behavioral solutions and lessons learned.

KEY ACTIVITIES:

- **Strengthen** safety goals by tracking proactive performance indicators, in order to act in advance of any eventuality.
- **Make** all operations “owners” of their safety risks so that, as a fundamental part of their daily activities, they render accounts according to their performance and management results.
- **Introduce** the Watch out for Risk program, to develop risk competencies by educating leaders, supervisors and the work force, with a system of teamwork made up of unit managers, general operating superintendents and area superintendents, all of whom will carry out this exercise according to a previously established program. This program encourages coaching and immediate feedback, and leads to a comprehensive process of review and continuous improvement.
- **Continuing** the program of addressing high-potential incidents, a strategy focused on managing critical risks and controls, processes for verifying controls, and preventive reporting of possible high-potential incidents.

Occupational health certifications

Unit	ISO 45001	Ministry of Labor Self-Management Program
San Julián	In process	Initial
Fresnillo	Certified	Initial
Saucito	Certified	Level 1
Ciénega	In process	Level 1
Penmont	Certified	Level 3
Juanicipio	In process	Inicial

Environment

We are committed to mining practices that are compatible with the environment. We have a strategy for reducing the impact of our activities and for openly and honestly communicating our performance.

KEY ACTIVITIES:

Responsible water use

- **Closed circuits:** Recirculation allows us to re-use water in plant circuits and tailings dams, and between the leaching pads and Merrill-Crowe plants.
- **Treatment and reuse of municipal waste water:** Reduces consumption of fresh water through treatment of municipal waste water for its reuse in processing minerals.
- **High-performance compact thickeners:** Reduces water consumption and energy consumption and improves the storage capacity of tailings dams.

Reducing the carbon footprint

- **Wind energy:** Reduces the carbon footprint of the energy needed to operate our plants, ventilation systems, offices, mining camps, etc.
- **Conversion of diesel trucks to hybrid systems with natural gas:** Reduces operating costs and de-carbonizes the truck fleet for operations at the Centauro cut (Herradura).
- **On-demand ventilation systems:** Reduce electricity consumption by optimizing mine ventilation based on air temperature and quality metrics.



Wind energy reduces the carbon footprint of the energy needed to operate our plants.

Biodiversity

- **Sonoran pronghorn** (*Berrendo sonorensis*): Support for the Sonoran government in conservation and monitoring of Sonoran pronghorn populations in *ejidos* adjacent to the Herradura mine.
- **Sustainable forest**: Conservation of 1,000 hectares of woodlands at the La Ciénega mine. Reforestation and erosion prevention actions to protect ecosystems and conserve soil, facilitating aquifer recharge.

Safe management of mining waste

- **Reuse of tailings for mine fill**: At San Julián, 40% of the tailings are reused as mine fill, reducing the amount of tailings sent to the dam.
- **Tailings dams**: We have a team that specializes in the design, operation and safe closure of these key infrastructures. The governance structure is based on management committees for accountability, in addition to an independent tailings dam review panel that advises on safety and governance.
- **Cyanide handling**: Gold operations at Fresnillo plc, Herradura and Noche Buena have International Cyanide Management Code certification.

Management systems:

Our operations and explorations conform to an ISO 14001 management system, complemented by the cyanide management code in operations focused on gold production. The current certification status of our facilities is as follows:

Environmental certifications

Unit	ISO 14001	Clean Industry	Environmental Excellence 2018	International Cyanide Handling Code
Explorations	Certified	N/A	N/A	N/A
Juanicipio	In process	Certified Level 1	-	-
San Julián	In process	Certified Level 1	-	-
Fresnillo	Certified	Certified Level 2	-	-
Saucito	Certified	Certified Level 2	Awarded	-
Ciénega	In process	Certified Level 1	-	-
Penmont	Herradura	Certified Level 2	Awarded	Certified
	Noche Buena	Certified Level 1	-	Certified

Transparency and accountability

1. We report our environmental performance to Carbon Disclosure Project (CDP) climate change and water programs.
2. Additionally, we report our performance in the GHG Mexico program. Fresnillo plc has earned GHG-2 recognition for reporting verified emissions according to the voluntary GHG Mexico program.

