



Deepening our transformational process **to** **strengthen** **performance**

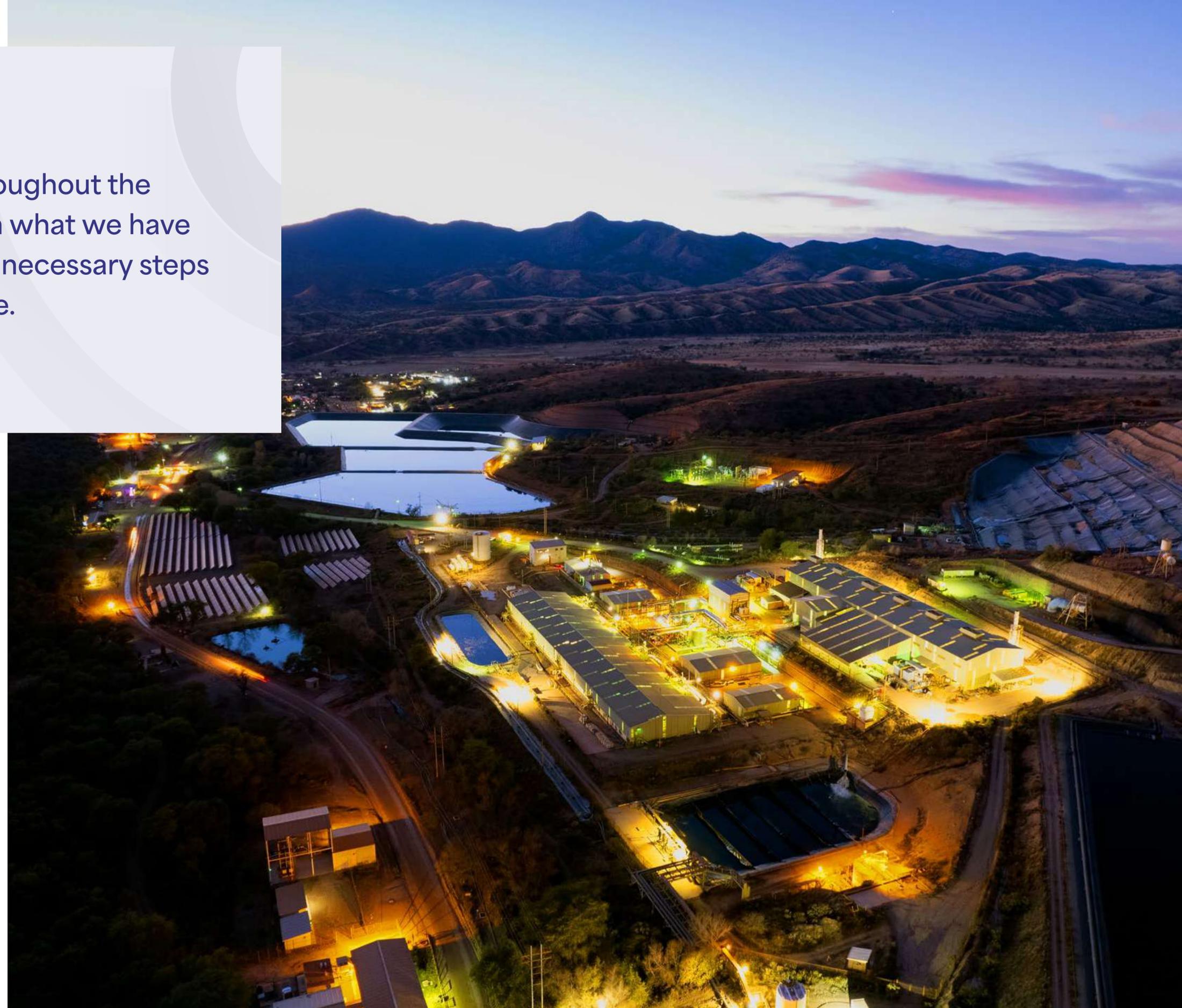
2023 Sustainability Report



We have overcome great challenges throughout the economic cycles. We have capitalized on what we have learned, and we will continue to take the necessary steps to substantially improve our performance.



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 plc (mining), Grupo Palacio de Hierro (department stores), TANE (jewelry), Solvimás (financial services), Valores Mexicanos (brokerage house), Crédito Afianzador (bonds), AgroBal (agricultural businesses), Médica Móvil (pre-hospital care), Instituto Tecnológico Autónomo de México (education), PetroBal (exploration and hydrocarbons production), and ElectroBal (power generation). In each of these companies, we strive to reach the higher percentile of our industry's profitability and to create value for all of our stakeholders, offering our customers exceptional products and services, supporting our employees' personal and professional advancement, and contributing to Mexico's progress.



Contents

Our organizational culture aims to take care of our people and achieve greater efficiency through accountability, co-creation, and work in ecosystems.

The following symbols will be used throughout this report:

IP =	Industrias Peñoles	tCH ₄ =	metric ton of methane
t =	metric ton	tN ₂ O =	metric ton of nitrogen oxide
Mt =	million metric ton	ha =	hectares
tCO ₂ =	metric tons of carbon dioxide	m ³ =	cubic meters
tCO ₂ e =	metric tons of carbon dioxide equivalent	MI =	million liters
MtCO ₂ e =	million metric tons of carbon dioxide equivalent	Mwhe =	megawatt per hour equivalent
		Gwhe =	gigawatt per hour equivalent
		US\$ M =	million dollars

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ESG Disclosure



Esta es nuestra Comunicación sobre el Progreso en la aplicación de los principios del Pacto Mundial de las Naciones Unidas.

Agradecemos cualquier comentario sobre su contenido.

APOYAMOS AL PACTO MUNDIAL

Performance

We are deepening our transformation to respond effectively to global challenges and strengthen our economic and socio-environmental performance.



Performance - 2023 Highlights

Environmental



We prepared our report following TCFD principles. [↗](#)

1,216,142 tCO₂e
Scope 1 GHG emissions

1,429,896 tCO₂e
Scope 2 GHG emissions

35% of energy consumed is clean energy.



Water stewardship

41% of water consumed in our operations is municipal wastewater and salt water. [↗](#)

35% of water consumed in our business units located in water-stressed regions is municipal wastewater.

We reuse **78%** of the water from our operations and internal services.



Environmental excellence [↗](#)

Zero significant tailings and water incidents

Mine closure [↗](#)
All mining units have a **conceptual closure** plan that establishes an "ecological reserve," which is a guarantee fund to cover these activities.

Biodiversity Conservation [↗](#)
We have biodiversity **management plans** based on applicable regulations.



Mining and metallurgical waste management [↗](#)

53% progress in the internal tailings management system.

2.33 Mt of tailings were used as backfill in inactive works inside the mine.



Performance - 2023 Highlights



Social

Governance



Diversity, equity, and inclusion [↗](#)

12.59%

women in the organization

13.41%

women in leadership positions

Gold Level Recognition in the WIM (Women in Mining) Seal for complying with labor equality and non-discrimination, equity, and inclusion standards in one of the work centers.



Human rights [↗](#)

Identification and evaluation of the Human Rights Risk Catalogue by a multidisciplinary team.

Strong correlation [↗](#)

68% of our direct employees are covered by collective bargaining agreements.



Living the Community [↗](#)

100% of our operations consulted communities on their perception of the organization's social and environmental performance.

US\$6.20 M in social investment

73% local employment

58% local suppliers

47.81% payments to local suppliers



Safety and health [↗](#)

4 fatalities at the Fresnillo plc subsidiary

LTIFR: **7.33**

TRIFR: **13.14**

High Potential Accident Rate: **10.41**

We seek to instill a **love of life** in our safety culture, demonstrated with discipline through our **High Potential Management** strategy.



Responsible value chain [↗](#)

We are certified in compliance with the **London Bullion Market Association (LBMA)** ESG criteria.

Our Supplier Development Program's objective is to grow local companies, so they can provide better service, with more qualified personnel.

Química del Rey has participated in **EcoVadis** Sustainability Ranking since 2019.



Ethics and integrity [↗](#)

We updated our **Code of Ethics and Conduct** in 2023, emphasizing legal compliance, money laundering prevention, personal data protection, non-discrimination, harassment-free work, and psychosocial risk prevention.

We implemented the **BAL Evalúa** platform to automate and optimize the third-party due diligence process based on **risk levels**.

CEO's letter

2023 brought great challenges for Peñoles. Our deep-rooted values and century-long experience have guided us through times of complexity; on these pillars, we are building a profound transformation to respond effectively to challenges and strengthen our economic and socio-environmental performance.

Transforming deeply to strengthen performance.

Our core purpose is to generate opportunities and well-being while sustainably supplying essential resources to the world. To this end, we have incorporated environmental, social, and governance (ESG) considerations into our strategic plan and made them mainstream concerns throughout the organization. Meeting our goals requires effective coordination and accountability, so we have buttressed our governance by creating an ESG Committee. This Committee will begin working in 2024, and will be in charge of evaluating Peñoles' performance, risks, and oppor-

tunities in these areas, reporting regularly to the Board of Directors, which guarantees a high level of involvement by the Chairman and our Board members with ESG experience.

We recognize the importance of the UN Sustainable Development Goals (SDGs) and Global Compact in addressing global problems and charting a course toward a more sustainable future. We are committed to continually improve how we manage our impacts and operate sustainably in keeping with the Global Compact's 10 Principles.

Exemplary success stories are our Peñoles-FIRST robotics program, the promotion of sports in our Santos-Peñoles soccer academies—which have benefited thousands of children and youngsters—and the Health Weeks we organize in partnership with Fundación UNAM.

Our people are vital to our economic, social, and environmental success. We want them to work in an environment that is safe, free of occupational and health issues, and respectful of the environment. Our health, safety, and environmental programs are all designed with a zero-damage mindset, prioritizing the comprehensive well-being of every person in support of their fullest potential. In all of our business units, we have identified high-potential risks to avoid accidents, occupational diseases, and environmental damage, and put in place critical controls that are tested for applicability and effectiveness in the field to identify and close gaps. We share lessons and promote behaviors that support a culture of prevention. This past year, we strengthened our standard of safety leadership practice and worked in close collaboration with unions and business partners. We know there are still areas of opportunity to reach our goal of zero damage, and we are deeply pained to report four fatal accidents at our Fresnillo plc subsidiary in 2023. We have gone over the events in exhaustive detail to take corrective and preventive action to avoid the risk of recurrence. We will not cease our efforts to eradicate all accidents.

Likewise, we are committed to ensuring an inclusive work environment where people can develop their capabilities in conditions of equality and our company can reap the many benefits of diversity. To this end, we created a Labor Equality and Non-Discrimination Committee to monitor compliance with our policies and practices in this area, guarantee respect for human dignity, and shape a renewed leadership in an equitable and inclusive work environment. The Committee's work over the past year focused on two main areas: people with disabilities and female talent. As part of our transformation process, we downsized administrative and operational staff, while fulfilling all of our responsibilities to enhance business process efficiency. The values of trust, responsibility, respect, integrity, and loyalty are the pillars of our organizational culture, and we have introduced a Champions to Champions workshop to strengthen these values in our management.

To foster our community relationships, we undertook initiatives to modernize our social performance guidelines and started up an advanced training program for our Community Engage-

ment teams. We want communities to commit to their own development, so they can prosper and feel proud of having our company as their neighbor. We promote education, sports, and recreation to strengthen the social fabric, and we support health care within a framework of respect for human rights and cultural diversity. Some of our success stories include the Peñoles-FIRST robotics program, the promotion of sports in our Santos-Peñoles soccer academies—which have benefited thousands of children and youngsters—and the Health Weeks we organize in partnership with Fundación UNAM to provide doctor's visits and medical care for community residents, among many other actions.

On the environmental front, in 2023 we updated our policy and guidelines on responsible tailings management and made progress in the implementation of our Tailings Management System, informed by international benchmarks such as the World Council on Mining and Metals (ICMM) and the Mining Association of Canada (MAC), among others, within a robust governance framework. We also practice social management in the construction and

operation of tailings storage facilities, which includes social studies, visits, and community dialogues to build and maintain trust. We are working to reduce our carbon footprint to mitigate the impacts of climate change, and are developing a strategic decarbonization roadmap for our activities, which will guide and provide concrete support for our targets.

We have been focusing on wind energy as a renewable alternative to power our operations, and we are continually exploring other opportunities for alternative fuels such as hydrogen and green ammonia to reduce emissions from vehicles, processes, and equipment, along with other clean technology-based power generation options. We currently receive renewable energy from three wind farms, whose generation was equivalent to 48% of our consumption in 2023. After meeting a series of government requirements, in the last quarter of the year, we migrated some of our supply portfolio to the wholesale power market, which will enable us to take better advantage of renewable energy sources, while obtaining more competitive electricity costs. Internally, we monitored energy consumption

as a critical variable in our processes and deployed advanced control technologies to reduce consumption. We are focusing on sustainable and efficient water use by optimizing our operating processes to recirculate water and reduce fresh water consumption. We pioneered partnerships with municipal governments to treat sewage for industrial use. This year, we updated our performance guidelines and supported the creation of an ESG water network with representatives from our operations to share best practices and develop a strategic roadmap to establish goals for reducing consumption of this vital resource.

We designed an integrity and compliance program to prevent, detect, and mitigate ethical and compliance risks. In 2023, we modernized our due diligence process with the adoption of the BAL Evalúa tool, which makes our assessment of the ethics and integrity of our business partners more efficient, and by systematizing the process, we increased the volume and scope of verifications. We made progress in our value chain to improve the visibility of risks and opportunities through ESG questionnaires applied to our critical suppliers, and for our strategic sourcing, we prioritize information on suppliers' sustainability actions. Our 20-year-

old contractor development model for the Metals Division has become a solid program for evaluation, development, and recognition based on continuous improvement, which considers key aspects of health, safety, and communities. We want to extend these good practices to mining contractors with whom we also make a concerted effort to strengthen safety. We are currently implementing a globally recognized information system to improve supplier and contractor management.

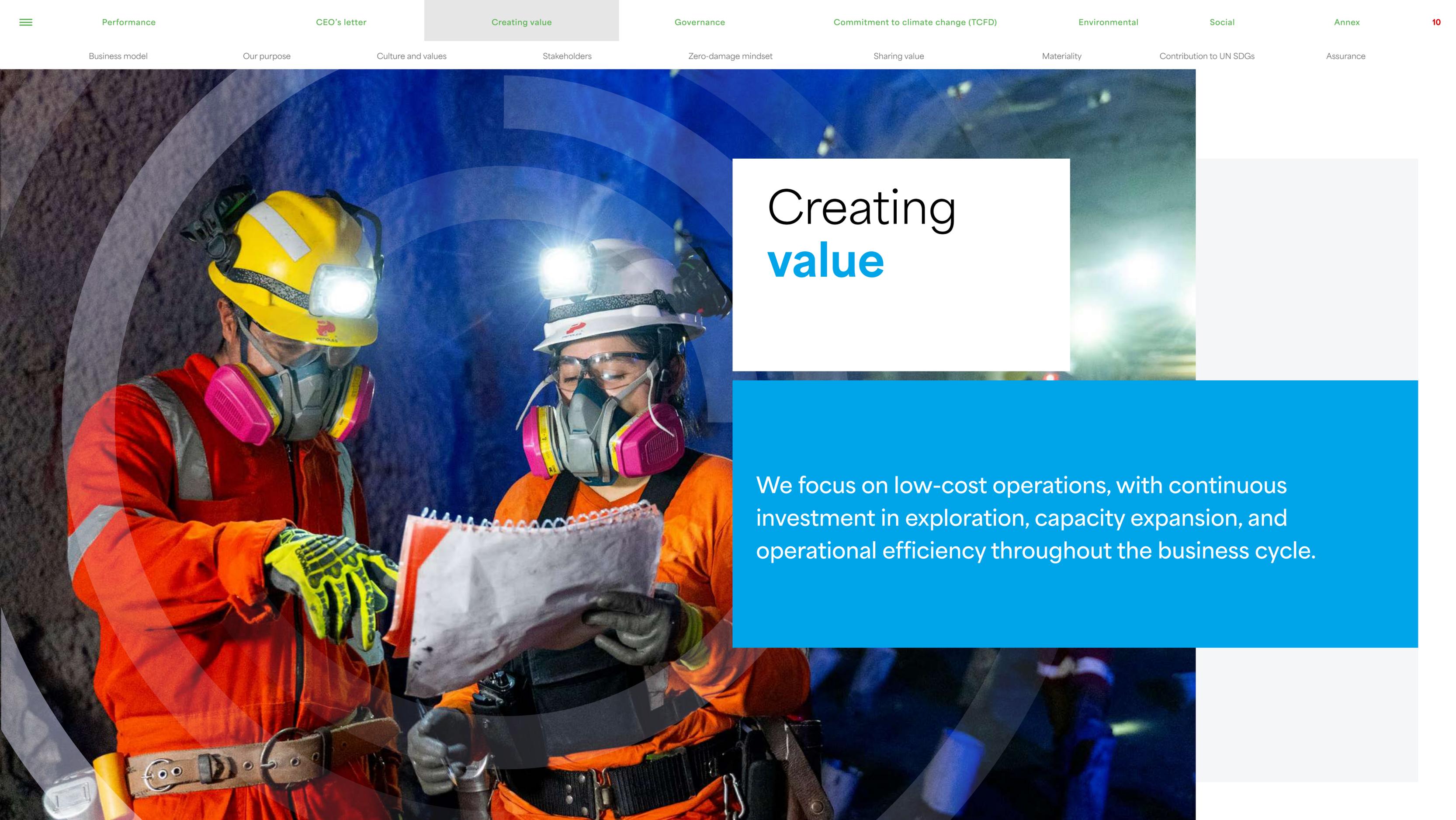
Peñoles produces metals that are essential for the well-being of society and can play a vital role in the transition to a low-carbon economy. We are convinced that doing so in a sustainable manner will benefit present and future generations. We are deepening our transformation to respond effectively to global challenges and strengthen our economic, social, and environmental performance.

Sincerely,



Rafael Rebollar González
Chief Executive Officer

Peñoles produces metals that are essential for the well-being of society and contribute to the transition to a low-carbon economy; we are convinced that doing so in a sustainable manner will benefit present and future generations.



Creating value

We focus on low-cost operations, with continuous investment in exploration, capacity expansion, and operational efficiency throughout the business cycle.

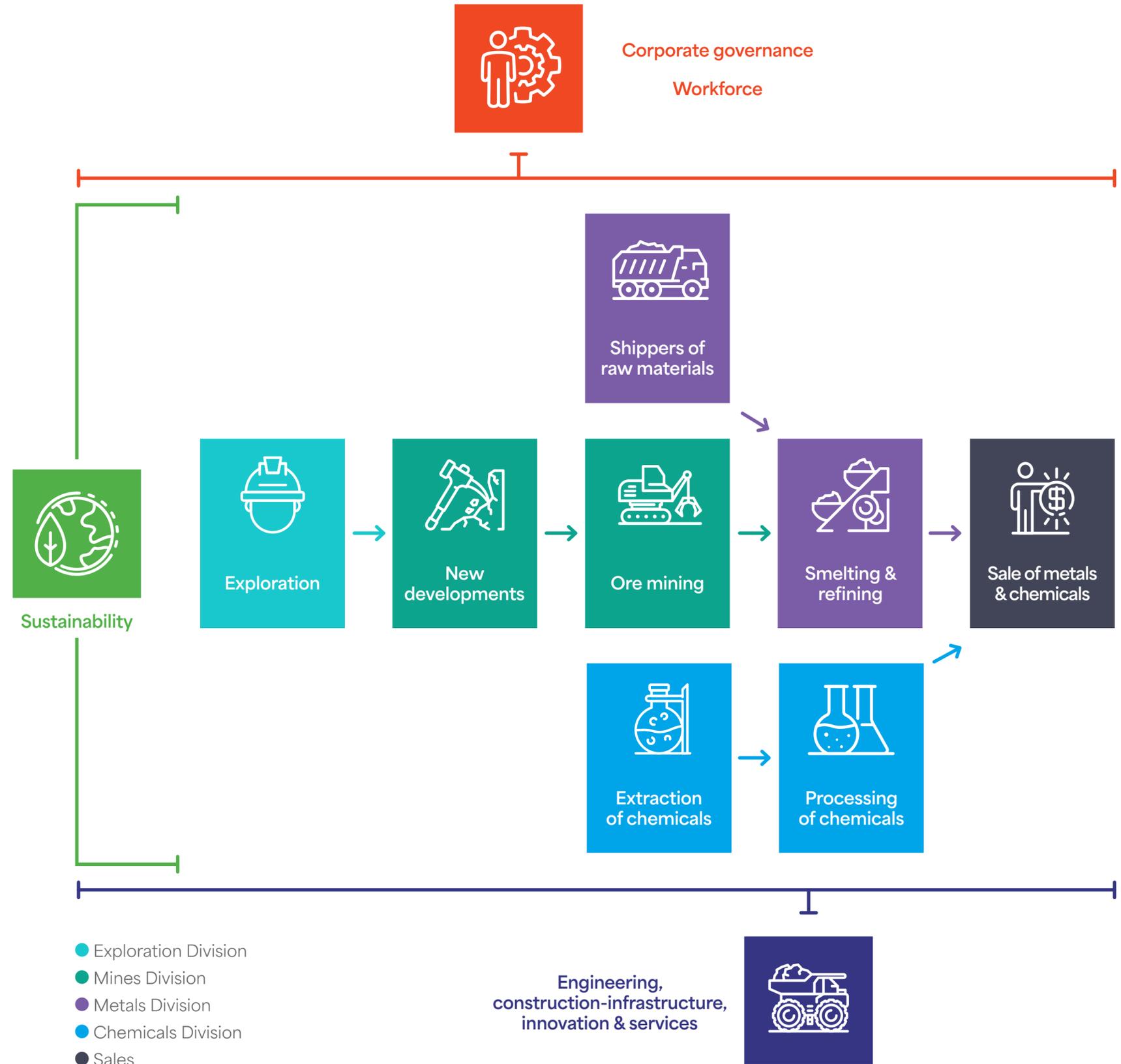
Business model

Founded as a mining company in 1887, Industrias Peñoles, S.A.B. de C.V. is a mining-metallurgical-chemical group. We have vertically integrated operations that include exploration, production, and sales of refined metals and other products. Our portfolio incorporates polymetallic products—from smelting and refining non-ferrous metals such as zinc, lead, silver, and gold to the preparation of inorganic chemicals, primarily sodium sulfate, magnesium sulfate, and magnesium oxide.

We focus on operating at a low cost and continually investing in exploration, capacity expansion, and opera-

tional efficiency throughout the business cycle. This strategy—combined with our sustainable development initiatives, talented and trained people, healthy capital structure, and solid corporate governance practices—has distinguished us and enabled us to build long-term value for our shareholders.

Since 1968, Peñoles' shares have been listed on the Mexican Stock Exchange under the ticker symbol PE&OLES. Our Fresnillo plc subsidiary is listed on the London and Mexican stock exchanges. The group is made up of four main divisions: Exploration, Mines—Peñoles and Fresnillo plc—Metals, and Chemicals.



- **Exploration Division:** Engaged in detecting, locating, acquiring, studying, analyzing, and developing polymetallic, copper, gold, and silver deposits in Mexico and South America—mostly in Peru and Chile—where we have mining concessions that support future growth by generating new mining projects.
- **Mines Division:** Activities are concentrated in mining and processing ore, with metallic content of gold, silver, lead, zinc, and copper, to produce concentrates of lead, zinc, and copper, and copper cathodes. Peñoles has four underground mines in Mexico: Velardeña in Durango; Sabinas in Zacatecas; Capela in Guerrero; and Tizapa in the State of Mexico—which is 51% company-owned. Milpillas currently operates leaching pads for the production of copper cathode. The Bismark unit is transitioning toward restoration and closure. Fresnillo plc has seven underground and open-pit mines. Underground mines are Fresnillo, Saucito, and Juanicipio (56%) located in Zacatecas; Ciénega in Durango; and San Julián on the border between Chihuahua and Durango. Open-pit mines are Herradura and Noche Buena in Sonora.

- **Metals Division:** Comprises metallurgical operations that process concentrates from company-owned mines, subsidiaries, and other mining shippers to produce refined metals of high quality and purity, certified for sale on international markets. It operates Met-Mex, a metallurgical complex located in Torreón, Coahuila, which has a lead foundry, a lead-silver refinery, and an electrolytic zinc refinery. Its main products are refined gold, silver, lead, and zinc. It also operates the Aleazin plant in Ramos Arizpe, Coahuila, which produces special zinc alloys; and Bermejillo in Durango, where other byproducts are processed and sulfuric acid, cadmium, bismuth, antimony trioxide, and liquid sulfur dioxide are produced.
- **Chemicals Division:** The main products of Química del Rey, located in Laguna del Rey in the municipality of Ocampo, Coahuila, are sodium sulfate, magnesium oxide, and magnesium sulfate. Industrias Magnelec, located in Ramos Arizpe, Coahuila, is also part of this division. It produces magnesium oxide in electric and electrofused grades.

Our portfolio incorporates polymetallic products—from smelting and refining non-ferrous metals such as zinc, lead, silver, and gold to the preparation of inorganic chemicals, primarily sodium sulfate, magnesium sulfate, and magnesium oxide.



Operations

Peñoles is a proud Mexican company, with an international presence, that promotes development and creates opportunities in the regions where it has operated for more than 13 decades.

Mining operations

Base metals

- 1 Velardeña
- 2 Sabinas
- 3 Tizapa
- 4 Capela
- 5 Milpillas
- 6 Naica*

Precious metals

- 7 Herradura
- 8 Ciénega
- 9 Fresnillo
- 10 Soledad-Dipolos*
- 11 Saucito
- 12 Noche Buena
- 13 San Julián
- 14 Juanicipio

Metallurgical operations

- 15 Metalúrgica Met-Mex
- 16 Bermejillo
- 17 Aleazin

Infrastructure

- 18 Línea Coahuila-Durango
- 19 Termoeléctrica Peñoles
- 20 Termimar
- 21 Fuerza Eólica del Istmo
- 22 Eólica de Coahuila
- 23 Eólica Mesa La Paz

Chemical operations

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

Offices

- 27 Exploration
- 28 Corporate headquarters

Commercial offices

- 29 Bal Holdings
- 30 Wideco
- 31 Quirey do Brasil



136 years

promoting development and creating opportunities

* Operations in these units have been suspended.

Our purpose

To generate opportunities and well-being by sustainably supplying essential resources

Our purpose guides our strategic decisions, balancing our needs with those of our stakeholders and the environment. Sustainability is at the core of our purpose to ensure the organization's viability in the future, always keeping in mind our socio-environmental responsibility.

Our approach to sustainability is based on **three principles**:



1

Embed sustainability in our organizational culture

Our organizational culture, based on our CRIL values (trust, responsibility, respect, integrity, and loyalty), inspires us to responsibly manage our positive and negative impacts on sustainable development, aspiring to carry out our activities with zero damage to people and the environment. To achieve a good sustainability performance, we rely on our culture's key behaviors: accountability, co-creation, and work in ecosystems.



2

Operate in a socially and environmentally compatible manner

We seek to operate in a manner that is compatible with the environment and the aspirations and expectations of our people, communities, and other stakeholders. This approach tries to ensure that our activities are carried out in a manner that preserves the health, safety, and well-being of our people, while respecting human rights and indigenous peoples. We also seek to protect the environment with a social commitment, through efficient water management, carbon footprint reduction, responsible management of tailings storage facilities, control of atmospheric emissions, restoration of mining sites, conserving biodiversity, and other initiatives. We try to conduct our activities by responsibly managing our social impacts on communities, addressing their concerns and aspirations.



3

Share benefits with our stakeholders

We focus on making a positive contribution to the local and national economy through our economic value distributed and the development of our people and partners in the value chain. To share the benefits with communities, we go beyond our social license by generating employment and local supply opportunities and joining the causes that matter most to them, and we make them relevant through social programs and alliances for the common good with governments and civil society.

Culture and values



TRUST

We are confident in our capacity as a team, in the sum of our talents, and in the consistent work of each person to achieve extraordinary results.

RESPONSIBILITY AND RESPECT

We keep our promises and meet our goals, assuming full responsibility for our actions, decisions, and results.

We recognize the inherent value of every person; we value different opinions and beliefs, and we comply with the law and protect the environment.

INTEGRITY

We abide at all times by the ethical principles of this organization, acting transparently and honestly.

LOYALTY

We build solid and trustworthy relations, honoring the principles of the organization.

Our organizational culture is the foundation of our actions, aligned with Peñoles' purpose. It underpins the execution of our business strategy, and is the engine that drives productivity and operational excellence, enables us to reduce costs, and inspires our social and environmental compatibility efforts.

Deeply embedded in our culture, our CRIL values foster resilient strategic relationships, promote responsibility and accountability, prevent the negative consequences of unethical behavior, and enable us to build long-term relations of mutual trust and benefit with our stakeholders.

Consistent with our commitment to the goal of caring for our people and becoming more efficient, in 2021 we launched a cultural evolution strategy that defined the necessary competencies and methodology to close the gap between our current and desired culture—a culture based on accountability, co-creation, and work in ecosystems.

We also defined the common principles for all of our employees, which will enable us to generate winning behaviors and give life to the culture we want to build.

Relational foundations

- Agility
- Trust-based communication
- Talent development
- Total commitment to results
- Emotional intelligence
- Inclusive collaboration

Operational foundations

- Safety and health
- ESG factors
- Risk management
- Operating and financial excellence
- Efficiency through Innovation

Our way of working

- Accountability
- Ecosystems
- Co-creation

Agile, transformative leadership

- Inspire
- Facilitate
- Motivate
- Recognize
- Integrate

Organizational culture implementation process



Monitoring culture

Our culture supports open-mindedness, collaboration, innovation, transparency, and accountability, and by continually monitoring it, we can take preventive and corrective action.



Monitoring mechanisms:

- Biennial psychosocial risk factor survey
- Ethical culture assessment (Ethisphere® Ethics Quotient)
- Diversity survey - KPMG and Aequales
- Reports to Línea Correcta
- Diversity metrics
- Comprehensive well-being metrics
- Turnover rate



Monitoring results:

- Broader communication and awareness of risk identification, analysis, and prevention
- Strategies to improve and promote a healthy workplace
- Initiatives to support workplace diversity, equity, and inclusion.



Case study - Champions Program

To promote our desired culture, we trained 50 directors and assistant directors as Champions, who were in turn trained by their general managers to inspire and promote the key values and principles of our organizational culture. In addition, we trained 115 Champions from the management team, who became ambassadors of our culture.

Case study - Leadership Model

We updated our Leadership Model and the contents of our internal School of Leaders program to align them with the expected talent management behaviors to achieve extraordinary results. During the year, nine generations were trained in this program, representing 26% of our leaders. This program will continue until it covers 100% of the leaders who have employees under their charge.



AGILE AND TRANSFORMATIONAL LEADERSHIP MODEL

Stakeholders

We are committed to forging positive relations with all of our stakeholders—employees, communities, government, clients, shareholders, and suppliers—based on ethical behavior, honesty, transparency, and respect for human and labor rights. By being aware of their expectations, we strive for proactive involvement and decisions on how to create value. We also expect each of these groups to behave ethically in keeping with the principles in our internal Code of Conduct and Third-Party Code of Conduct.

We have identified our stakeholders considering their influence or how they may depend on the company's success. We maintain open channels of communication with all of them to foster trust and dialogue, and we are committed to responding promptly and efficiently to each of them with reliable information. In this section, we list our stakeholders, their relevance, and the engagement mechanisms and activities we provide to maintain our solid relationship with them.

Relevance for the company

Mechanisms

Metrics

Activities and efforts

Results

Potential risks

Goal: Provide 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

- An experienced and motivated workforce is fundamental to delivering a strong ESG performance.
- A committed workforce is key for maintaining safety and health improvement measures.
- Workforce engagement, including senior management, offers valuable insights into employees' interests and concerns, supporting better decision-making.
- A diverse workforce improves creativity, innovation, retention, and productivity.

- Strategic and operational planning
- Code of Conduct
- Regular work team meetings
- Talent Development, Assessment, and Performance System
- Labor modernity program focused on results and productivity
- Internal communication mechanisms
- Materiality analysis
- Annual financial and sustainability reports
- Línea Correcta whistleblowing line
- Training and development in administrative, human, and technical competencies
- Workplace environment survey

- Fatal accidents
- Total injury frequency rate and lost time injury rate
- New cases of occupational diseases
- Turnover
- Gender diversity
- Reports to grievance mechanism

- Union participation in collective bargaining, harassment prevention, outsourcing reform, cultural evolution, health and safety committees, critical controls in the workplace
- Symposium on occupational health and safety with involvement of unionized employees
- Training in cultural evolution to encourage accountability and teamwork
- Comprehensive program to identify, prevent, and address workplace harassment
- Creation of a Committee for Labor Equality and Non-Discrimination
- Surveys to better understand the concerns of our workforce
- Interviews and focus groups to better understand our employees' perceptions of the company's performance in the communities where we operate
- Grievance hotline
- Mentoring program for women

- Positive relations with workers and unions
- No strikes or labor conflicts that affected our operational capacity
- A board-level mechanism for workforce involvement

- Union relations
- Safety: Unsafe acts or conditions
- Changes in responsible mining practices

Our goal is to enable communities who are committed to their own development and to the company, who prosper and are owners of their destiny, and who are proud to have Peñoles as a neighbor.



Relevance for the company

Mechanisms

Metrics

Activities and efforts

Results

Potential risks

<p>2. COMMUNITIES</p> <p>Goal: Enable communities who are committed to their own development and to the company, who prosper and are owners of their destiny, and who appreciate and are proud to have Peñoles as a neighbor and partner</p> <ul style="list-style-type: none"> • Collaboration with local authorities and NGOs is crucial to successfully introduce health and education programs and develop skills and abilities in our communities. • Fair engagement of indigenous peoples to gain access to new projects is scrutinized by regulators, NGOs, investor and society at large. • Leaving a positive legacy beyond life of mine is crucial for gaining and maintaining the company's social acceptability.. 	<ul style="list-style-type: none"> • Social Management System • Grievance mechanisms • External communication channels and media monitoring • Meetings with social leaders • Annual financial and sustainability reports • Socioeconomic diagnosis • Perception survey • Materiality analysis • Fostering self-developmen 	<ul style="list-style-type: none"> • Economic value distributed • Perception surveys • Local jobs and sourcing • Payment of taxes to the Sustainable Development Fund for Mining States and Municipalities • Social investment by strategic lever 	<ul style="list-style-type: none"> • Support for health campaigns in our communities • Social investment with an emphasis on education, health, and sports, skill building, and water access • A promise to leaders and local and regional authorities to identify, discuss, and take action regarding their concerns, aspirations, and needs • Conduct regular social studies to identify and evaluate community needs • Operate grievance mechanisms to address concerns and inquiries from the communities 	<ul style="list-style-type: none"> • Social investment • Local jobs and sourcing • Economic value distributed in the regions where we operate in the form of salaries and benefits, payments to contractors and suppliers, and federal state and municipal taxes 	<ul style="list-style-type: none"> • Access to land: Increased expectations of compensation, influence of outside interests in negotiations, effectiveness of consultation processes with indigenous peoples, and risks of lawsuits from agrarian communities • License to operate: Deficient socio-environmental performance and/or the presence of anti-mining activism, which increases the risk of opposition and conflict • Water availability: Climate change alters the availability of water resources where we operate.
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Relevance for the company

Mechanisms

Metrics

Activities and efforts

Results

Potential risks

Goal: Establish cooperative, mutually beneficial, and institutional relations by promoting open dialogue for the common good with legislators and representatives of local, state, and federal governments

- Address a wide range of strategic issues such as safety, environmental permits, taxes, promotion of local business, creation of a responsible value chain, positive public recognition of mining and the company, public policies favorable to current and future operations, process for drafting legislation, community support and mediation, among others
- Build a solid reputation and open communication with policymakers to offer our perspectives and information when drafting new laws or legal reforms
- Create an alliance for the common good, strengthening our vision of shared responsibility with regional governments for the good of all mining communities.