Clean technologies play an important role in optimum environmental performance and in strengthening social acceptance of the mining industry. We support the Colorado Cleantech Challenge, an expo of the latest innovations that brings mining companies together with clean technology solution

providers. Our CEO, Octavio Alvidrez, is a member of the Lowell Institute for Mineral Resources at the University of Arizona, a world-class research institute that develops technology for addressing the environmental challenges of the mining industry. We are also members of the World Environment Centre (WEC), a think-tank that promotes sustainable development through the dissemination of best practices among its members and through capacity-building.



Los Jales Park, near Saucito unit

Clean technologies play an important role in optimum environmental performance and in strengthening social acceptance of the mining industry.

Community relations

Social acceptance is our greatest intangible asset. We form mutually beneficial relationships with the communities surrounding our operations, projects and explorations. Our engagement strategy covers the entire life cycle of the mine, from exploration to closure. Our social investment programs focus

on the United Nations Sustainable Development Goals (SDG).

COVID-19 has raised expectations regarding companies' contributions to society. In response we adapted our programs and initiatives to respond to the challenges our communities are facing.



Education

For health reasons, schools had to close during the pandemic, so we migrated our programs to digital platforms.

- **The Picando Letras program**, developed with the support of IBBY México, opened a YouTube channel to assist families with reading activities, oral and written expression, and cultural activities. It also continued to develop “reading mediators” by training teachers and parents with short videos and advice through instant messaging apps.
- **Innovac** provided continued support for our STEM education activities. Using short videos and advice through instant messaging apps, parents and teachers were trained on how to give

the course “COVID-19! How do I protect myself and others?” developed by the Smithsonian Education Center. This course teaches children about the basics of the coronavirus, and how to care for themselves and protect their families. The success of this course motivated us to produce this content in videos created especially for kids. We invite you to join the community of Plant Super-Researchers (<https://cosip.tv/>).

- **Peñoles FIRST Robotics:** The Peñoles FIRST robotic teams from Fresnillo (Jeunes d’argent) and Caborca (Cabots) organized to produce protective face shields for regional hospitals and groups in the communities.

- **Fresnillo – La Salle scholarships:** Recipients continued their studies remotely at La Salle Laguna.
- **Book donation in partnership with Larousse.** With the campaigns “Imagine, create and transform” and “Reading is believing, let’s grow together,” in January 2021 we distributed more than 41,000 books in our communities, donated by Larousse.
- **Flute without borders:** We streamed a live Christmas concert by flautist Elena Durán on YouTube for our people and communities.
- **Educational internet:** We launched a pilot project to assess educational internet technology for communities with limited access to telecommunications. The results will be useful in designing projects for social investment in educational internet.

41,000

books donated in partnership with Larousse in January 2021.



Fresnillo plc’s social programs are aligned to the United Nations SDG.



Health

- We shared measures and recommendations with our communities on how to limit the spread of the COVID-19 virus.
- We made strategic donations to hospitals and healthcare professionals that serve our communities, especially donations of ventilators and personal protection equipment.
- In communities neighboring our operations, we organized campaigns to distribute 550,000 N95, surgical and handmade facemasks, and also instructed people about their correct use.
- We organized rapid testing campaigns in communities to promptly detect contagion.
- We cooperated with authorities in the municipalities of Fresnillo and Zacatecas by lending a plot of land where medical service could be expanded during the pandemic.
- We donated basic food supplies to the most vulnerable members of our communities.
- In cooperation with the authorities, we helped sanitize public spaces in our communities.



Water

- **Rainwater collectors:** We conducted a diagnosis of 300 rainwater capture systems in San Julián, providing recommendations to users and planning future interventions.
- We brought water tank trucks to communities in Sonora who were dealing with a pump failure emergency at their underground wells. This provided much-needed water for hand-washing, which is crucial to reduce contagion.



Capacity development

- **Enterprising together:** The Entrepreneurs program migrated to remote learning mode with the support of ProEmpleo Mexico City, serving participants from all our operations and projects like Rodeo.
- **Mining Clusters:** Program designed to develop and strengthen supply chains and regional services, increasing economic benefit in the states of Zacatecas, Chihuahua and Sonora. Clusters are also an effective way of relating to key publics, like state governments.

Ethical culture and diversity

Ethics

We aspire to a well-established ethical culture that is embodied in our behavior and actions. Operating according to ethical standards is key to mitigating the risks of corruption, workplace accidents, conflicts with communities and environmental accidents. Our program, Step Forward for Ethics aims to implant the winning behaviors of transformational leadership, behaving ethically, building trust, and leveraging diversity.

In 2020, we reinforced the training of non-unionized personnel with the interactive course Step Forward for Ethics designed by the University of Arizona. We also applied the Ethisphere ethical culture survey.

Diversity

We implemented a strategy to boost women's participation in Fresnillo plc: the strategy was designed, targets set, and we joined the Aequales network. We participated in the PAR ranking organized by Aequales and ITAM in Mexico, which gave us a preliminary assessment of areas of opportunity for bringing in more women. Based on the lessons of the University of Arizona Diversity Survey, we identified uncon-

scious bias as one of the chief barriers to leveraging diversity. Also, inspired by international diversity and ethnic inclusion movements, we trained 300 leaders through a course on "Diversity, equity and inclusion," given by professors from the University of Arizona.

Awards

Fresnillo plc is a member of the FTSE4Good Index. In Mexico, we have received the Ethics and Values Award from Concamin and the Socially Responsible Company Award from Cemefi. Operations at El Saucito and Herradura received the Environmental Excellence Award from Profepa. Fresnillo plc currently holds the distinction of being one of Ethisphere's Most Ethical Companies, and ranks second in the Corporate Integrity 500 Index, organized by Transparencia Mexicana, Mexicanos Unidos contra la Corrupción, and *Expansión* magazine.



300

leaders trained through the course "Diversity, equity and inclusion, given by the University of Arizona.

STRENGTHENED BY

COMMUNICATION



With this 20th Annual Sustainable Development Report, which covers the period from January 1st to December 31st, 2020, we invite all our stakeholders —shareholders, customers, suppliers, employees and communities—to learn about Peñoles’ achievements and progress as a socially responsible company.

20th

Annual Sustainable
Development Report

101-2.6, 102-50, 102-51, 102-52, 102-53

With this 20th Annual Sustainable Development Report, which covers the period from January 1st to December 31st, 2020, we invite all our stakeholders—shareholders, customers, suppliers, employees and communities—to learn about Peñoles' achievements and progress as a socially responsible company, on economic, environmental, social and governance issues. Please send your comments on the content of this report to penoles_sustentable@penoles.com.mx. Both this and previous reports are available for consultation under the sustainability section on our website: www.penoles.com.mx

101-3.1, 101-3.2, 101-3.3, 101-3.4, 102-54-a.i

For 17 consecutive years, we have presented our report in accordance with the content and quality principles established by the Global Reporting Initiative (GRI). This year's report was prepared in accordance with GRI Standards (2016-2018), so there is no material omission. The GRI was notified about the use of its standards to prepare this report.

We also prepared the report in accordance with the Mining and Metals Sector Supplement and, for the first time, also in accordance with the sustainability standards of the Sustainability Accounting Standards Board (SASB) for the Metals and Mining sector, 2018-10 version.

102-45

This report covers Peñoles' key operations in Mexico. Some sections include additional information on subsidiary companies, the closure of operations, construction of new facilities and various service areas, all of which is mentioned on a footnote.

102-46-a

Economic, environmental and social aspects relevant to Peñoles were determined through a materiality analysis that took into account the external and internal sustainability contexts, the company's key issues and the opinion of our stakeholders. Information was based upon contact between these groups and the company, as well as upon information of institutions and specialists in the sector.



1st time

we include the SASB standards of the Metals & Mining sector, and we are committed to improving the disclosure of this methodology in the following reports.



Collecting samples for analysis at the Sabinas unit



Sinter work team, Met-Mex plant

MATERIALITY ANALYSIS



Dome area reforestation, Capela unit

101-1.1, 101-1.3.1, 101-2.3, 101-2.4, 102-44

Peñoles' materiality analysis was conducted according to the following methodology: a) identification of relevant issues for Peñoles considering the external and internal sustainability contexts; b) definition of relevant (material) topics based on the opinion of business leaders and people involved with the various stakeholders; c) validation of the material issues included in the report, and d) review of the content of the report according to the material issues.

a) Identification of relevant issues

External sustainability context

The external elements are factors that have a significant impact on Peñoles' actions, since they directly or indirectly influence sustainability issues.