- External communication channels and media monitoring
- Meetings with local state and federal authorities
- Annual financial and sustainability reports
- Socioeconomic diagnosis
- Perception survey
- Executive meetings

- Economic value distributed: payment of taxes and fees
- Royalties paid in keeping with the Federal Royalty Law

- Meetings with organizations such as Camimex (Mexican Mining Chamber), Concamin (Mexican Confederation of Industrial Chambers), and the CCE (Business Coordinating Council), and sustainability associations like Cespedes (Mexican Chapter of the World Business Council for Sustainable Development) and the CCA (Mexican Water Consultation Council); meetings with mining cluster associations, Coparmex, and independent hearings
- Information provided to decision-makers based on reliable data on the mining industry, offering an open-door approach to our processes
- Meetings with local, state, and federal authorities regarding operating safety, mining royalties, environmental permits, mining regulations, tax issues, and successful implementation of public policy for the industry in the regions where we operate
- Meetings with the corresponding tax authorities

- New restructuring to meet new labor and tax obligations, assuring a segment of the workforce that is essential to our strategy, preserving employees' rights, and cooperating with authorities in fulfilling contractors' tax obligations
- Excellent track record of health, safety, and environmental compliance, as evidenced in national awards and certifications

- Potential government actions: Changes in regulations and delays in their passage, which may have an adverse impact on obtaining the corresponding mining and water permits, rights, and concessions; energy policies and reforms and connection to the electrical network; regulations on outsourcing; tax changes; burdensome tax obligations, including responsibilities on contractor compliance; environmental and property taxes, permits for explosives, reforms to the mining law, and other important secondary laws that may affect the way we do business currently; declaration of other strategic minerals besides lithium, etc.
- Social climate adverse to operations due to lack of government support



Relevance for the company
Mechanisms
Metrics
Activities and efforts
Results
Potential risks

4. CLIENTS	<p>Goal: Be a strategic partner that offers comprehensive solutions and inspires trust to do business over the long term</p> <ul style="list-style-type: none"> • Our clients seek in Peñoles a reliable, high-quality supplier of metals and chemicals that contributes positively to their sustainability goals. • Mutually beneficial relations—with a deep ethical commitment—are essential to build trust and long-term cooperation with our various clients. 	<ul style="list-style-type: none"> • Client administration system • Service and satisfaction surveys • Technical visits • Product catalogue • External communication channels and media monitoring • Annual financial and sustainability reports • Process certifications • Socioeconomic diagnosis • Perception survey • Materiality analysis 	<ul style="list-style-type: none"> • Economic value generated: Total sales • Local and international clients 	<ul style="list-style-type: none"> • Conduct LBMA responsible supply audits • Supply required products and services with the highest possible quality and timeliness • Conform to current Peñoles' policies and procedures • Maintain quality, reliability, and continuous improvement in processes 	<ul style="list-style-type: none"> • LBMA certification that guarantee products come from a conflict-free supply chain • Positive relations between the company and its clients 	<ul style="list-style-type: none"> • Fluctuation in commodity prices like metals • Longer shipping times due to stricter regulations and permits • New purchasing trends and needs • Logistics and transport changes
5. SHAREHOLDERS	<p>Goal: Offer the best medium- and long-term investment option by delivering cost competitiveness, growth, and profitability, while ensuring the company's continuity</p> <ul style="list-style-type: none"> • Constructive dialogue and constant cooperation with shareholders are fundamental to our operations, ensuring equal treatment for all company shareholders. • Socio-environmental performance is today considered a decisive investment criterion. • Partnering with the business community who invests in Mexico can positively impact public policies and Mexican business. 	<ul style="list-style-type: none"> • Shareholders' meetings • Board meetings • Meetings of committees that support the Board • Executive meetings • External communication channels (web page) • Financial and performance reports to the investing public • Annual financial and sustainability reports • CEO reports 	<ul style="list-style-type: none"> • Return on investment • Dividend payments • Asset optimization • Profitability 	<ul style="list-style-type: none"> • Provide information for decision-makers based on concrete, reliable data regarding the performance of the company and the mining industry, with an open-door policy on our industrial processes and our business strategy 	<ul style="list-style-type: none"> • Positive relations among the company, shareholders, and other stakeholders • Accountability through quarterly and annual reports and presentations • Solid corporate governance that builds confidence among the investing public • Greater interest in disclosure of ESG performance in investor reports • Long-term performance and profitability 	<ul style="list-style-type: none"> • Rapid evolution of financial markets. • Differing regulations in international trade and markets. • Stricter environmental regulations

Relevance for the company

Mechanisms

Metrics

Activities and efforts

Results

Potential risks

6. SUPPLIERS

Goal: Serve as a strategic partner whose business relations are based on good commercial practices and a deep ethical commitment, with whom they can establish mutually beneficial, long-term relationships

- Solid socio-environmental performance in every component of our value chain is fundamental for minimizing negative impacts and conflicts and contributing to Peñoles' sustainability.
- A lasting ethical culture expressed in our actions serves as the foundation for building trust with our supply chain.

- Trusted supplier catalogue
- Visits and audits
- Due diligence evaluations
- Opinion surveys
- External communication channels and media monitoring
- Annual financial and sustainability reports
- Training workshops
- Training and assistance
- Socioeconomic diagnosis
- Perception survey
- Materiality analysis

- Responsible value chain
- Local, regional, and international suppliers

- Engaging suppliers and contractors based on criteria of quality, profitability, service, technical capacity, competitiveness, and expertise
- All information received from suppliers and contractors is kept strictly confidential during the entire process of accepting bids for the assignment of purchase orders and contracts.
- Ethical and socially responsible business practices in keeping with the Code of Conduct and respect for human rights
- Due diligence and ESG questionnaires applied to critical suppliers

- Incorporation of new suppliers according to Canacindra and our DC3 certification program for welding according to Cecati 83
- Our Third-Party Code of Conduct is a solid strategy for establishing Peñoles' expectations for its entire value chain and ensuring these are met.
- Implementation of a due diligence process for responsible sourcing of gold and silver and reviews of permits and concessions
- Positive relations between the company and its suppliers
- Regional jobs and sourcing

- Price fluctuations due to international situations
- Greater emphasis by society, regulators, and investors on human rights protection and on diversity, equality, and inclusion throughout the value chain
- Changes in regulations and delays in their passage, which may make it harder to obtain the necessary social and environmental permits

Our Third-Party Code of Conduct is a solid strategy for establishing Peñoles' expectations for its entire value chain and ensuring these expectations are met.



Zero-damage mindset

Focused on the well-being of our people and the environment, our aim at Peñoles is for our activities to generate zero occupational and environmental damage. We work hard to embed a culture of safety and visible leadership so that our people—employees or contractors—feel empowered to do the right thing in the face of any potentially unsafe condition. We know that, by effectively managing our occupational health and safety programs, we will minimize the risks of occupational accidents and diseases.

Our safe tailings storage facilities management program—which implements best practices—is inspired by the goal of zero damage, implementing best governance and engineering practices to minimize risks to our people, communities, and the environment. Our projects, operations, and closures are managed so as to minimize the impact of our activities on the environment and communities, always seeking partnerships to generate a positive legacy for communities and biodiversity.

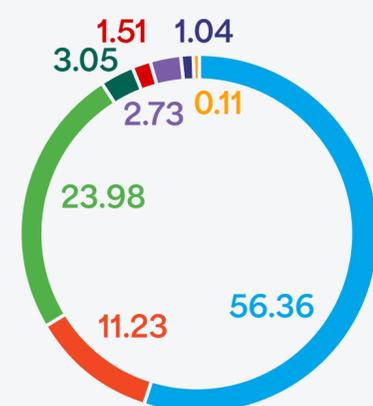
Inspired by our zero damage mindset, the purpose of our safe tailings storage facilities management program is to minimize risks to our people, communities, and the environment.



Sharing value

Economic value distributed

%



- Operating costs
- Wages and benefits
- Payments to value-chain partners
- Federal government
- Local governments
- Interests
- Shareholders
- Social investment

To maximize the profitability of our business, we consider the contracting of external works and/or services and the most efficient channeling of our own resources to be strategic.



Given our activities' positive economic impact in the regions where we operate, our purpose is to generate opportunities and well-being by supplying essential resources sustainably.

Direct economic impacts

Mining's direct economic impact and the distribution of this impact among stakeholders reflect our social commitment and how we share the benefits of mining. The wages and benefits of our workforce, payments to contractors and suppliers, social investment in communities where we operate, and payments to federal and local governments are considered direct economic impacts.

For more information on social investment, please go to the Living the Community section.

To maximize the profitability of our business, we consider the contracting of external works and/or services and the most efficient channeling of our own resources to be strategic. The different divisions have contractors for various works related to engineering services and projects, construction and services for operation, maintenance, mining, exploration, energy, and technology projects.

Economic value generated US\$	2023	2022
Income	5,928,965	5,523,358

Economic value distributed US\$	2023	2022
Operating costs	3,072,031	2,760,920
Wages and benefits	611,970	513,048
Payments to value-chain partners*	1,307,199	1,109,186
Federal government**	166,038	273,344
Local governments	82,482	70,045
Interests	148,615	157,380
Shareholders	56,441	102,659
Social investment	6,006	6,640
TOTAL	5,450,782	4,993,222

Economic value retained US\$	2023	2022
	478,183	530,136

* Contractors and suppliers

**Taxes incurred; for more information, please see the financial statements in the Annual Report.

Note: Our financial statements were externally audited.

Materiality

Our sustainability strategy is based on the evaluation of the materiality of our impacts on sustainable development. This periodic process enables us to identify the most relevant issues for our stakeholders and business model. The results provide valuable information for management systems, stakeholder engagement, and ESG disclosure. Our stakeholders' perspective has led us to incorporate more deliberately material

sustainability issues into our new projects and operations, as well as sustainability criteria into operational, technological, and innovation best-practice decisions.

In 2022, we identified our material issues, and in 2023, we evolved our methodology, introducing a stakeholder consultation mechanism with a present and future perspective of

our impacts on sustainable development. We adopted the recommendations of the GRI 3: Material Topics 2021 document of the Global Reporting Initiative (GRI) Universal Standards. This enabled us to prioritize the topics, and will be our starting point to analyze their future evolution.

Below, you will find the process we followed to assess our materiality:

Materiality assessment process

1

Identifying material issues and impacts

The impacts and issues that are currently being managed are the starting point. Issues detected in interactions with stakeholders are added, and completeness is ensured by consulting external sources such as national and international regulations, industry standards, ESG rating organizations, and industry ESG studies.

2

Evaluating issues

The evaluation of issues is carried out qualitatively through surveys, interviews, and focus groups that rate the present and future relevance of sustainability issues.

3

Validating results

Once the results of the assessment are analyzed and validated, they serve as a guide for the disclosure of our sustainability report.

Materiality 2023



Materiality 2033



Environmental

1	Environmental management	✓
2	Biodiversity conservation	
3	Climate change*	✓
4	Water stewardship	✓
5	Waste management	✓
6	Asset closure	

Social

7	Human rights at the workplace	
8	Talent development	
9	Diversity, equity, and inclusion	
10	Community engagement	✓
11	Relations with authorities and governments	
12	Relations with indigenous peoples	
13	Occupational health, safety and security	✓

Governance

14	Responsible supply chain	✓
15	Corporate ethics and integrity	✓
16	Governance, risk, and crisis management	✓
17	Innovation and technology*	✓
18	Data privacy and cybersecurity	

✓ TOP 10 * In 2033 they increase their materiality.

Contribution to the Sustainable Development Goals

Adopted in 2015 by all member states of the United Nations, the 17 Sustainable Development Goals (SDGs) are the compass towards a more sustainable future. They address the most important and urgent challenges facing humanity, such as climate change, poverty, inequality, water stewardship, and biodiversity, among others.

Businesses have a key role in society to achieve the SDGs. We are committed to communicating how we contribute to sustainable development, protecting and creating value for our stakeholders. We seek to make our sustainability reporting—based on the Global Reporting Initiative (GRI) framework—the basis for our SDG-related

disclosures. For climate change, water, mining and metallurgical waste, community relations, and human rights, we began to integrate the GRI - IFRS S1 and S2 frameworks, structuring the disclosures into i) governance, ii) strategy, iii) impact and risk management, and iv) performance and metrics. We will continue our efforts to disclose how we support the SDGs, maturing the integration of these disclosure frameworks.

We have identified the SDGs most closely related to our materiality matrix; that is where we can have the greatest impact on creating value for our stakeholders.

Core business



For more information on the progress of our material SDGs, please go to the following sections:

SDGs

- SDG 3 [Safety and health, Comprehensive well-being, Living the Community](#)
- SDG 4 [Living the Community](#)
- SDG 5 [Diversity, equity, and inclusion](#)
- SDG 7 [Commitment to climate change](#)
- SDG 8 [Sharing value, Living the Community](#)
- SDG 12 [Value chain](#)
- SDG 6 [Water stewardship, Living the Community](#)
- SDG 13 [Commitment to climate change](#)
- SDG 15 [Environmental excellence, Biodiversity conservation](#)



We also identified the SDGs to which we indirectly contribute:



Assurance

We present to all of our stakeholders our Annual Sustainability Report, which covers the period from January 1 to December 31, 2023. This report shows the ESG performance of Industrias Peñoles S.A.B. de C.V. We also present information on the impacts of the organization and its contribution to sustainable development in accordance with the sustainability standards prepared by the Sustainability Accounting Standards Board (SASB) for the Metals and Mining sector, version 2021, and applying the reporting principles established by the Global Reporting Initiative (GRI), therefore we considered all material GRI metrics that are applicable to us. GRI has been notified that we have used their standards.

Increasingly high stakeholder expectations on ESG issues demand reliable, accurate, and verifiable information, so assurance has become a business necessity. In order to provide reliability to the information reported, **Galaz, Yamazaki, Ruiz Urquiza, S.C.**, affiliated to a firm member of Deloitte Touche Tohmatsu Limited in Mexico, was chosen for the limited assurance of selected sustainability information included in the 2023 Sustainability Report in accordance with the International Standard on Assurance Engagements (ISAE) 3000 Revised, assurance engagements other than audits or reviews of historical financial information issued by the International Auditing and Assurance Standards Board (IAASB).

For more financial information, please refer to our Annual Report published on our website: www.penoles.com.mx.



Independent assurance report



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Independent Practitioner's Limited Assurance Report for selected sustainability information of Industrias Peñoles, S.A.B. de C.V.

Information subject to the assurance engagement

We have been engaged by Industrias Peñoles, S.A.B. de C.V. ("Industrias Peñoles" or the "Entity") Management to perform a limited assurance engagement on selected sustainability information included in the 2023 Sustainability Report for the year ended December 31, 2023.

Our work was performed by an independent, multidisciplinary team including assurance practitioners and sustainability specialists.

Our limited assurance engagement was performed solely in respect of the selected sustainability information included in Appendix A. Our assurance report does not extend to information from previous periods or other information included in the 2023 Sustainability Report including other information related to such report that may contain images, audio or videos.

Criteria used for the preparation of the information subject to the assurance engagement ("Criteria")

The selected sustainability information included in Appendix A has been prepared and presented in accordance with the guidelines of the *Global Reporting Initiative ("GRI")* and *Sustainability Accounting Standards Board ("SASB")*.

Industrias Peñoles' Responsibility for selected sustainability information

Industrias Peñoles is responsible for the preparation of the selected sustainability information in accordance with *GRI* and *SASB*. This responsibility includes the design, implementation, and execution of internal controls over the relevant information for the preparation of the selected information that is free from material misstatement, whether due to fraud or error.

Inherent limitations to the assurance engagement

Selected sustainability information is subject to inherent uncertainty due to the use of non-financial information, which is subject to greater inherent limitations than financial information, given the nature of the methods used to determine, calculate, sample, or estimate such information. In preparing the selected information, the Entity makes qualitative interpretations about the relevance, materiality and accuracy of the information that are subject to assumptions and judgments.

Our Independence and Quality Control

We have complied with the independence and ethical requirements of the Code of Ethics for Public Accountants issued by the *International Ethics Standard Board for Accountants (IESBA)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The Firm applies *International Standard on Quality Management 1 (ISQM 1)* and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Deloitte se refiere a Deloitte Touche Tohmatsu Limited, sociedad privada de responsabilidad limitada en el Reino Unido, y a su red de firmas miembro, cada una de ellas como una entidad legal única e independiente. Conozca en www.deloitte.com/mx/conozcanos la descripción detallada de la estructura legal de Deloitte Touche Tohmatsu Limited y sus firmas miembro.



Our Responsibility

Our responsibility is to express a limited assurance conclusion on selected sustainability information for the year ended December 31, 2023, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised)*, assurance engagements other than audits or reviews of historical financial information (*ISAE 3000*), issued by the *International Auditing and Assurance Standards Board (IAASB)*. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of Industrias Peñoles' use of methodologies, as the basis for the preparation of the selected sustainability information, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluation of the appropriateness of quantification methods, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above, we:

- Performed inquiries, through which we obtained an understanding of the Entity's internal policies related to the selected sustainability information.
- Performed inquiries, through which we obtained an understanding of Industrias Peñoles' control environment and information systems relevant to the preparation of selected sustainability information but did not evaluate the design of particular control activities, obtain evidence about their implementation or test operating effectiveness.
- Evaluated whether Industrias Peñoles' methods for developing estimates are appropriate and had been consistently applied in the preparation of the selected sustainability information.
- Performed substantive tests on the selected sustainability information referred in this report, to corroborate that the data has been adequately measured, recorded, compiled, and reported through:
 - Inspection;
 - Observation;
 - Confirmation;
 - Re-calculations;
- Comparison of the contents presented by the Management with what is established in the section of criteria of this report.

The procedures performed in a limited assurance engagement vary in nature and opportunity from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Industrias Peñoles' selected sustainability information has been prepared, in all material respects, in accordance with the guidelines provided by *GRI* and *SASB*.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.



Limited Assurance Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the selected sustainability information for the year ended December 31, 2023, was not prepared, in all material aspects, in accordance with the Criteria section of this report.

Restriction on use and distribution

Our report is intended solely for the management of Industrias Peñoles, S.A.B de C.V., in accordance with the terms of our engagement letter and should not be used by, or distributed to any other party.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Affiliated with a Member of Deloitte Touche Tohmatsu Limited

C.P.C. David Alejandro Solano Zúñiga
Mexico City, Mexico
April 29, 2024



Appendix A

The GRI and SASB Limited Assurance Indicators defined by the PEÑOLES Industries Administration are detailed below.