101-1.2

Internal sustainability context

Peñoles bases its sustainability strategy on the company's vision and mission, as well as on its Sustainable Development Policy, a strategic plan containing internal regulations and procedures to measure performance and institutional actions in various areas.

- **Meet and improve our environmental indicators** by operating our processes according to the available best practices and the applicable regulation, to ensure high environmental performance.

- **Health:** Keep our personnel free of occupational illnesses and promote a culture of prevention for illnesses in general, to achieve optimal physical and mental health.
- **Safety:** Maintain a culture of prevention focused on the integrity of our personnel and business continuity. Our safety philosophy is based on the design, maintenance and safe operation of processes, focused on having zero incapacitating accidents, through a management system that ensures efficient, safe and clean operations, within an ethical framework.

EXTERNAL ELEMENTS CONSIDERED

- GRI standards and those applicable to the mining sector
- Industry risks
- Benchmark of sustainability reports for the mining-metallurgical sector
- Results of independent external reviews of the company's Sustainable Development Reports
- Evaluation within the Mexican Stock Exchange (BMV) Sustainability Index
- The Sustainable Development Goals

- **Community:** To ensure social well being, as well as relations of harmony and trust, to promote a sustainable community development strategy that comprises a respectful work environment in coordination with local communities, authorities and other strategic partners.
- **Human resources:** To be the best option for work, a company employees can feel proud of which dignifies them by offering opportunities for development, respect and recognition in a safe environment and in a climate of teamwork.
- **Suppliers:** To be a strategic partner, whose business relationships are based on good business practices with a deep ethical commitment; in this way, we will establish long-term mutually beneficial relationships.
- **Customers:** To be a strategic partner to our customers, offering comprehensive solutions and inspiring the trust needed to do business over the long term.
- **Shareholders:** To be the best investment option for the medium and long term, with competitive costs, growth and profitability, guaranteeing the company's continuity over time.
- **Strategic planning:** Promoting the organization's current strategic objectives, whose purpose is to create value for our stakeholders.
- **Integrity and compliance:** Framing our operations and business decisions within our culture of integrity.

With the information from the external and internal contexts, we prepared a broad preliminary list of issues that could be included in the report and could be considered reasonably important to reflect the economic, environmental and social impacts of the organization or to influence the evaluations and decisions made by stakeholders. The result was a revised list of issues that are relevant to Peñoles.

c) Validation of material issues

101-1.3.1, 101-1.4, 101-2.3, 101-2.4, 101-2.5, 102-44, 102-47

The aspects that are considered material for Peñoles are shown below, in order of importance for our stakeholders, as well as according to the economic, environmental and social impacts on which the company could have an influence.

- **Economic performance:** Wages and other benefits; presence in the market, economic benefit; direct and indirect impacts.
 - **Suppliers:** Social impact evaluation; development programs; environmental practices, health and safety assessment of suppliers; procurement practices; labor and human rights.
- **Environmental performance:** Regulatory compliance; materials input; energy and climate change; water; biodiversity; atmospheric emissions; waste; spills and environmental incidents; waste deposits with environmental risks.
- **Social performance:**
 - **Labor:** Employment indicators; diversity and equal opportunities; dignified work and equal pay for men and women.
 - **Human resources:** Labor relations, strikes and work stoppages; talent development: training and preparation; workplace environment and encouraging a sense of belonging in employees; leadership and teamwork.
 - **Occupational safety and health:** Labor practices grievance mechanisms.
 - **Human rights:** Investments to promote respect for human rights; non-discrimination programs; freedom of association and collective bargaining; programs to prevent child or forced labor; rights of the indigenous population and vulnerable groups; operations adjacent to indigenous communities; evaluation, training and grievance mechanisms in human rights.
 - **Community:** Development programs with local communities; land use disputes; mechanisms to resolve land use disputes; closure plans; participation in public policy and lobbying; operations where artisanal mining is carried out; sites/populations affected by operations: complaint and grievance mechanisms; education and public awareness; awards and recognitions; associations to which the company belongs.

b) Definition of material issues

101-1.3.2, 102-44

In order to establish the priorities included in the list, we conducted a weighted evaluation based on the relevance of the issue for the different stakeholders and the organization's influence on each one of them. They were ordered from highest to lowest, based on the result of the calculation obtained.

Reforestation work, near Tizapa unit



- **Customers:** Health and safety; product labeling; marketing communication; customer privacy; regulatory compliance; environmental implications of products.
- **Corporate governance:** Values, stakeholder engagement, integrity and compliance; anti-corruption; sustainability management.
- **External communications:** Interaction with external stakeholders and company reputation.
- **Innovation and new technologies:** Cybersecurity.
- **Risk management:** Sense of urgency regarding the environment and regulatory changes.

Material issues are ordered according to their relevance for our stakeholders and the organization's influence or impact on each of them.

MATERIAL ISSUES

By priority for our stakeholders

Category	Aspects
Environment	Water
Environment	Emissions
Social	Local community development programs
Labor	Jobs
Human rights	Freedom of association and collective bargaining
Environment	Supplier environmental management
Labor	Health and safety on the job
Environment	Energy
Environment	Biodiversity
Environment	Waste
Human rights	Indigenous and vulnerable groups rights
Human rights	Human rights
Jobs	Diversity and equal opportunities
Environment	Compliance
Jobs	Work relations
Social	Sites/populations affected by our operations
Human rights	Operations neighboring indigenous communities / vulnerable groups
Suppliers	Supplier social impact evaluation

By the organization's influence or impact

Category	Aspects
Environment	Water
Economic	Economic performance
Environment	Emissions
Social	Local community development programs
Environment	Energy
Environment	Biodiversity
Labor	Diversity and equal opportunities
Economic	Economic benefit: direct and indirect economic impact
Labor	Jobs
Human rights	Freedom of association and collective bargaining
Environment	Waste
Labor	Strikes and stoppages
Labor	Education and training
Environment	Materials
Human rights	Non-discrimination programs
Economic	Anticorruption

Bulldozer operator, Fertirey unit



The material issues described in this report also fulfill our 15th Communication on Progress (CoP) commitments with regard to the United Nations Global Compact. At the end of this report we provide a table with a description of material issues and compliance with GRI standards, information to meet CoP requirements and the Sustainable Development Goals (SDG).

For the first time, we include the SASB standards of the Metals & Mining sector, and are committed to improving the disclosure of this methodology in the following reports.

d) Review of the contents of the report

In this phase, we aligned the material topics with the issues and content of the reports previously published, in order to have a sequence following the principle of completeness, that includes scope, coverage and time.

IMPLEMENTATION OF QUALITY PRINCIPLES AND REPORT CONTENT

Transport yard at Química del Rey



101-2.1, 102-46-b

In order to ensure the quality of the report, we followed the following GRI standard reporting principles for the preparation of sustainability reports:

101-1.5, 101-1.7

Accuracy and clarity. The report contains tables, charts, diagrams, and photographs related to each of the material issues with a level of detail that allows the reader to assess Peñoles' performance on the sustainability topics indicated. For additional information, please visit our website www.penoles.com.mx

101-1.6.

Balance. This report includes both positive aspects and areas of opportunity, in order to present a real and transparent image of Peñoles.

101-1.8, 101-2.7.1, 101-2.7.4

Comparability. The information included in this report has been organized in such a way as to facilitate the reading of what happened during the reporting year and, when required, of the changes compared to previous years. The purpose is to communicate clearly and consistently each of the indicators and contents reported.

101-1.9, 102-56

Reliability. In order to provide reliability for the information reported, and at the request of the company's senior management, for the 14th consecutive year this report was assured by an independent third party: Deloitte Ase-soría en Riesgos S.C.

101-1.10, 101-2.7.4

Timeliness. Peñoles reports annually to its stakeholders on its performance in material sustainability issues, while also presenting its Annual Report. Both consider the period from January 1st to December 31st, of each year. Peñoles also publishes its financial performance with quarterly reports to the Mexican Stock Exchange.