GRI Indicators	Metrics
2-7 Employees	<p>Peñoles (without Fresnillo):</p> <ul style="list-style-type: none"> 65 women and 352 men in manager and senior executive positions 1,065 women and 7,082 men employees (unionized and non-unionized) 739 women and 4,419 men contractors <p>Fresnillo:</p> <ul style="list-style-type: none"> 14 women and 158 men in manager and senior executive positions 992 women and 6,096 men employees (unionized and non-unionized) 1,343 women and 11,173 men contractors <p>Totals:</p> <ul style="list-style-type: none"> 79 women and 510 men in manager and senior executive positions 2,057 women and 13,178 men employees (unionized and non-unionized) 2,082 women and 15,592 men contractors <p>* This information does not include Bal Holdings (42).</p>
2-22 Statement on sustainable development strategy	Qualitative review of the statement from the senior executive on the relevance of sustainable development to the organization and its strategy for contributing to sustainable development.
2-26 Mechanisms for seeking advice and raising concerns	Qualitative review of advisory mechanisms for individuals to seek advice and raise concerns.
2-30 Collective bargaining agreements	<p>Total:</p> <ul style="list-style-type: none"> 68.48% employees covered by collective bargaining agreements (10,836 unionized/ 15,824 total employees).
3-2 List of material topics	Qualitative review of the inclusion of the list of material topics determined internally by the Management in the report.
201-1 Direct economic value generated and distributed	<ul style="list-style-type: none"> Direct economic value generated (revenue) of \$5,928.97 million of US dollar Economic value distributed (expenditures) of \$5,450.78 million of US dollar
201-2 Financial implications and other risks and opportunities due to climate change	<p>We reviewed the inclusion of the financial implications and other risks and opportunities arising from climate change in the report, specifically:</p> <ul style="list-style-type: none"> Description of risks or opportunities and its classification as either as physical or transitional Description of the impacts associated with the risk or opportunity Financial implications of risks or opportunities before action is taken Methods used to manage the risks or opportunities
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Ratio of 2.14 (using minimum daily wage of 207.44 multiplied by 30.5 days).



GRI Indicators	Metrics
203-1 Infrastructure investments and services supported	Total social investment for 2023 of \$ 6,006,029.22 US dollar
204-1 Proportion of spending on local supplier	47.81% payments to local suppliers
205-1 Operations assessed for risks related to corruption	Qualitative review of the operations assessed for risks related to corruption of the Entity.
205-2 Communication and training about anti-corruption policies and procedures	4,830 employees received training of the Entity anti-corruption policies and procedures
205-3 Confirmed incidents of corruption and actions taken	<p>75 complaints, which breaks down as follows:</p> <ul style="list-style-type: none"> 40 benefits, malpractice or unethical dealings with suppliers 15 complaints related to conflict of interest 2 fraud-related complaints 18 complaints related to theft or destruction of assets
302-1 Energy consumption within the organization	<p>Power consumption of:</p> <ul style="list-style-type: none"> 4,394,808 MWh of scope 1 3,092,940 MWh of scope 2 <p>Total energy consumption: 7,487,748 MWh</p>
303-3 Water withdrawal	Water withdrawal of 38,728.11 ML
303-4 Water discharge	Water discharge of 14,500.83 ML
303-5 Water consumption	Water consumption of 24,227.28 ML
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<p>Qualitative review of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas:</p> <ul style="list-style-type: none"> 0 operational sites within natural protected areas
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	The Entity confirmed four endangered fauna species that appear on the Red List of the International Union for the Conservation of Nature (IUCN).
305-1 Direct (Scope 1) GHG emissions	Emissions of 1,216,142 tCO2e from fuel consumption.
305-2 Energy indirect (Scope 2) GHG emissions	Emissions of 1,429,896 tCO2e from electricity consumption.
306-2 Management of significant waste-related impacts	Qualitative review of the management of significant waste-related impacts: Waste management plan.
306-3 Waste generated	<p>Peñoles:</p> <ul style="list-style-type: none"> 33,055.55 tons of hazardous waste 294,147.34 tons of special handling waste <p>Total:</p> <ul style="list-style-type: none"> 327,202.89 tons total waste generated <p>*Verification was limited to Peñoles information. Fresnillo waste was not verified.</p>



GRI Indicators	Metrics
306-4 Waste diverted from disposal	<p>Peñoles:</p> <ul style="list-style-type: none"> 604.13 hazardous waste 6,183.31 special handling waste <p>Total:</p> <ul style="list-style-type: none"> 6,787.44 tons of waste diverted from disposal <p>*Verification was limited to Peñoles information. Fresnillo waste was not verified.</p>
306-5 Waste directed to disposal	<p>Peñoles:</p> <ul style="list-style-type: none"> 32,451.42 hazardous waste 287,964.03 special handling waste <p>Total:</p> <ul style="list-style-type: none"> 320,415.45 tons of waste directed to disposal <p>*Verification was limited to Peñoles information. Fresnillo waste was not verified.</p>
401-1 New employee hires and employee turnover	<ul style="list-style-type: none"> Non-unionized turnover rate of 15.76% (786 employee turnover / 4,988 total non-unionized employees) Unionized turnover rate of 17.75% (1,923 employee turnover / 10,836 total unionized employees) Turnover rate of 17.12% (2,709 employee turnover / 15,824 total employees)
403-3 Occupational health services	Qualitative review of the roles of occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks.
403-4 Worker participation, consultation, and communication on occupational health and safety	Qualitative review of worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system.
403-5 Worker training on occupational health and safety	Qualitative review of occupational health and safety training provided to workers.
403-9 Work-related injuries	<p>Peñoles:</p> <ul style="list-style-type: none"> Total recordable injury frequency rate ("TRIFR") * for employees of 15.05 Total recordable injury frequency rate ("TRIFR") * for contractors of 13.95 Total recordable injury frequency rate ("TRIFR") * of 14.63 Lost time injury frequency rate ("LTIFR") * for employees of 7.41 Lost time injury frequency rate ("LTIFR") * for contractors of 6.94 Lost time injury frequency rate ("LTIFR") * of 7.23 Zero deaths as a result of work-related injuries during the review period <p>Fresnillo:</p> <ul style="list-style-type: none"> Total recordable injury frequency rate ("TRIFR") * for employees of 13.06 Total recordable injury frequency rate ("TRIFR") * for contractors of 11.51 Total recordable injury frequency rate ("TRIFR") * of 12.08 Lost time injury frequency rate ("LTIFR") * for employees of 8.69 Lost time injury frequency rate ("LTIFR") * for contractors of 6.64 Lost time injury frequency rate ("LTIFR") * of 7.40 Four deaths resulting from work-related injuries during the review period <p>Total:</p> <ul style="list-style-type: none"> Total recordable injury frequency rate ("TRIFR") * of 13.14 Lost time injury frequency rate ("LTIFR") * of 7.33 Four deaths resulting from work-related injuries during the review period <p>*Rate calculated based on 1,000,000 man-hours worked.</p>



GRI Indicators	Metrics
403-10 Work-related ill health	<ul style="list-style-type: none"> Zero deaths as a result of work-related ill health 119 cases of occupational diseases, of which 56 were in Fresnillo and 63 in Peñoles
404-1 Average hours of training per year per employee	<ul style="list-style-type: none"> Employees' average training hours per year of 42.63 per employee (1,413,825.66 training hours / 33,166 employees) Non-unionized employees' average training hours per year of 47.30 (230,129 training hours / 4,865 non-unionized employees) Unionized employees' average training hours per year of 59.09 (630,269 training hours / 10,666 unionized employees) Contractors' average training hours per year of 31.38 (553,427.26 training hours / 17,634 contractors) <p>*This information does not include personnel from Bal Holdings (42), Quirey do Brasil (2) and Linea Coahuila Durango (288).</p>
404-2 Programs for upgrading employee skills and transition assistance programs	Qualitative review of programs implemented for upgrading employee skills and assistance provided to upgrade employee skills and transition assistance programs.
405-1 Diversity of governance bodies and employees	Women in manager and senior executive positions of 13.41% (79 women in manager and senior executive positions / 589 total employees in manager and senior executive positions).
405-2 Ratio of basic salary and remuneration of women to men	<ul style="list-style-type: none"> Ratio of the basic salary of women to men in senior positions of 0.95 Ratio of the basic salary of women to men in professional positions of 0.98 Ratio of the basic salary of women to men in non-professional positions of 1.06
406-1 Incidents of discrimination and corrective actions taken	Five discrimination incidents during the reporting period.
411-1 Incidents of violations involving rights of indigenous peoples	Zero identified incidents of violations of indigenous peoples' rights.
G4-MM3 Total amounts of overburden, rock, tailings, and sludges and their associated risks	93,777,403.05 tons of overburden, rocks, and waste* *Verification was limited to overburden, rocks, and waste. Tailings were not verified.



SASB indicators	Metrics
EM-MM-110a.1 Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Gross global Scope 1 greenhouse gas (GHG) emissions of 1,216,142 tCO2e from fuel consumption.
EM-MM-140a.1 (1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Fresh water withdrawn of 28,735.7 ML (91% in locations with high or extremely high initial water stress) <ul style="list-style-type: none"> 735.57 ML of surface water 412.85 ML of municipal water supplies 27,587.28 ML of underground sources Fresh water consumed of 14,234.87 ML (82% in locations with high or extremely high initial water stress).
EM-MM-140a.2 Number of incidents of non-compliance associated with water quality permits, standards and regulations	Zero incidents related to water quality permits.
EM-MM-150a.4 Total weight of non-mineral waste generated	<ul style="list-style-type: none"> 327,202.89 tons of non-mineral waste generated *Verification was limited to Peñoles information. Fresnillo waste was not verified.
EM-MM-150a.6 Total weight of waste rock generated	Peñoles: <ul style="list-style-type: none"> 5,209,190.40 tons of waste rock Fresnillo: <ul style="list-style-type: none"> 88,241,009.77 tons of waste rock Total: <ul style="list-style-type: none"> 93,450,200.17 tons of sterile waste rock generated
EM-MM-150a.7 Total weight of hazardous waste generated	<ul style="list-style-type: none"> 33,055.55 tons of hazardous waste generated *Verification was limited to Peñoles information. Fresnillo waste was not verified.
EM-MM-150a.8 Total weight of hazardous waste recycled	<ul style="list-style-type: none"> 604.13 tons of hazardous waste recycled *Verification was limited to Peñoles information. Fresnillo waste was not verified.
EM-MM-150a.9 Number of significant incidents associated with hazardous materials and waste management	Peñoles: <ul style="list-style-type: none"> Nine significant (emission) incidents associated with hazardous materials and waste management. Zero significant incidents (spills) associated with hazardous materials and waste management. Fresnillo: <ul style="list-style-type: none"> Zero significant incidents (spills and emissions) associated with hazardous materials and waste management. Total: <ul style="list-style-type: none"> Nine significant (emission) incidents associated with hazardous materials and waste management. Zero significant incidents (spills) associated with hazardous materials and waste management.
EM-MM-160a.1 Description of environmental management policies and practices for active sites	Qualitative review of the description of environmental management policies and practices for active sites.



SASB indicators	Metrics
EM-MM-310a.1 Percentage of active workforce employed under collective agreements	Total: <ul style="list-style-type: none"> 68.48% employees covered by collective bargaining agreements (10,836 unionized/ 15,824 total employees).
EM-MM-320a.1 (1) All-incidence rate, (2) fatality rate, (3) near miss frequency rate (NMFR) and (4) average hours of health, safety, and emergency response training for (a) direct employees and (b) contract employees	Peñoles: <ul style="list-style-type: none"> Total recordable injury frequency rate ("TRIFR") * for employees of 15.05 Total recordable injury frequency rate ("TRIFR") * for contractors of 13.95 Total recordable injury frequency rate ("TRIFR") * of 14.63 Lost time injury frequency rate ("LTIFR") * for employees of 7.41 Lost time injury frequency rate ("LTIFR") * for contractors of 6.94 Lost time injury frequency rate ("LTIFR") * of 7.23 Zero deaths as a result of work-related injuries during the review period Fresnillo: <ul style="list-style-type: none"> Total recordable injury frequency rate ("TRIFR") * for employees of 13.06 Total recordable injury frequency rate ("TRIFR") * for contractors of 11.51 Total recordable injury frequency rate ("TRIFR") * of 12.08 Lost time injury frequency rate ("LTIFR") * for employees of 8.69 Lost time injury frequency Rate ("LTIFR") * for contractors of 6.64 Lost time injury frequency rate ("LTIFR") * of 7.40 Four deaths resulting from work-related injuries during the review period Total: <ul style="list-style-type: none"> Total recordable injury frequency rate ("TRIFR") * of 13.14 Lost time injury frequency rate ("LTIFR") * of 7.33 Four deaths resulting from work-related injuries during the review period *Rate calculated based on 1,000,000 man-hours worked.

* * * * *





Governance

Strong, reliable corporate governance, accountable for decisions and with active oversight and support from experienced and diverse management, has been fundamental to the organization's success.



Corporate governance

Our corporate governance is solid, reliable, responsible for its decisions, and actively supervised and supported by an experienced, diverse management team; all of which has been fundamental to the company's success.

By mitigating risk, building trust, keeping channels of communication and dialogue open, and fostering a climate of transparency and accountability, we can better respond to the needs of all of our stakeholders and build long-term value.

Our board members, committees, and members of senior management set the standards of conduct, administration and operation for the whole organization.

Industrias Peñoles has a system of corporate governance that ensures the quality of information to the Board of Directors, consistent with the recommendations of the Code of Principles and Best Governance Practices issued by the Business Coordinating Council of Mexico.

In support of its corporate governance structure, Peñoles has a [Corporate Integrity Manual](#), which is available to the public, along with the [Code of Ethics and Conduct](#) on our website.

Both documents establish the means for prevention, compliance, oversight, and accountability to avoid acts stemming from administrative failures—for example, collusion, conflicts of interest, influence-peddling, bribery,

corruption, and discrimination. The [Code of Ethics and Conduct](#) also serves as a guide to employees in their dealings with outside parties, particularly with government agencies and public servants, in keeping with articles 24 and 25 of the General Law on Administrative Responsibility and best corporate practices applicable to Peñoles' operations.

All of these documents are consistent with the corporate vision, mission, and values. They conform to general considerations about its organizational structure, corporate leadership, training, and communication programs, and mechanisms for assessing, verifying, and tracking compliance with internal

and external rules and regulations, and they are applicable to all of the companies of the group.

The highest body of corporate authority at Peñoles is the Shareholders' Meeting, which approves and ratifies all of the company's acts and operations, and meets regularly under the terms required by Mexican law and the corporate bylaws.

The Board of Directors is the governance body responsible for defining the company's vision and strategy, establishing policies and guidelines, validating and monitoring the risk matrix and overseeing the management of our businesses and our oper-

ating and financial results. The Chief Executive Officer and the management team are in turn responsible for executing business in accordance with the policies and strategies approved by the Board of Directors. Board members are appointed by a majority vote in ordinary shareholders' meetings, which are held at least once a year. The board consists of 13 regular members, five of which are independent—equivalent to 38% of board membership, which is above the 25% minimum established in the Securities Market Law—and 12 alternate board members, with the same level of responsibility and independent status as the regular member to which they are assigned.



Shareholders with voting rights, who individually or jointly hold 10% of the company's capital stock, have the right to appoint or revoke a board member and their respective alternate in the ordinary general meeting. Board members remain in their posts for a period of one year, or until the new board member assumes that position. Board members may be reelected for an indefinite number of terms.

The Board of Directors elects a chairperson from among its members. Since last year, this position has been held by Mr. Alejandro Baillères. If the chair is unable to attend the meeting, the alternate board member appointed by a majority vote of the other board members will replace him. The chairperson represents the company before all types of authorities, and is responsible for due execution of the decisions of the shareholders meeting and the board. As chairman of the board, Mr. Alejandro Baillères is not a member of the organization's senior management.

Various committees, one of which is the Audit and Corporate Governance committee, assist the Board of Directors in its activities. The Board of Directors meets in ordinary sessions at least four times a year, and in an extraordi-

nary meeting, whenever a meeting is called at the request of the Chairman of the Board no less than three days in advance. In 2023, the board met four times with a remarkably high attendance rate of more than 90% of board members.

The Board of Directors appoints an Audit Committee, which is also made up of board members. Among its duties are to review the company's financial statements and internal controls and evaluate the external audit services.

In ordinary meetings, shareholders deliberate on matters such as the maximum amount that may be allocated to repurchase the company's own stock; qualifying the independence of independent board members; appointing the chair of the Audit and Corporate Governance Committee; and approving relevant transactions by the company.

The ordinary general shareholders' meeting may be legally called to order when at least half of the subscribed and outstanding capital stock is present, and its resolutions are valid and binding by the majority vote of those present. In order for an extraordinary general meeting of shareholders to be considered legally called to order,

at least three-quarters of the capital stock must be represented, and its resolutions will only be binding when passed by the vote of shares representing half of the subscribed and outstanding capital stock.

The organization also has an Executive Committee, made up of seven persons selected by the Board from among its members. The Executive Committee acts as a collegiate body and meets whenever its Chairperson instructs, in which case the majority of members must be present. Decisions by this committee may be approved by the favorable vote of the majority of those present.

The Executive Committee reports to the Board of Directors whenever necessary, and at least once a year, on agreements passed, or when there are events or acts that are highly relevant to the organization.

The Chief Executive Officer is responsible for management, guidance, and execution of the company's businesses, subject to the strategies, policies, and guidelines approved by the Board of Directors, while the Audit and Corporate Practices Committee is in charge of overseeing those decisions.

The following are some of the main activities of the Board of Directors:

- Appointing and dismissing the Chief Executive Officer and management team.
- Deciding on comprehensive compensation and approving policies for appointing and compensating the Chief Executive Officer and other key members of senior management. To annually compensate members of the Board of Directors for their services, the general shareholders' meeting decides on an amount, considering performance criteria, for example in matters of safety and health.
- Formulating sustainability reports and metrics, as well as the financial documents required by national and international laws and regulations, and proposing initiatives on company revenues, sales, profits and loss.

For more information about Peñoles corporate governance and the responsibilities of the board, please see our annual report and the corporate governance section of our website at: www.penoles.com.mx



ESG strategy and governance

ESG strategy

Our ESG strategy has three objectives:

- **Governance:** Deliver results through strong internal coordination and synergy
- **Socio-environmental performance:** Anticipate the challenges and expectations of society, transforming the company to achieve an excellent socio-environmental performance
- **Recognized leaders in ESG issues:** Consolidate our ESG Way to build trust and ensure business' success in the long-term



ESG governance

The Board of Directors of Industrias Peñoles relies on the ESG Committee to evaluate ESG performance, risks, and opportunities. This committee, headed by the CEO, will report periodically to the Board of Directors, with the involvement of the Chairman and directors with expertise in these matters. Board members Arturo Manuel Fernández Pérez and Jaime Lomelín Guillén have experience in strategic alignment and governance of ESG issues, including health and safety, energy and climate change, tailings storage facilities, water stewardship, and community engagement.

Environmental and social performance requires effective coordination, so our ESG governance framework consists of three levels:

- **ESG Committee:** Responsible for strategic alignment, approval of goals, and evaluation of the organization's performance
- **Technical Committee:** Responsible for reviewing the sustainability roadmaps and the feasibility of proposed goals generated by working groups and networks
- **Working groups and networks:** Responsible for identifying stakeholder expectations, designing roadmaps, and substantiating goal proposals.



Environmental and social performance requires effective coordination, so our ESG governance framework consists of three levels

Management of ESG impacts and risks

Our activities have an impact on sustainable development, while the socio-environmental context in turn has an impact on our strategy, business model, and operations. This is what we refer to as “dual materiality.” It is important for us to understand these impacts, the expectations of our stakeholders, and the risks that both impacts and expectations generate in our business activity. Based on our experience in the field of climate change, we

have developed a methodology to manage our sustainability (ESG) risks by incorporating the same approach to other material issues.

Successful risk management requires the commitment of various areas that contribute their expertise, approach, and analysis at various stages of our management process, by which we can generate co-created solutions and thereby strengthen accountability in key processes.

Risk management process



Identification: We identify risks considering our impacts and analyzing the strategic implications that these impacts have for our business. To identify risks, we use the “Bow Tie” tool, a graphic representation of the activities or processes in which the risk originates, the event that could occur, and the possible consequences if the risk materializes. When this stage is complete, we have a catalog of risks pertaining to the specific topic we are analyzing.

Assessment: We assess the identified risks considering their probability of occurrence and the severity of the consequences, both for the company and its stakeholders.

Management: Identifying risks would be ineffective if we did not then manage them appropriately. With this in mind, we must develop a control framework with the intent of preventing, detecting, and/or correcting the materialization–consequence–of the risk. This step is crucial for developing effective strategies that reduce the probability of risks occurring and minimize their severity if they materialize.

Tracking and monitoring: This process triggers a cycle of continuous improvement in which we review the controls’ efficiency and the actions taken, identify new risks, and capitalize on opportunities that arise from the effectiveness of our processes.

Status of ESG risk management

Category	Identification	Assessment	Management	Tracking and monitoring
Climate change	Completed	Completed	In progress	In progress
Communities	Completed	Completed	In progress	In progress
Human rights	Completed	Completed	Not yet begun	Not yet begun
Water stewardship	Completed	Not yet begun	In progress	Not yet begun

Successful risk management requires the commitment of various areas that contribute their expertise, approach, and analysis at various stages of our management process.



Ethics and integrity

Industrias Peñoles is bound by the highest ethical standards, and we endeavor for every one of our actions and behaviors to reflect our ethical culture and corporate values of trust, responsibility, respect, integrity, and loyalty. We expect all of our employees and everyone with whom we have business dealings to abide by the same standards, and by our [Code of Ethics and Conduct](#). This ethical culture gives us a strategic advantage over our competitors and ensures that we survive and prosper in the long term. It is reflected in the recognitions we received in 2023:

Our ethics, compliance, and ethical culture program has been evaluated by Ethisphere™ Ethics Quotient®, and the results will allow us to measure and monitor our ethical culture, as well as identify international best practices. We will use this as a basis for initiatives to strengthen ethics and take our integrity practices to the next level in 2024.

- 1st place in the Corporate Integrity Index (IC 500)
- 19th place in Industry Ethics and Value: Trajectory 2023
- Personal Data Protection Certification from INAI
- Recognition from the Exceptional Companies listing in the category of Transparency, with the exceptional practice: "Ethics, integrity, transparency and compliance toward a sustainable future"
- Participated in the World's Most Ethical Companies to assess our integrity and compliance initiatives during the year.



Our ethics, integrity & compliance journey

2012 - Antibribery and Anticorruption Program

- ABAC policies & procedures
- Whistleblowing mechanism "Línea Correcta" for reporting unethical behavior anonymously, managed by an external Third-Party and oversight by an Ethics Committee.
- Third party due diligence process.

2013 - 2014 - LBMA Responsible Gold & Silver Certificate

- First independent third-party audit of the company's supply chain for 2012, which complies with the London Bullion Market Association (LBMA) Responsible Gold Guidance.
- 2014:**
 - Voluntary adherence to the responsible Silver certificate
 - We maintain our LBMA certifications, which demonstrate to customers and investors that the precious metals chain is conflict free.

2017 - Índice IC 500

- Corporate Integrity index (IC 500) is an initiative of Mexicans Against Corruption and Impunity in conjunction with Transparencia Mexicana (both ONG's) to assess the existence and publicity of the integrity and anti-corruption policies of Mexico's 500 largest companies.
- The review criteria are divided into five components: statement of principles; third party relations; training and outreach; whistleblowing system; and availability of information.
- Since 2021, Peñoles ranks 1st in the IC500 index.

2019 - Third party Code of Conduct

- This is a sound strategy for establishing and meeting the performance expectations Peñoles has for its entire value chain.

2020 - Harassment Prevention Program

- Protocol for prevention and attention of labor and sexual harassment
- Training for personnel.
- Confidence is being built in the mechanism to attend cases of labour & sexual harassment.

2022 - Responsible sourcing

- We increased the scope of our metallurgical business to base metals (lead & zinc) using what we learned from the responsible sourcing program for precious metals.



Governance

The Committee on Ethics and Corporate Values—made up of company executives—supervises and monitors compliance with the , and addresses cases of unethical conduct, establishing sanctions when there has been a violation. The Compliance Department reports to the Board of Director's Audit Committee on the status and performance of the Integrity and Compliance Program.

Our corporate compliance structure coordinates strategies and initiatives using a preventive approach to avoid situations related to acts of bribery and/or corruption, and to verify compliance with applicable internal regulations. These efforts include processes, areas, and responsible persons that, due to the nature of their operations and their degree of exposure, are required to maintain an anti-bribery and anti-corruption focus.

Our [Code of Ethics and Conduct](#) defines the ethical standards that guide the conduct of all of the employees of Industrias Peñoles S.A.B. de C.V. The Code is based on the principles that distinguish us as a company, on what

we do and how we do it, on our organizational philosophy, and on our values. In 2023, we revised the Code to include a specific section on legal and regulatory compliance, including: prevention of money laundering, protection of personal data, and contracting of specialized services, in accordance with the recent reform to the Mexican Labor Law. We also deepened the definition of non-discrimination factors, as well as the issues of equal opportunities, harassment-free workplaces, and prevention of psychosocial risks. Although these issues were already incorporated into our internal policies, we have now made them explicit in the Code of Ethics and Conduct. We also have a set of [policies, guidelines, and procedures](#) to prevent fraud, corruption, bribery, misuse of donations and sponsorships, illegal dealings with governments, personal data breaches, discrimination, conflicts of interest, and reprisals.

Policies, guidelines and procedures



Integrity and compliance risk management

By preventing, detecting, and mitigating integrity and compliance risks, we earn the trust of our stakeholders and ensure the success of our business. Our program consists of three lines of defense:

First line: Supported by areas responsible for processes, controls, and technology, and focused on daily operations to avoid incidents and guarantee compliance with current laws and regulations.

Second line: Includes oversight, reporting, and indicators from comptrollers, risk management, the Compliance and Legal Affairs Departments, among others.

Third line: Represented by the internal audit area, which provides independent assurance to the audit committee and management team regarding risk mitigation, control effectiveness and efficiency, and corporate governance.

We conducted national and international compliance assessments as a way to promote best practices in Peñoles and Fresnillo. Based on the 2022 third-party verification of Fresnillo plc's anti-bribery and corruption program—which considered the requirements established by the UK Bribery Act regulation, as well as Mexican regulation—an action

plan was drawn up to implement in both companies the improvements identified in the processes that carry the greatest risk. As a result, in 2023, we updated procedures for entering into project and service contracts, procurement, due diligence, and financial transactions to prevent bribery and corruption, and in 2024, a training plan for these areas will be deployed.



Third-party due diligence

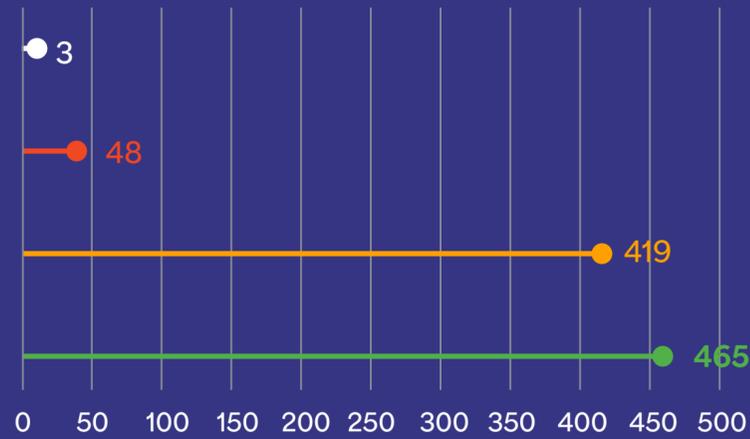
Our [Third-Party Code of Conduct](#) sets out Peñoles' expectations for responsible business conduct by all outside parties intending to do or doing business with Industrias Peñoles. Before entering into a business relationship with any [outside party](#)—raw material suppliers, contractors, customers, suppliers, or business partners—we complete a verification process based on risks and mitigation measures. As part of the due diligence process, our business partners pledge to comply with our expectations of ethical behavior and integrity, human and labor rights, occupational health and safety, and respect for communities and the environment.

In 2023, we concluded the installation of BAL's Evalúa platform to automate and optimize the third-party due dili-

gence process. This process transformation and standardization considers the criticality of outside parties from an approach based on risk levels, by which we can efficiently detect alerts and have an accurate methodology for making informed decisions on establishing or continuing the business relationships. The duration of due diligence—from one to three years—is determined based on the assigned risk.

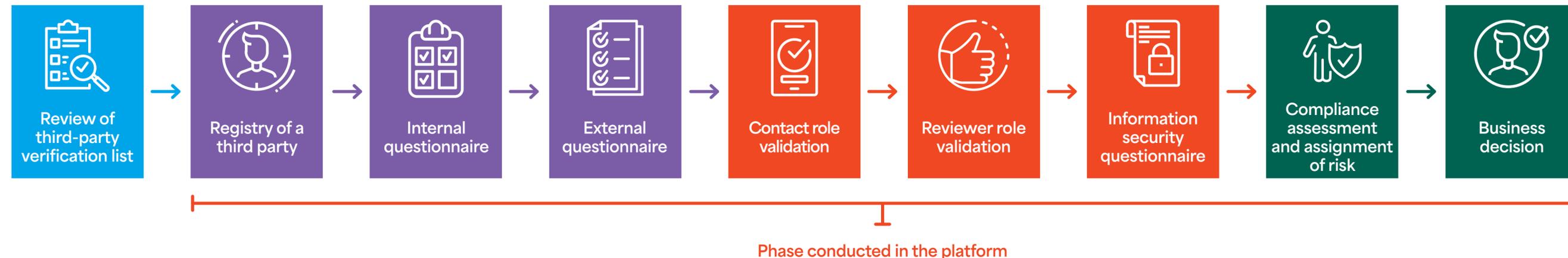
Automating this process ensures better traceability of transactions with outside parties and reduces response times, in addition to simplifying the process for both our business partners and our internal personnel. In 2024, we will continue to train employees in the use of the BAL Evalúa platform and stabilize the process in order to ensure that due diligence is performed exclusively using the platform.

Requests for third-party due diligence



Note: 33 of these requests were addressed through the BAL Evalúa platform.

- High risk with veto
- High risk
- Medium risk
- Low risk



Money laundering and bribery prevention

Our people's ethical conduct is key to our organizational purpose. We strive to maintain an ethical culture—which we embody in our conduct and actions—with zero tolerance for any form of corruption or bribery. Our due diligence process avoids business relations with others when there is any doubt as to their involvement in illegal activities on our behalf.

Any suspicion of bribery or corruption is reported through our institutional whistleblowing mechanism, *Línea Correcta*, and investigated. Disciplinary measures for those who participate directly or indirectly in bribery or corruption practices through an outside party include—in addition to the possibility of subsequent legal action—termination of the employment contract, if they are part of our workforce, and termination of the business relationship, in the case of third parties. Furthermore, we cooperate with authorities in investigating any alleged violations, imposing the corresponding sanctions and taking the necessary corrective action.

All employees are obligated to abide strictly to the bribery and corruption laws governing Industrias Peñoles, including the General Administrative Responsibility Law, the Federal Criminal Code of Mexico, and secondary federal and state laws applicable to corruption and the private sector.

Our anti-bribery and anti-corruption mechanisms reflect international best practices and guidelines, such as the United Nations Global Compact, the core conventions of the International Labor Organization (ILO), the guidelines promoting corporate responsibility issued by the Organization for Economic Cooperation and Development (OECD) and the United Nations (UN).

Money-laundering prevention

We continued to comply with current regulations on transactions involving proceeds of dubious origin by closely tracking operations and presenting notices of vulnerable activities. We will continue to track this group's vulnerability to such transactions and adapt as necessary to emerging regulatory changes.

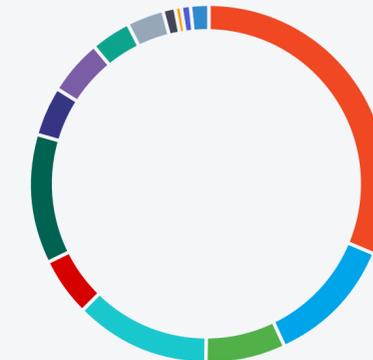
Whistleblowing Mechanism

Our whistleblowing mechanism, *Línea Correcta*, is a confidential and secure channel for reporting concerns about the company's operations or any unethical behavior. EthicsGlobal, an independent supplier that guarantees whistleblower anonymity, operates the hotline. It is open to all staff, suppliers, contractors, and other stakeholders, as well as members of surrounding communities. The Ethics and Corporate Values Committee reviews the reports received on a quarterly basis, which are overseen by the Audit Committee.

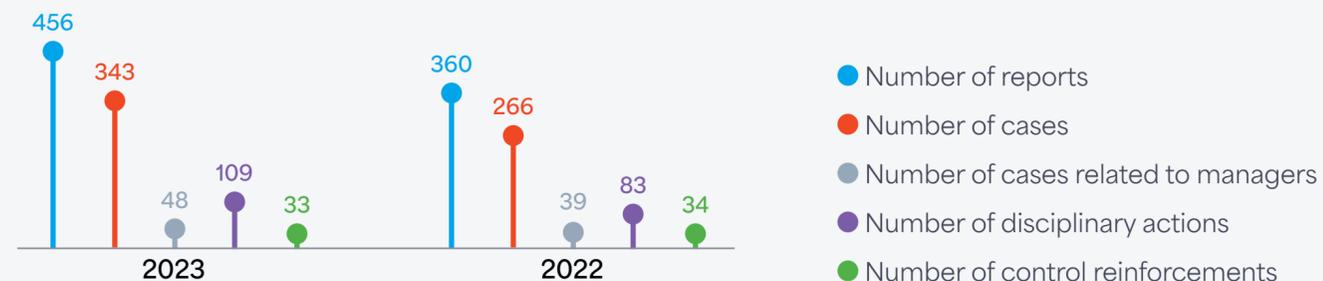
In 2023, we performed an independent survey to identify the extent to which employees trust *Línea Correcta*. Based on the results, we developed a comprehensive plan to strengthen the processes for receiving, handling, and resolving reports in order to reduce the risk of information leakage and reprisals, and improve communication with those who report through *Línea Correcta* or any other channel. This plan will be deployed during 2024, and will include a communication campaign on key aspects: confidentiality, anti-reprisals, and how to properly cooperate in an investigation. It will also include workshops to strengthen the capacities of key areas that, due to their position, receive the complaints.

Type of report	2023	2022
● Mobbing	108	90
● Abuse of authority	40	38
● Others	25	22
● Sexual harassment	42	28
● Theft or destruction of assets	18	2
● Kickbacks/unethical dealings with suppliers	40	23
● Conflicts of interest	15	14
● Violation of policies	17	13
● Professional/occupational negligence	13	18
● Unsafe actions or conditions	11	2
● Incorrect use of assets	4	3
● Fraud	2	5
● Breach of trust	3	6
● Improper conduct	0	2
● Discrimination	5	-
TOTAL	343	266

Cases reported to Línea Correcta



Ethical conduct indicators



Integrity workshop

for 38 newly hired engineers-in-training at Peñoles' mines division

CRIL Values Workshop

for 124 unionized employees

Online Integrity Culture

course (permanent training)

for 140 new hires through our Virtual Campus

Training Workshop

(conflict of Interest)

at Química del Rey, 51 employees, and for controllers in the Mines division, 48 people

Mobbing and harassment prevention

for Exploraciones Peru, 38 people.

Training and raising awareness

We seek to embed the organizational culture in our people from the moment they join the company and extend it to our different stakeholders.

In 2023, we once again reiterated our commitment to integrity, involving 4,830 people—the equivalent of 100% of non-unionized employees in Mexico

and Peru (see case study). We also trained 395 contractors of goods and services through online workshops to ensure their adherence to our [Integrity and Compliance Policy](#) and our [Third-Party Code of Conduct](#).

Contractors were selected based on two factors: number of permanent employees in our business units and continual or permanent engagement.

In 2024, we will provide segregated training according to the roles and responsibilities of the areas more prone to corruption and bribery risks.



Case study - Reiterating our commitment to integrity

Through our Talent University internal technological platform, we annually reiterate our commitment to integrity through a training exercise in which all employees and managers pledge to comply with and enforce compliance with the company's Code of Ethics and Conduct. Furthermore, compliance regulations are reinforced and internalized through the following initiatives:

- Exercises to socialize updating of the Code of Ethics and Conduct
- Knowledge and evaluation of procedures for preventing and deterring fraud, donations, sponsorships, gifts, and hospitality; anti-bribery and anticorruption, conflict of interest guidelines, crime prevention, and legal non-compliance
- Clips on mobbing and harassment prevention and the importance of personal data protection
- Use of the whistleblowing mechanism and how to make a report
- Questionnaire to identify potential conflicts of interest (Annual Conflict of Interest Statement).