101-2.7.2, 101-2.7.3

The data presented herein are the result of direct measurements in each key operation, and of information calculated from those measurements, expressed in the metric decimal system. Both data are incorporated to present Peñoles' global indicators. In the event that data are expressed in indices or rates, a notation of the components considered for their calculation is included. All financial figures are expressed in US dollars.

In order to ensure the quality of the report, we followed the GRI standard reporting principles for the preparation of sustainability reports.

102-56 **INDEPENDENT ASSURANCE** REPORT

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Independent assurance report on the Sustainable Development Report 2020 of Industrias Peñoles, S.A.B. de C.V. (Peñoles), to the Management of Peñoles.**Responsibilities of Peñoles and of the independent reviewer**

The Management of Peñoles is responsible for the elaboration of the Sustainable Development Report 2020 (SDR) for the period from January 1st to December 31st, 2020, as well as its content, ensuring to define, adapt and maintain the management systems and internal controls from which the information is obtained and that these, in turn, are free from material misstatement due to fraud or error. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively in the interest of Peñoles in accordance with the terms of our agreement letter dated November 18th, 2020, therefore we do not assume any responsibility to third parties, nor is it intended or should be used by someone other than the Management of Peñoles.

Scope of our work

The scope of our review was limited which, according to ISAE Standard 3000, is defined as: An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated. This report in no case can be understood as an audit report.

We conducted the 2020 SDR review under the following conditions and/or criteria:

- a) The review of the GRI Standards and Sector Supplements disclosures in accordance with the reporting requirements as specified in the GRI Content Index of the 2020 SDR.
- b) The data consistency between the information included in the 2020 SDR and the supporting evidence provided by the Management.

We have complied with the independence and ethics requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), which is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional behavior.

Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Revised, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Boards (IAASB) of the International Federation of Accountants (IFAC).

Our review work included the formulation of questions to the Management as well as various departments of Peñoles that have participated in the elaboration of the 2020 SDR and the application of certain analytical and sample screening test procedures described below:

- a) Meetings with staff of Peñoles to understand the principles, systems and management approaches applied.
- b) Analysis of the processes to collect, validate and consolidate the data presented in the 2020 SDR.
- c) Analysis of scope, relevance and integrity of the information included in the 2020 SDR in terms of the understanding of Peñoles and of the requirements that stakeholders have identified as material issues.
- d) Selected sample review from the evidence that supports the information included on the 2020 SDR.
- e) Quality assurance by a partner independent from the project to verify consistency between this report and the proposal, as well as the quality of the work process and deliverables.

The following table details the revised contents according to the GRI Sustainability Reporting Standards and the GRI Mining and Metals Sector Supplements, version G4:

101-1.1	101-2.1	101-3.4	102-10	102-43	102-53	202-1	302-3	305-2	306-5	403-3	404-3	412-3	417-3	G4 MM8
101-1.2	101-2.2	102-1	102-11	102-44	102-54	203-1	302-4	305-3	307-1	403-4	405-1	413-1	418-1	G4 MM9
101-1.3	101-2.3	102-2	102-12	102-45	102-55	203-2	303-1	305-4	308-1	403-5	405-2	413-2	419-1	G4 MM10
101-1.4	101-2.4	102-3	102-13	102-46	102-56	205-1	303-2	305-5	308-2	403-6	406-1	414-1	G4 MM1	
101-1.5	101-2.5	102-4	102-14	102-47	103-1	205-2	303-3	305-6	401-1	403-7	407-1	414-2	G4 MM2	
101-1.6	101-2.6	102-5	102-16	102-48	103-2	205-3	303-4	305-7	401-2	403-8	408-1	415-1	G4 MM3	
101-1.7	101-2.7	102-6	102-18	102-49	103-3	206-1	303-5	306-1	401-3	403-9	409-1	416-1	G4 MM4	
101-1.8	101-3.1	102-7	102-40	102-50	201-1 ¹	301-1	304-1	306-2	402-1	403-10	411-1	416-2	G4-MM5	
101-1.9	101-3.2	102-8	102-41	102-51	201-3	302-1	304-2	306-3	403-1	404-1	412-1	417-1	G4-MM6	
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¹The indicator was reviewed qualitatively based on the information presented in the audited financial statements.