The Integrity and Compliance program includes a permanent communication strategy; we organize campaigns to foster the desired culture within our company and among stakeholders. Through “The Value of Compliance” campaign, we spread the word about the importance of regulatory compliance and how it builds value for our organization.

Communication of our **reiterated commitment to integrity 2023**: Wallpaper, WhatsApp, e-mail, and internal portals

Communication on **cybersecurity**: reminder button on websites, posting alerts with infographics

Communication on **gifts and hospitality**: banner on internal website, e-mail, external website, and trivia prompts

Biannual publication of **Línea Correcta statistics**: e-mail and posting on internal websites

Personal information: Infographics on definitions and ARCO rights

Communication on **conflicts of interest**: infographics on myths and realities, and trivia prompts

Cybersecurity

For Industrias Peñoles, information is an invaluable asset that must be protected, and all employees share the responsibility to safeguard it. With this in mind, we created a Cybersecurity Office in 2019, which establishes a model of cybersecurity governance that, besides being based on the [three lines of defense](#), involves every level of our business. In 2023, we continued to strengthen cybersecurity in all of our business processes, aligned with our business strategies and mindful of our responsibility, as a compliance area, to safeguard digital security as a second line of defense in all of our technological processes.

Our cybersecurity governance initiatives continue to strengthen regulatory capacities for respecting the various laws governing the company and protecting information and technological assets at all levels of the organization. These initiatives encompass the three types of technology we work with: information technology, operating technology, and specialized technology.

We manage a **Cybersecurity Architecture Review Board** a multi-disciplinary work team with decision-making capacity that contributes perspectives and analysis on technology projects and ensures that we meet international standards and internal guidelines, thus avoiding new cyberthreats. Based on its recommendations, we ensure that all technology projects are deployed in a secure manner and that we maintain the necessary level of protection for the entire organization. We are constantly on the alert for cybersecurity threats around us, and we analyze, identify, and remediate failures effectively through vulnerability management. We work as a team and in partnership with our technology areas to establish best security practices and standards for the evolution and technological innovation our business processes.

The **Access Identity Management Committee** a multidisciplinary team of representatives from the IT Depart-

ment, functional leadership, and cybersecurity office, is responsible for overseeing compliance with policies and standards related to access control identities (IAM) to reduce the risks inherent to identities and access.

In the interest of full compliance with the Federal Law for the Protection of Personal Data in Possession of Private Parties, our Personal Data Management System has completed the second phase of its **audit** by the firm NYCE, and we now have certification for our business units.

We are in continuous communication and collaboration with Grupo BAL companies to share experiences, address challenges, and foster cybersecurity and risk culture (*see case study*). This is strengthened at all levels of the organization through various workshops; for example, IT Security workshop, simulation exercises at operational and executive levels, postings on news, and alerts to keep our people

aware of the different threat environments that currently exist.

Public policy

Peñoles is dedicated to the pursuit of the common good. We work together with governments and participate responsibly in dialogues on public policy initiatives. In our due diligence process, we seek to understand and manage the risks involved in our business partners' public exposure. Our Code of Ethics and Conduct makes clear our stance on relations with political parties: we prohibit any direct or indirect contribution by or on behalf of the organization to political parties or campaigns or to any individual, corporation, association, organization, union, or any other type of public or private entity involved in political activities in Mexico or abroad.

Case study - Código Hacker

For the third year in a row, we attended the Código Hacker cybersecurity congress, where, together with other Grupo Bal companies, we discussed topics such as security and trust in the cloud, artificial intelligence, cyber hygiene and personal safety, cyber resilience, and cybersecurity in collaborative environments. We also participated in a cyber-attack simulation, in which all members involved in IT issues participated.

Case study - Cybersecurity is our responsibility

We are continually raising awareness of the need to remain alert as we receive and consult information in a variety of media. With the slogan "Cybersecurity is our responsibility," we developed the following recommendations for staying secure in the face of cyber-attacks:

- **Be more alert**, Cybercriminals use certain types of news to create fake pages and links containing malicious software.
- **Promptly report**, any email, call or message you consider to be suspicious or of dubious origin.
- **Use corporate devices** to access the organization's services.
- **Use authorized media** for sharing sensitive or confidential information.
- **Use secure passwords** and do not share them with anyone.
- **Use only official sites** to consult information on the Internet.

For more information on how we manage relations with authorities, see the section on [Alliance for the Common Good](#).

Responsible value chain

Society increasingly expects business to be more involved in pressing issues—like corruption prevention, respect for human rights, water stewardship, and climate change mitigation—and to extend these concerns to their value chain. Industrias Peñoles is aware of this expectation and has taken action to increase

the visibility of its value chain in order to minimize risks and identify opportunities. The [Third-Party Code of Conduct](#) and due diligence process (see section *Third-party due diligence*) set down the performance criteria in our value chain.



Raw materials shippers

At Industrias Peñoles, we apply best practices in the metals value chain to which we add value in our metallurgical complex. We hold responsible sourcing certification from the London Bullion Market Association (LBMA) –based on the OECD Due Diligence Guidance—which enable us to demonstrate to clients and investors that the precious metals value chain is conflict-free. 90% of the material received at our facilities comes from domestic shippers, and the certification includes annual audits of our shippers and refinery. Our precious metal (Fresnillo plc) and base metal mines that supply raw materials to the metallurgical complex are audited by a third party to avoid the risk of conflicts of interest.

During 2023, we resumed visits to our shippers to assess their sustainability practices and level of risk using our due diligence process—which is based on the Gold and Silver Responsible Sourcing Guidelines. Also, as part of our commitment to building strategic relationships and working together sustainably, we provided training on the [Third-Party Code of Conduct](#), which sets our expectations for responsible business conduct.

Supply Chain

Critical suppliers are those that provide Industrias Peñoles with goods and services that i) have the greatest impact on operating costs, ii) their quality could affect our processes, iii) are scarce or the supplier is the only source, and iv) their purchase and/or import is restricted. For these critical suppliers, we have a monitoring and evaluation program in place that covers their business management, as well as sustainability issues such as climate change, water management, human rights, community relations, and diversity, equity, and inclusion. From these assessments, we identify risks, their sustainability maturity, as well as strengths and areas of opportunity in their organizational structure, and select suppliers to participate in skill-building programs.

The internal and external audits include interviews to understand the measures taken to protect the human rights of indigenous peoples, the management of impacts on communities and the environment, the management of ethics and integrity programs to combat money laundering and prevent terrorism financing, as well as other labor practice issues such as health, safety, and labor relations.



Raw materials shippers

- Mining companies that supply complex ore concentrates and other materials to the metallurgical business for processing and production of refined metals



Supply chain (suppliers)

- Companies that supply equipment and services to our mining, metallurgical, and chemical businesses



Contractors

- Companies that supply specialized services and work outside of Peñoles' main activity for its mining, metallurgical, and chemical businesses



Clients

- Companies that purchase the products of our metallurgical and chemical businesses

Local suppliers

We try to incorporate local service companies in order to strengthen our social license in the regions where we operate and to reduce costs. We create initiatives such as the Capela unit's Local Entrepreneur Development Program, which now has entrepreneurs capable of offering services with the required quality and with less need for assistance from the company. The metallurgical complex also has a Supplier Development Program to support the growth of local companies, so they can provide better service with more qualified personnel (see case study).

Contractors

Before beginning activities in any operational area, all new contractor personnel receive five days of safety training and participate in specific courses such as rock mechanics, firefighting, search and rescue, first aid, and emergency response. We hold annual meetings in which we recognize our contractors' safety performance, and we encourage them to develop their own safety recognition mechanisms for their employees. We require them to provide their people with adequate working conditions, accommodation, food, services, and recreation.

Clients

Our business operations are conducted in accordance with the highest [ethical standards](#); we abide by applicable laws and avoid doing business with countries and third parties that do not meet these standards. All of Peñoles' clients are treated fairly and honestly, and we work hard to provide them with top-quality, on-time products and services that meet their needs. We have built up a strong presence in the U.S., European, Central and South American markets, and we remain the top choice for our domestic clients.

We are aware of the trends and expectations of those around us, including markets and clients, and their heightened interest in knowing the carbon footprint of our products, our decarbonization plans, and sustainability practices in general. We are proud to mention that Química del Rey won the silver medal in the EcoVadis Sustainability Ranking (see case study). We will continue working in close partnership with our clients to meet their sustainability goals.

We conducted satisfaction surveys of our clients and followed procedures based on ISO 9001:2015 standard. In 2023, we applied 269 satisfaction surveys to clients in the Metals Division and 158 in the Chemicals Division, obtaining scores of 4.0 and 4.5, respectively, on the Likert scale.

Case study - Contractor and Supplier Evaluation and Development Program

Our Metals Division has a formal program for the evaluation and development of its suppliers and contractors; the purpose of which is to support their growth and guarantee that the services they provide are competitive. The program consists of four phases and is based on a scheme of continuous improvement.

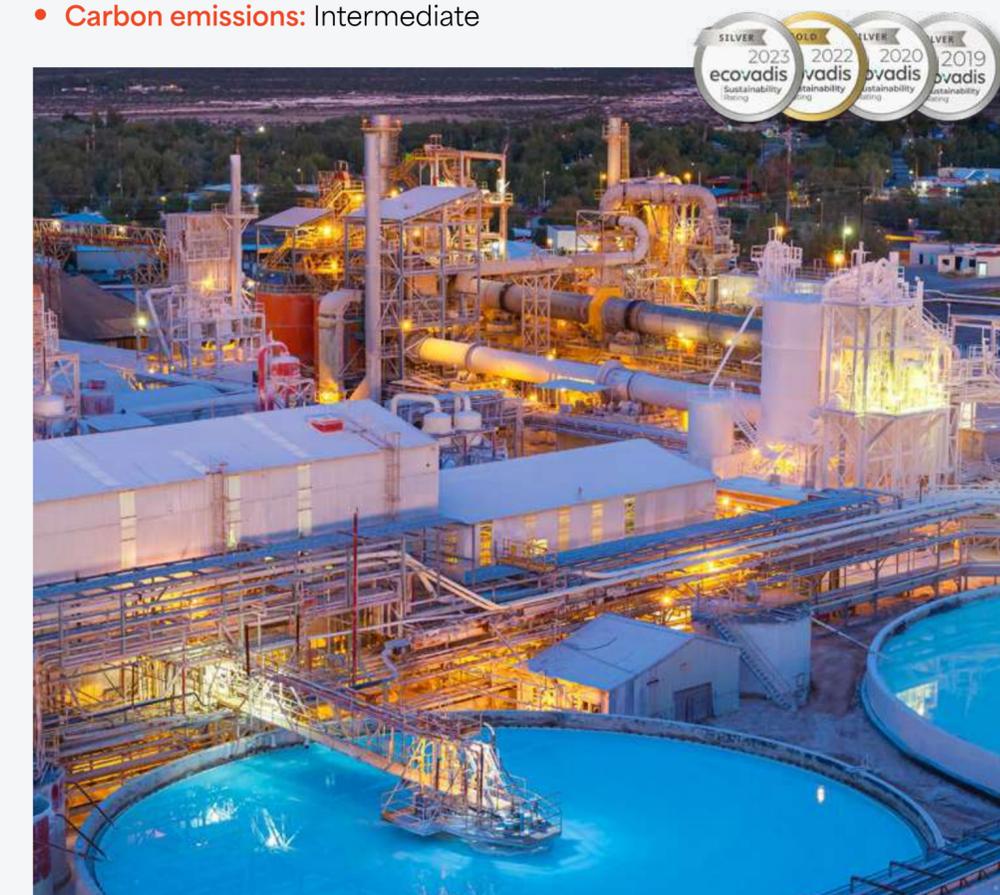
- 1. Selection.** We select suppliers that are relevant to our operations, currently divided into four categories by level of development: competitive, visionary, productive, and under development.
- 2. Evaluation.** We conduct a diagnostic based on documentation and site visits to identify how reliable the supplier is in its ethics and leadership, service, and business management, and to recognize suppliers' risks and opportunities at the technical, administrative, and human level.
- 3. Execution.** We ensure that the recommendations made during the evaluation phase are followed and the proposed action plans are in place.
- 4. Recognition.** We create incentives for participation and strengthen their commitment through recognitions like the annual meeting of service suppliers, special "supplier of the year" recognition, public recognition of their achievements (internal magazine and local news media), and giving them priority in project and service bids, in contractor results meeting, and in training and consultancy on safety, health, and compliance.

FaFaci, a company from Torreón, Coahuila, exemplifies the success of this program. Engaged in the machine metal business since 1999, this family-owned business started out with two people and today employs more than 150. Through this time, it has enjoyed the firm support of Industrias Peñoles. It rose in the ranking from "under development" to "competitive," and it has held Socially Responsible Company distinction for more than 10 years. It is currently in the process of obtaining ISO 14001, 45001, and 90001 certifications with a comprehensive system. It is one of the companies most recognized by Peñoles for its ethical work, local employment, and its commitment to the community and support for associations involved in infant and elderly care. Its success can be attributed to its hard work and forward-looking vision, based on excellent resource administration.

Case study - Química del Rey participates in the EcoVadis Sustainability Ranking

EcoVadis Platinum, Gold, Silver, and Copper medals and badges recognize companies that have completed the evaluation process, demonstrating a solid management system in sustainability criteria. This ranking allows procurement executives to monitor the sustainability performance of their business partners, as well as their continuous improvement actions. Química del Rey has been participating in this process since 2019. In 2023, it obtained the Silver medal for its sustainable performance in these categories:

- **Environment:** Advanced
- **Labor practices in human rights:** Advanced
- **Ethics:** Good
- **Sustainable procurement:** Good
- **Carbon emissions:** Intermediate





Commitment to **climate change** (TCFD)

Peñoles produces essential resources for people's well-being. To do so, we must responsibly manage our social and environmental impacts.

Climate change

Peñoles produces essential resources for people's well-being. To do so, we must responsibly manage our social and environmental impacts. We assume this responsibility by joining efforts with various other economic, governmental, and social players who are working toward the goals of the Paris Agreement and to stave off the worst effects of climate change. Minerals and metals are indispensable for the technologies that will enable the transition to a low-carbon economy. There is broad consensus, reflected in the World Bank and the International Energy Agency projections of critical minerals and metals demand, that the mining and metallurgy industries will play an essential role in this transition.

In the Mexican mining industry, we pioneered the generation of electricity from renewable sources for our operations. Our goal is to obtain 100% of our electricity from clean sources by 2028, to the extent permitted by national legislation. We have embarked on a project to generate a strategic decarbonization roadmap that will allow us to move forward and support setting tar-

gets. The shift to a low-carbon economy is also a source of opportunities. Because of its role in electrification, copper is one of the essential metals in this transition and, therefore, one of the targets of our exploration projects.

In 2023, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations were integrated into the International Sustainability Standards Board's (ISSB) IFRS S2 standard - *Climate-related disclosures*. In 2022, we reported our climate-related performance, risks, and opportunities for the first time, following the recommendations of the TCFD. Our 2023 report provides information on our governance, strategy, and risk management related to climate change, as well as Industrias Peñoles' metrics and targets.

Governance

At Peñoles, we are aware of the importance of climate change, and it is central to the strategic decisions of our Board of Directors. Board members Arturo Manuel Fernández Pérez and Jaime Lomelín Guillén have significant experience in climate change and its implications in energy, mining, metals, and chemicals. Starting in 2024, the Board will also be supported by an ESG Committee, responsible for overseeing climate-related risks and opportunities and seeing that they are incorporated into strategic and operational plans and budgets.

The members of the ESG Committee have extensive experience in the business, all of which allows them to better understand the implications of climate change in processes, energy sources, investments, and customer and market expectations. They are also familiar with the climate change strategy and decarbonization roadmap methodology. This committee, headed by the CEO, will report regularly to the Board of Directors to ensure a high level of involvement by the Chairman.

Additionally, a team of specialists from different areas was assembled to iden-

tify physical and transition risks, as well as control alternatives. For the development of decarbonization roadmaps, we created multidisciplinary teams in each of the business units and a committee made up of the corporate heads of various specialties, who will be in charge of keeping the project in motion. These teams have been trained in climate change strategy and decarbonization levers.

Regarding physical risks, the Executive Tailings Committee and the independent panel of experts have begun to analyze climate modeling and governance alternatives for the physical risks of climate change at our Fresnillo plc subsidiary. The technical areas of Baluarte Minero and Fresnillo plc participated in a training program on climate modeling and the implications of physical risks given by the University of Arizona. These areas constitute a network of expertise that will help us to begin developing capabilities for climate change adaptation.

We have chosen to use carbon-pricing scenarios and strategic decarbonization roadmaps as methodologies for structuring transition risk



analysis and identifying decarbonization opportunities. These methodologies are useful in incorporating climate change into our strategic and operational plans. Our current target is expressed in terms of renewable electricity consumption (scope 2), although we are exploring absolute decarbonization targets (scopes 1 and 2) duly grounded in roadmaps. We are also preparing a first strategic decarbonization roadmap, which we expect to complete in 2024.

In 2023, ESG criteria were included in our CEO's performance evaluation. Peñoles sets annual energy efficiency targets for each of its operations, which are considered in its executives' performance evaluations and incentives; for example, energy savings measures implemented, energy consumption per metric ton of processed ore and/or product, and cost efficiency, among others.

Strategy

Changes in climate patterns pose physical risks to our workers, communities, infrastructure, and supply chain. Changes in national and international regulations, demand for greener metals, and stakeholder expectations all mean risks and opportunities for transitioning to a low-carbon economy.

Climate change also has implications for our business model, strategy, and finances. Our strategy is based on the conviction that we can contribute to sustainable development by sourcing essential metals and developing adaptation and resilience capabilities in our business units and neighboring communities, as well as transitioning to a low-carbon economy.

Climate-related risks and opportunities

Identifying the risks and opportunities of climate change in our value chain is fundamental to developing our transition strategy. To this end, we use scenarios of future conditions and possible consequences. In identifying risks, we used time horizons compatible with the lifecycle of our business and the time-frame of the global target of carbon neutrality.