These indicators were selected for the independent review in accordance with the following criteria:

- a) Materiality of Peñoles as referenced in this SDR 2020.
- b) Information included and reported in this SDR 2020.
- c) Information provided by the interviewed staff during the meetings and site visits.
- d) Review of the evidence provided by Peñoles staff within this project.

Conclusion

Based on our work described in this report, the performed procedures and the evidence obtained, nothing comes to our attention that could make us believe that the indicators and disclosures reviewed in the 2020 SDR have not been prepared in all material aspects in accordance with the reporting requirements established in the in the GRI Standards and indicators of the Sector Supplements. For those GRI Standards disclosures and indicators of the Sector Supplements where Peñoles did not report in quantitative terms (numeric) the independent reviewer reviewed the qualitative information, which includes procedures, policies, evidence of the activities performed, among others.

Action alternatives

Deloitte has provided Peñoles a report with the most significant action alternatives for future reporting, which do not modify the conclusions expressed in this independent review report.



Rocío Canal Garrido
Partner of Deloitte Asesoría en Riesgos, S.C.
Deloitte Touche Tohmatsu Limited affiliated Firm
April 28, 2021

101-1.2, 101-2.2, 102-55, 101-2.6, 101-3.1 **GRI** CONTENT INDEX

This report has been prepared in accordance with the GRI Standards: Core option. The following index contains the material topics for the Company. Compliance with the requirements included in GRI 102 is met: General Contents.

Description	Indicator	Page
FOUNDATION		
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Sustainability Context	101-1.2	125, 131
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Description	Indicator	Page
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Economic Performance		
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Description	Indicator	Page
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Description	Indicator	Page
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Operations and significant suppliers identified that carry a significant risk of incidents of child exploitation	408-1	38, 42
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Operations and significant suppliers identified that carry a significant risk of incidents of forced or compulsory labor	409-1	42

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Human Rights Assessment	GRI 412	
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Supplier social assessment	GRI 414	
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 2 ZERO HUNGER	2.3	411-1, 413-2-a
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 3 GOOD HEALTH AND WELL-BEING	3.3	403-6-b, 403-10
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	3.5	403-6-b
	3.6	403-9-a, 403-9-b, 403-9-c
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	3.8	203-2, 403-6-a
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 5 GENDER EQUALITY	5.1	202-1, 401-1, 404-1-a, 401-3, 404-3-a, 405-1, 405-2-a, 406-1
	5.2	414-1-a, 414-2
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 8 DECENT WORK AND ECONOMIC GROWTH	8.1	201-1
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SDG	Goal	GRI
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 10 REDUCED INEQUALITIES	10.3	102-8-a, 102-8-c, 401-1, 404-1-a, 404-3-a, 405-2-a
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 11 SUSTAINABLE CITIES AND COMMUNITIES	11.2	203-1
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 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2	301-1-a, 301-2-a, 301-3-a, 302-1, 302-2-a, 302-3-a, 302-4-a, 302-5-a
	12.4	303-1-a, 303-1-c, 305-1, 305-2, 305-3, 305-6-a, 305-7, 306-1, 306-2-a, 306-2-b, 306-2-c, 306-3-a, 306-4-a, 306-4-b, 306-4-c, 306-4-d, 306-5-a, 306-5-b, 306-5-c, 306-5-d
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 14 LIFE BELOW WATER	14.2	304-1-a, 304-2, 304-3-b
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 16 PEACE AND JUSTICE, STRONG INSTITUTIONS	16.1	403-9-a, 403-9-b, 403-9-c, 403-10, 410-1, 414-1-a, 414-2
	16.2	408-1
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	16.10	418-1
 17 PARTNERSHIPS FOR THE GOALS	17.1	207-1, 207-2, 207-3, 207-4
	17.3	207-1, 207-2, 207-3, 207-4

GRI-GCP Relationship		Global Compact Principles									
		Support and respect human rights	Do not be complicit in human rights abuses	Uphold freedom of association and right to collective bargaining	Eliminate all forms of forced and compulsory labor	Abolition of child labor	Eliminate discrimination in respect of employment and occupation	Precautionary approach to environmental challenges	Promote greater environmental responsibility	Encourage environmentally friendly technologies	Work against corruption
SDR GRI	Description	1	2	3	4	5	6	7	8	9	10
201	Biodiversity	●									●
202	Emissions	●					●				●
203	Effluents and waste	●		●	●	●	●				●
205	Environmental compliance	●	●				●				●
206	Environmental evaluation of suppliers										●
301	Employment	●						●	●	●	
302	Labor-management relations	●						●	●	●	
303	Occupational health and safety	●						●	●	●	
304	Training and education	●						●	●	●	
305	Diversity and equal opportunities	●						●	●	●	
306	Non-discrimination	●						●	●	●	
307	Cumplimiento Ambiental	●						●	●	●	
308	Evaluación Ambiental de Proveedores	●						●	●	●	
401	Empleo	●		●			●				
402	Relaciones Empresa-Trabajador	●	●	●							
403	Seguridad y Salud Ocupacional	●									
404	Formación y Enseñanza	●					●				
405	Diversidad e Igualdad de Oportunidades	●					●				●
406	No Discriminación	●					●				
407	Freedom of association and collective agreements	●	●	●			●				
408	Child labor	●	●			●					
409	Forced or compulsory labor	●	●		●						
410	Safety practices	●	●								
411	Rights of indigenous people	●	●	●	●	●					
412	Human rights assessment	●	●	●	●	●	●	●	●	●	●
413	Local communities	●	●					●	●		●
414	Supplier social assessment	●	●	●	●	●	●				
415	Public policy		●								●
416	Customer health and safety	●								●	
417	Labeling and marketing	●							●	●	
418	Customer privacy	●									
419	Socioeconomic compliance	●		●	●	●	●				●

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

SASB standards are designed to identify a minimum set of sustainability issues most likely to impact the operating performance or financial condition of the typical company in an industry, regardless of location.

For the first time, we present this Report considering the sustainability standards prepared by the Sustainability Accounting Standards Board (SASB) for the Metals and Mining sector, version 2018-10.

Description	Indicador	Page
Greenhouse Gas Emissions	EM-MM-110a	
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Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions.	EM-MM-110a.2	56, 57
Air Quality	EM-MM-120a	
Air emissions of the following pollutants: (1) CO, (2) NO _x (excluding N ₂ O), (3) SO _x , (4) particulate matter (PM10), (5) mercury (Hg), (6) lead (Pb), and (7) volatile organic compounds (VOCs).	EM-MM-120a.1	NR
Energy Management	EM-MM-130a	
(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable.	EM-MM-130a.1	54
Water Management	EM-MM-140a	
(1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	EM-MM-140a.1	61
Number of incidents of non-compliance associated with water quality permits, standards, and regulations.	EM-MM-140a.2	62
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Total weight of tailings waste, percentage recycled	EM-MM-150a.1	64
Total weight of mineral processing waste, percentage recycled.	EM-MM-150a.2	65
Number of tailings impoundments, broken down by MSHA hazard potential	EM-MM-150a.3	66
Biodiversity Impacts	EM-MM-160a	
Description of environmental management policies and practices for active sites	EM-MM-160a.1	67, 68
Percentage of mine sites where acid rock drainage is: (1) predicted to occur, (2) actively mitigated, and (3) under treatment or remediation	EM-MM-160a.2	NR
Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	EM-MM-160a.3	NR

Description	Indicador	Page
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Percentage of (1) proved and (2) probable reserves in or near areas of conflict	EM-MM-210a.1	NR
Porcentaje de reservas (1) comprobadas y (2) probables en territorios indígenas o cerca de ellos	EM-MM-210a.2	NR
Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	EM-MM-210a.3	89, 91
Community Relations	EM-MM-210b	
Discussion of process to manage risks and opportunities associated with community rights and interests.	EM-MM-210b.1	89
Number and duration of non-technical delays	EM-MM-210b.2	NR
Labor Relations	EM-MM-310a	
Percentage of active workforce covered under collective bargaining agreements, broken down by U.S. and foreign employees	EM-MM-310a.1	74
Number and duration of strikes and lockouts	EM-MM-310a.2	74
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Total number of employees, percentage contractors	EM-MM-000.B	39

NR = (Not Reported)

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