Scenarios and time horizons

The scenarios we consider are plausible representations of future climate conditions and societal responses to mitigate and adapt to the impacts of climate change. These scenarios use combinations of representative concentration pathways (RCPs) to understand physical impacts and shared socioeconomic pathways (SSPs) to understand transition risks. The Intergovernmental Panel on Climate Change (IPCC) developed these scenarios as a standard framework for analyzing climate impacts and public policy; therefore, they should not be interpreted as forecasts by the IPCC or by our company.

1. Low-to-moderate emissions scenario: CO₂ emissions begin to decline through 2045 and reach about half of 2050 levels by 2100, likely resulting in a global temperature increase of 2 to 3°C. In addition, the world follows a path in which social, economic, and technological trends do not deviate much from historical patterns: environmental systems experience degradation, global growth is moderate, and income inequality persists, as does vulnerability to social and environmental change.

2. Very low emissions scenario: Emissions follow a decarbonization pathway aligned with the Paris Agreement, which limits maximum warming to less than 2 °C, achieving a net-zero global economy in the second half of the century, although achieving this will require removing carbon from the atmosphere. In addition, the world moves towards a more sustainable path that respects perceived environmental limits; where economic growth shifts towards a broader emphasis on human well-being; inequality is reduced; and consumption is geared towards low material growth and lower resource intensity.

3. Very high emissions scenario: This is the worst-case scenario, where current climate and energy policies are unsuccessful, resulting in a significant increase in unrestricted global GHG emissions, which intensifies physical risks. In addition, competitive markets produce rapid technological progress and development, but coupled with abundant fossil fuel exploitation and resource- and energy-intensive lifestyles. The management of social and ecological ecosystems is driven by technology, by any means necessary.

Low to moderate emissions scenario

RCP 4.5 IPCC climate scenario	SSP 2 Complementary socioeconomic pathway	Global GHG emissions in 2050 [MtCO ₂ e]
2.0 ± 0.3°C Global temperature increase average by 2050*	2.4 ± 0.5°C Global temperature increase average by 2100*	56,000 (+13% compared to 2015) *temperature anomaly with respect to the reference period of 1850-1900

Very low emissions scenario

RCP 2.6 IPCC climate scenario	SSP 1 Complementary socioeconomic pathway	Global GHG emissions in 2050 [MtCO ₂ e]
1.6 ± 0.3°C Global temperature increase average by 2050*	1.6 ± 0.4°C Global temperature increase average by 2100*	25,000 (-50% compared to 2015) *temperature anomaly with respect to the reference period of 1850-1900

Very high emissions scenario

RCP 8.5 IPCC climate scenario	SSP 5 Complementary socioeconomic pathway	Global GHG emissions in 2050 [MtCO ₂ e]
2.6 ± 0.4°C Global temperature increase average by 2050*	4.3 ± 0.7°C Global temperature increase average by 2100*	103,000 (+109% compared to 2015) *temperature anomaly with respect to the reference period of 1850-1900

Due to the nature of our operations and, in particular, the mining life cycle, we are using a 10-year timeframe for our strategic plans and take 2050 as the benchmark for carbon neutrality considerations.

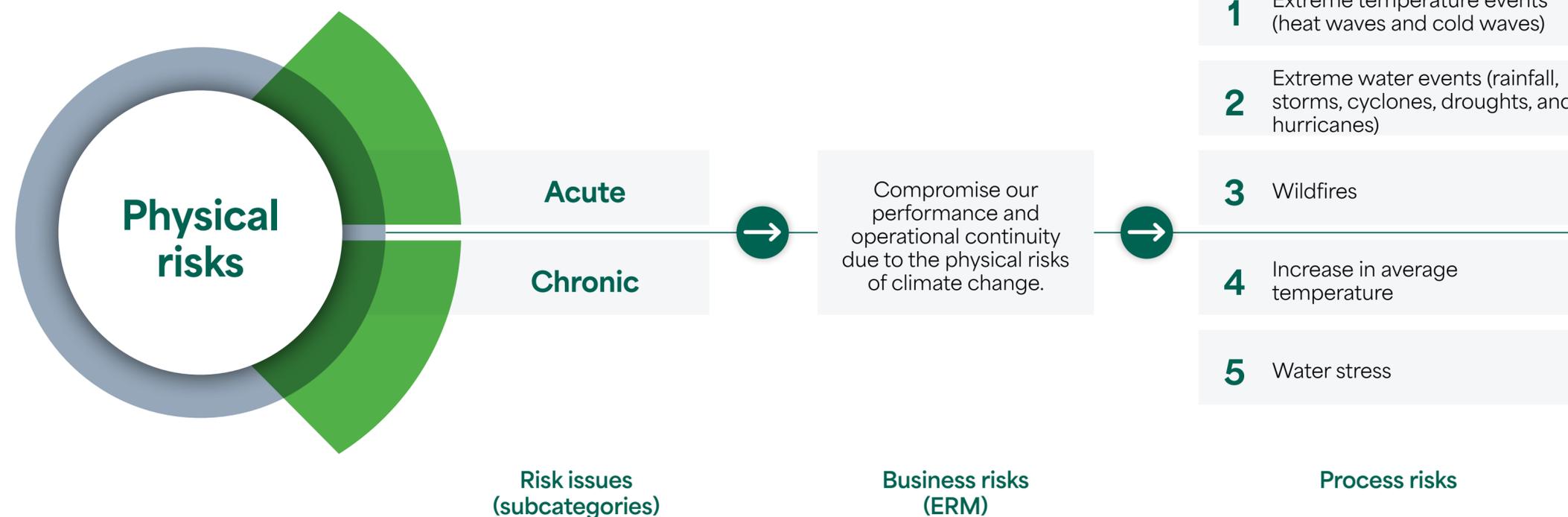
National and international regulatory framework

Mexican policies are currently fragmented, setting the carbon price simultaneously at national and state levels: (i) a (federal) Emissions Trading System for operations with annual CO₂ emissions above 100,000 metric tons; (ii) a clean energy requirement for generators in the electricity market with a market for clean energy certificates (CEC); (iii) a generally applicable federal carbon tax (excise tax on fuels) based on the percentage of carbon and taking natural gas as base 0; (iv) various state carbon taxes in place, being evaluated or challenged. Import tariffs based on carbon footprint such as the European Carbon Border Adjustment Mech-

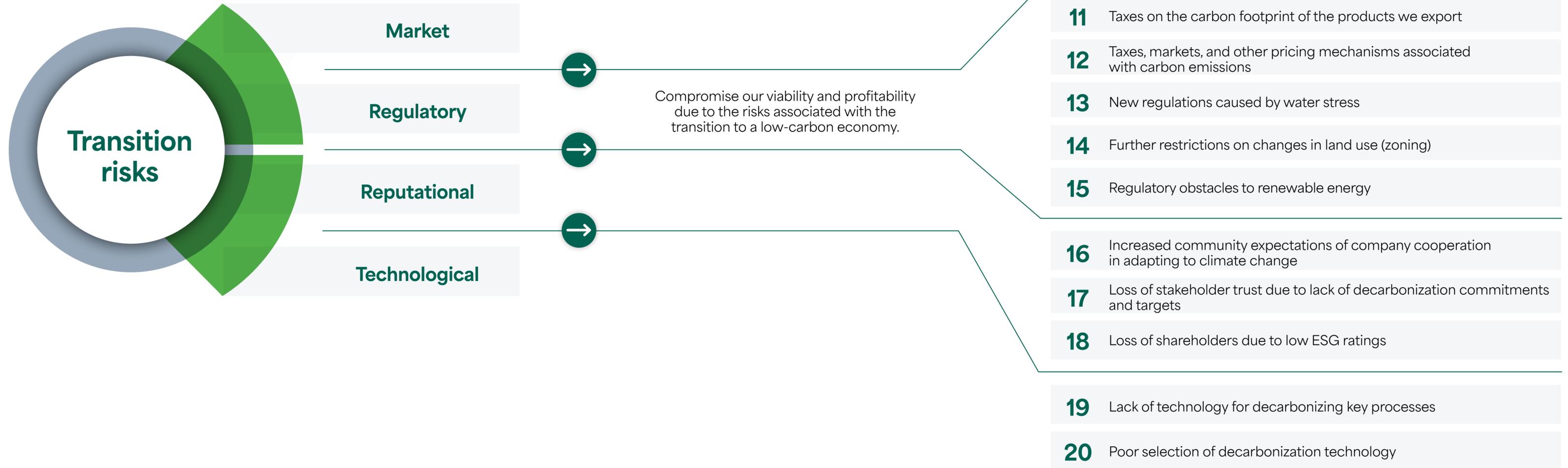
anism (CBAM) currently regulate iron and steel, cement, fertilizers, aluminum, electricity, and hydrogen.

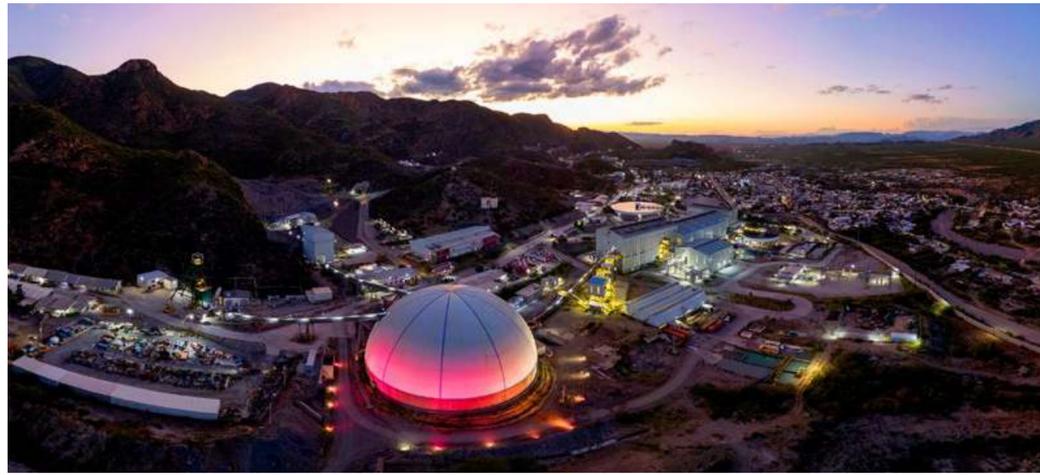
Risk identification

We begin the identification process by compiling risks already detected in our industry, as well as general information on national and international physical and transition risks. Through workshops with multidisciplinary teams, we contextualize these risks with our business model, strategy, and operations, supported by information on relevant scenarios for physical and transition risks. In these workshops, the risk catalog is complemented, and we arrive at a shared vision. Risks are classified into physical and transition risks, resulting in two overarching risks for our enterprise risk management (ERM): “Compromise our performance and operational continuity due to the physical risks of climate change” and “Compromise our viability and profitability due to the risks associated with the transition to a low-carbon economy.”



Through workshops with multidisciplinary teams, we contextualize these risks with our business model, strategy, and operations.





Current risk assessment

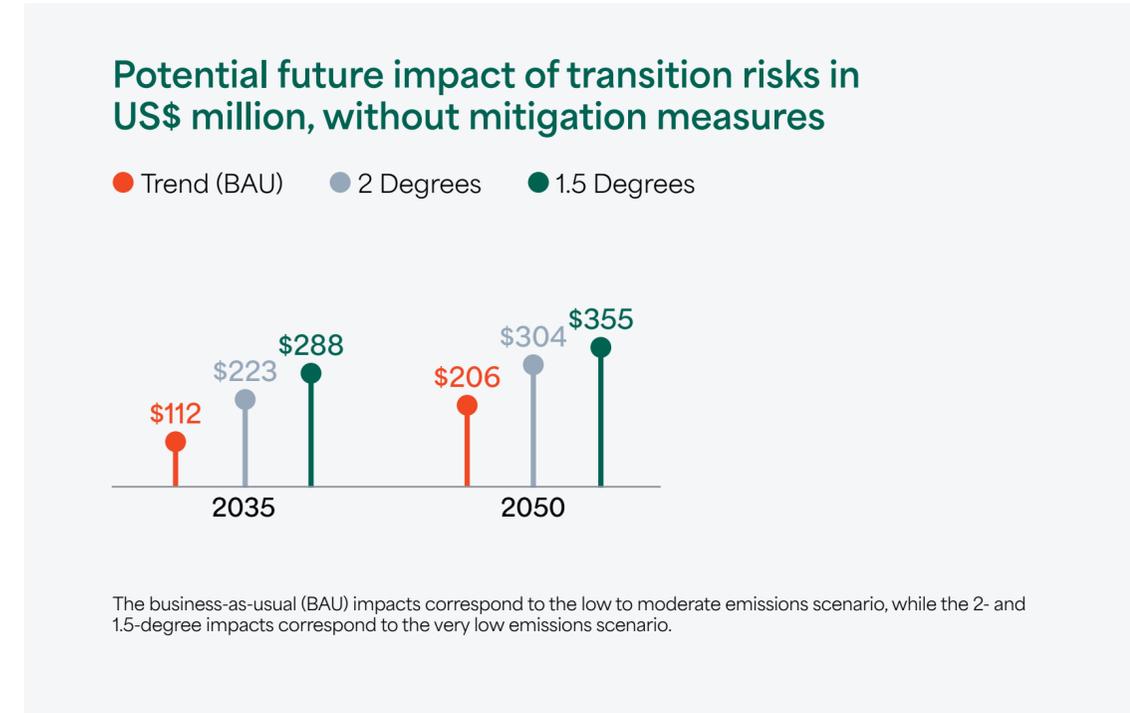
We assess each risk considering its probability and current impact. This qualitative assessment considers impacts to operational processes, efficiency, budgets, regulatory compliance, health, safety, and environment, and our stakeholders.

Future impacts

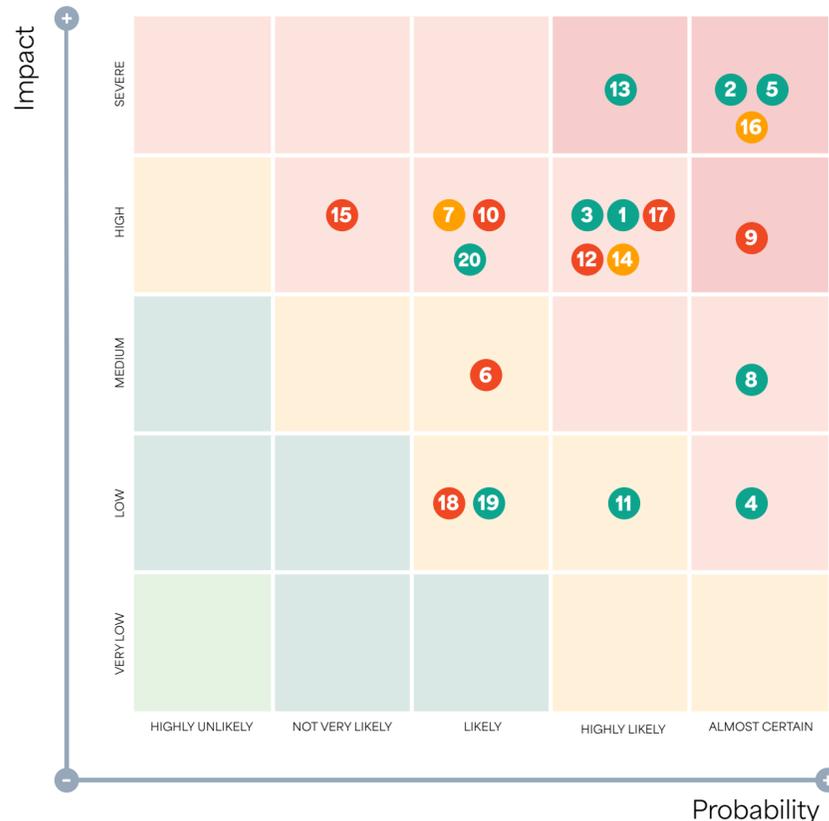
Projecting future impacts is an essential component of our strategy, business model, and operations. Assessing future impacts is helpful in grounding plans to reduce exposure to climate-related risks.

For transition risks, we use international carbon price projections to determine the economic impact of the carbon footprint. There is a wide range of transition risks, given the numerous national and international regulatory mechanisms and the carbon price uncertainty associated with them. Client expectations, markets, green financing, and corporate reputation are all components of transition risks. We use projections on international carbon prices to reflect the combined effect of future regulations and how other market and reputational expectations may impact them.

As for physical risks, universities and governments have produced climate atlases based on global circulation models, with ground resolutions of between 250 and 600 km. However, this coarse resolution is not sufficient for assessing climate-related physi-



ERM risks – Peñoles climate change assessment



Five top risks

- 2. Extreme water events (rainfall, storms, cyclones, droughts, and hurricanes)
- 5. Water stress
- 16. Increased community expectations of company cooperation in adapting to climate change
- 13. New regulations caused by water stress
- 9. Increase in insurance premiums

cal risks to infrastructure. We would need to have regionally scaled global circulation models in order to generate climate projections with a higher spatial resolution. For climate modeling, we have stepped up our collaboration with universities to generate climate projections at geographic scales compatible with our operations. These should provide valuable inputs for integrating climate change into new projects and mine closure planning.

General implications for business resilience

The very high emissions scenario entails much more intense physical risks than the low-to-moderate and very low emissions scenarios. It shows an increase in the frequency and magnitude of temperature extremes and in the duration of droughts. Reduced annual precipitation and increased evaporation would have an adverse effect on water stress levels in the regions of interest in Mexico. More severe and more frequent extreme precipitation events will require us to adapt our operational practices to protect people's health and safety in the face of extreme temperature events, and will have implications for our operations' water stewardship strategy and the planning and design of new projects and closures.

Although transition risks intensify under the very low emissions scenario, the impacts are significant for a low-to-moderate emissions scenario without mitigation measures. Our decarbonization strategy will prove highly important in reducing exposure to transition risks, while renewables will play a key role in the short, medium, and long term to decarbonize electricity consumption and open up opportunities for electrification. The most challenging aspects of decarbonizing our business model require a disciplined roadmap approach. The very low emissions scenario opens up significant opportunities for Industrias Peñoles and its copper mining growth strategy.

Implications of risks and opportunities on value creation levers

For the most prevalent risks, we have identified the implications for the various value creation levers.

#	Risk	Impact on value creation levers	Time horizon
1	Extreme temperature events (heat waves and cold waves)	<ul style="list-style-type: none"> Revenue reduction Increased production costs 	Short term (< 3 years)
2	Extreme water events (rainfall, storms, cyclones, droughts, and hurricanes)	<ul style="list-style-type: none"> Revenue reduction Increased production costs Investments (CapEx) 	Short term (< 3 years)
3	Wildfires	<ul style="list-style-type: none"> Revenue reduction Increased production costs 	Short term (< 3 years)
4	Increase in average temperature	<ul style="list-style-type: none"> Increased production costs 	Short term (< 3 years)
5	Water stress	<ul style="list-style-type: none"> Revenue reduction Increased production costs Investments (CapEx) 	Short term (< 3 years)
6	Volatility in energy prices (fuel and electricity)	<ul style="list-style-type: none"> Increased production costs 	Short term (< 3 years)
7	Shortage of critical supplies	<ul style="list-style-type: none"> Revenue reduction Increased production costs 	Short term (< 3 years)
8	Increase in cost of water	<ul style="list-style-type: none"> Increased production costs 	Short term (< 3 years)
9	Increase in insurance premiums	<ul style="list-style-type: none"> Increased production costs 	Short term (< 3 years)
10	Loss of access to funding sources that require emission reduction and ESG targets	<ul style="list-style-type: none"> Access to capital and financing 	Medium term (> 3 and < 10 years)
11	Taxes on the carbon footprint of the products we export	<ul style="list-style-type: none"> Profit reduction 	Medium term (> 3 and < 10 years)
12	Taxes, markets, and other pricing mechanisms associated with carbon emissions	<ul style="list-style-type: none"> Profit reduction 	Medium term (> 3 and < 10 years)
13	New regulations caused by water stress	<ul style="list-style-type: none"> Revenue reduction Increased production costs Investments (CapEx) 	Short term (< 3 years)
14	Further restrictions on changes in land use (zoning)	<ul style="list-style-type: none"> Revenue reduction Increased production costs Investments (CapEx) 	Medium term (> 3 and < 10 years)
15	Regulatory obstacles to renewable energy	<ul style="list-style-type: none"> Increased production costs 	Short term (< 3 years)
16	Increased community expectations of company cooperation in adapting to climate change	<ul style="list-style-type: none"> Increased production costs 	Medium term (> 3 and < 10 years)
17	Loss of stakeholder trust due to lack of decarbonization commitments and targets	<ul style="list-style-type: none"> Revenue reduction Access to capital and financing 	Medium term (> 3 and < 10 years)
18	Loss of shareholders due to low ESG ratings	<ul style="list-style-type: none"> Access to capital and financing 	Medium term (> 3 and < 10 years)
19	Lack of technology for decarbonizing key processes	<ul style="list-style-type: none"> Increased production costs Profit reduction 	Medium term (> 3 and < 10 years)
20	Poor selection of decarbonization technology	<ul style="list-style-type: none"> Increased production costs Profit reduction Access to capital and financing 	Medium term (> 3 and < 10 years)

Peñoles' strategic response

Our climate change strategy aims to go beyond resilience, mitigating (or decarbonizing) our impact on climate change and adapting to the physical impacts of climate change. By mitigating our impact, we reduce our exposure to transitional risks, and by adapting to climate change, we can reduce the exposure of our people, infrastructure, and communities to the physical risks of climate change.

Electricity strategy

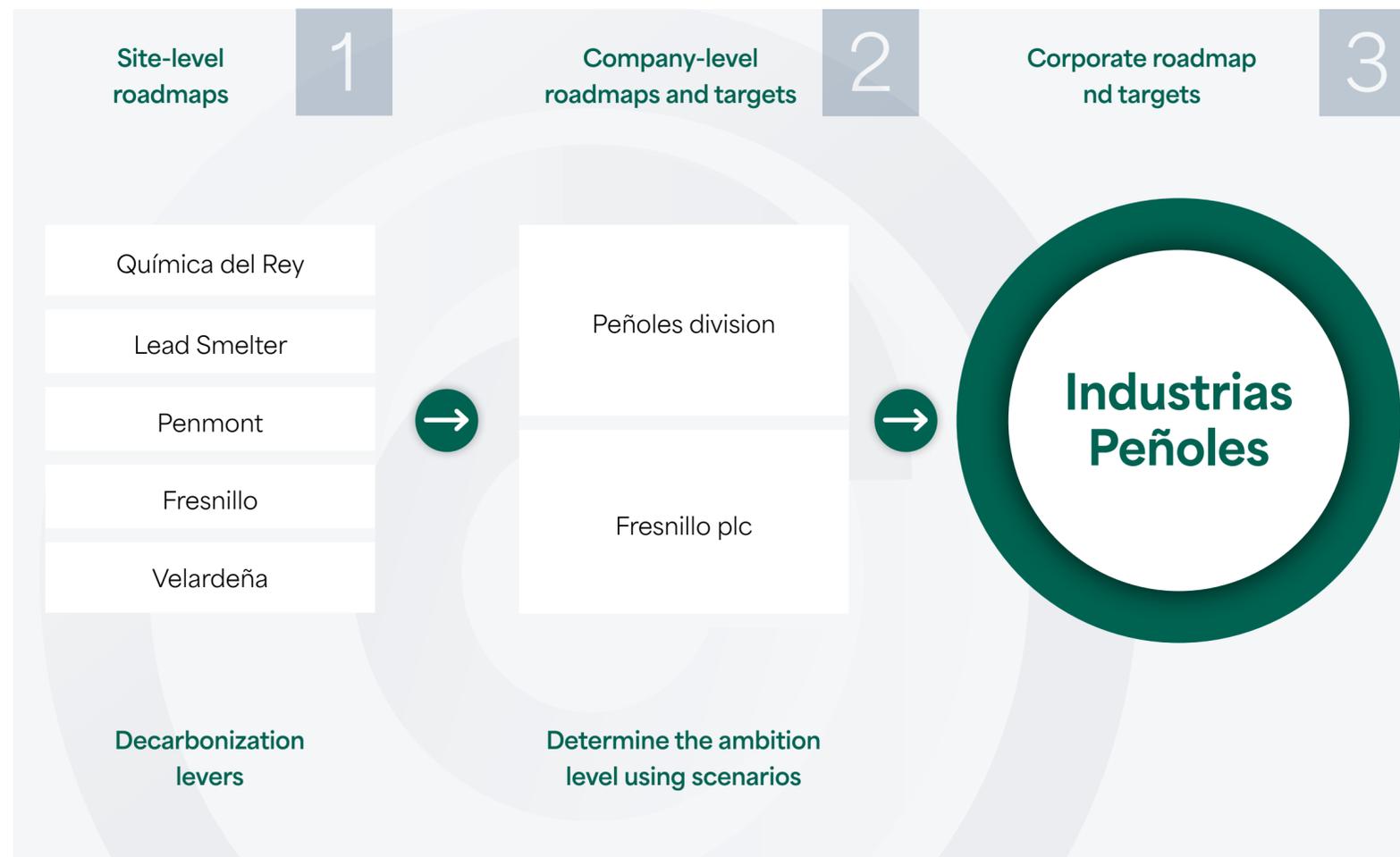
Electricity supply is one of the main decarbonization levers. We have migrated loads from Termoeléctrica Peñoles (TEP) to the Wholesale Electricity Market (MEM) with the dual purpose of lowering costs and reducing our carbon footprint. The Met-Mex Peñoles and Minera Tizapa metallurgical complex loads were migrated to the MEM pool. The Quimica del Rey chemical complex migrated to the MEM under an energy coverage contract from our Mesa La Paz wind farm. We have also migrated CFE basic supply loads to the MEM, and La Herradura, Fresnillo iron ore flotation, and Juanicipio also migrated to the MEM under an energy coverage contract from the Mesa La Paz wind farm.

Decarbonization roadmaps project

We are resolute about setting decarbonization commitments and targets. We have measured our emissions and know which of our processes have the largest carbon footprint, and we have expertise in technologies such as wind farms, cogeneration, and dual vehicle fleets. So far, renewable electricity has been the main lever for decarbonization, and we plan to maximize the supply of electricity from renewable sources by the end of this decade. However, there are activities and processes in the mining and metals industry that are more difficult to decarbonize. For this reason, decarbonization is a complex issue; one that requires a roadmap incorporating multiple decarbonization levers (optionality), their impact on emissions reduc-

tions, the speed of implementation, and their financial implications. The roadmap project aims to generate a decarbonization roadmap at the strategic level to use as a basis for targets and guide the incorporation of decarbonization initiatives into the organization's strategic, operational, and budget planning.

Penmont, Química del Rey and the lead smelter were selected as pilot sites, considering their level of emissions and the challenge of decarbonizing their energy sources and process emissions. Additionally, two underground operations (with a significantly lower carbon footprint than the three previously-mentioned sites) were included in the pilot due to their strategic role in our business model.

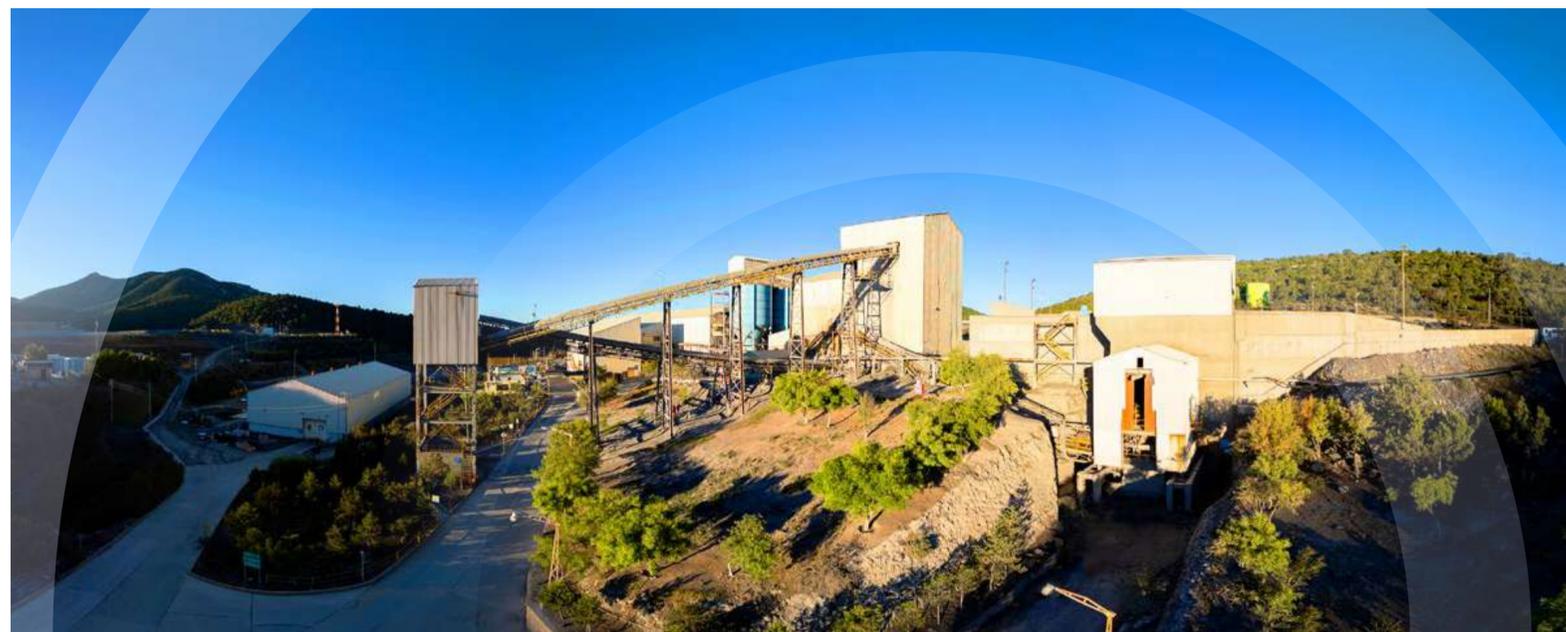


In 2023, we made a preliminary identification of decarbonization levers for the pilot sites, considering opportunities for process change, energy efficiency, replacement by green fuels, electrification, renewables, and carbon capture and utilization (CCU).

The decarbonization roadmap project was presented to and supported by the Chairman of the Board of Directors and the CEOs, CFOs, senior management, and operation managers of Peñoles and its Fresnillo plc subsidiary. In each pilot, a multidisciplinary team and a steering committee for the project was formed to evaluate and provide feedback.

In 2023, we made a preliminary identification of decarbonization levers for the pilot sites, considering opportunities for process change, energy efficiency, replacement by green fuels, electrification, renewables, and carbon capture and utilization (CCU). Likewise, we analyzed and defined green energy assumptions, considering biomethane, biodiesel, biocoke, green electricity, hydrogen, CCU, and preliminary opportunities for the pilot sites.





Climate modeling project

Climate change has various physical impacts on the mining lifecycle—from exploration and development to operation, closure, and post-closure—so climate projections are necessary to understand the risk, vulnerabilities, and measures needed to adapt to climate change. Resilience to the physical impacts of climate change is critical for protecting the health and safety of personnel, developing resilient mining infrastructure, securing water supply, and collaborating with neighboring communities. Public climate information currently exists for Mexico, but it is not detailed enough for us to assess the impacts on mining infrastructure. More advanced climate modeling, tailored to the needs of the organization, is essential. The methodology for this project is based on global climate models (the IPCC CMIP5 and CMIP6 frameworks), dynamically scaled using regional physical models that feed a stochastic generator of climate ensembles trained with data from weather stations. In addition to generating projections, the climate-modeling project will build the organization's capacity to understand the implications of physical impacts and serve as a channel for developing partnerships with academe.

Case study - Climate change capacity building with Fresnillo plc and Baluarte Minero teams

- Virtual Climate Change Workshop:** Presentation of Fresnillo's climate-related financial disclosure commitments and the strategic goals of the climate-modeling project. Professors from the University of Arizona Center for Applied Hydroclimatic Sciences discussed the relevance of climate change and the climate change modeling methodology. University of Arizona professors presented research projects on climate change in mining, with the participation of the School of Mining and Mineral Resources, the Center for Climate Adaptation Science and Solutions, and the Center for Sustainable Mining, among others. The workshop brought together various areas of Peñoles such as planning, projects, engineering, water, tailings, and environment, among others; all of which will play an important role in adapting to climate change.
- Workshop with UNAM researchers:** Presentation on the project goals and climate change modeling methodology with professors from the University of Arizona and the departments of Atmospheric Sciences and Climate Change and the School of Mining and Metallurgy at the UNAM School of Engineering. The workshop attracted the interest of Mexican academics in working with the organization on climate modeling projects and capacity-building for climate change adaptation in mining.
- Climate Change Workshop:** Raising awareness of the impacts of climate change and introducing the climate modeling methodology. The main results of the climate assessment for climate variables were presented, with an emphasis on extreme events such as heat waves and storms. Representatives of various areas closely involved in identifying vulnerabilities and planning climate change adaptation measures were invited to the workshop. The workshop allowed for dialogue between multidisciplinary teams on the approach, challenges, and opportunities of climate change adaptation, with an emphasis on environment, mine closure, water, and tailings storage facilities.

Opportunities on the road to a low-emission economy

SDG	Area	Opportunity	Short term	Medium term	Long term
	Electricity	Promotion of renewable energies (wind energy)	●		
	Transportation	Efficient, low-emission transportation and mobility (electric, LNG, hydrogen)		●	
	Mining	Increased copper production			●
	Waste	Circular economy Reuse of tailings	●		
	Fuels	Efficient biofuels research			●
	Biodiversity	Management of wildlife (flora and fauna) Native trees planting	●		
	Water	Regional treatment plants for industrial use Zero discharge circuits	●		

Risk management

Risk identification and assessment process

Another fundamental aspect is to understand the scale of impact of climate risks. For this purpose, we use various quantitative and qualitative methodologies.

To identify and scale physical risks, we used a study conducted by Deloitte for Peñoles' operations in Mexico. This study is complemented by [water stress](#) projections under various climate change scenarios using the World Resources Institute ([WRI](#)) Aqueduct Tool.

The level of detail we have allows us to identify and assess the magnitude of climate impacts. However, the level of spatial resolution is not compatible with the climate data needed for engineering reviews of our operations and infrastructure at the geographic scale. We are currently working together with the University of Arizona and the reinsurance industry to generate climate projections with higher resolution and to broaden the range of physical climate-related risks and other ESG issues, such as biodiversity.

To determine the scope of transition risks, we consider current and future public policy implications and market and stakeholder expectations. We used carbon price projections for the three scenarios, taking into account current regulations, carbon price projections for Latin America, potential carbon-footprint-based tariffs on exports to the United States or the European Union, and the European carbon futures market, a mature carbon market.

Climate-related risk management framework

A robust climate-related risk management methodology is essential. We use the Peñoles risk management framework (see the section on Management of ESG Impacts and Risks). We are currently in stage 3, risk management, where we identify the consequences of current and new risks and controls. We are using what is known as the bow-tie method for preventive (PC), detective (DC), and corrective (CC) controls and for identifying the areas and positions responsible for those controls.



- Process risks
- Preventive controls
- Detective controls
- Corrective controls

Risks	Consequences	Controls to be deployed
R-2. Extreme water events (rainfall, storms, cyclones, droughts, and hurricanes)	<ul style="list-style-type: none"> • Overflow of tailings storage facilities • Tailings storage facilities rupture • Damage to public and private infrastructure • Increased CapEx for infrastructure reinforcement • Increased CapEx related to water management and storage infrastructure • Disruption of power supply • Loss of biodiversity • Fewer water resources, at greater depth or distance 	<ul style="list-style-type: none"> • CP-1 Climate projections • CP-2 Establishment of baselines for climate projections • CP-3 Vulnerability assessment • CP-10 Water balance models • CD-1 Weather stations • CD-2 Monitoring of water volumes • CC-1 Emergency response plans • CC-2 Increase in infrastructure resilience
R-5. Water stress	<ul style="list-style-type: none"> • Increase in operating or production costs • Decrease in sales due to damage to roads and operating infrastructure • Increased CapEx related to water management and storage infrastructure • Decrease in power supply • Loss of biodiversity • Fewer water resources, at greater depth or distance 	<ul style="list-style-type: none"> • CP-14 Social investment in own water or in collaboration with governments • CP-15 Collective water monitoring
R-16. Increased community expectations of company cooperation in adapting to climate change	<ul style="list-style-type: none"> • Increased conflict with communities over access to water • Increased difficulty in obtaining environmental permits and water concessions 	<ul style="list-style-type: none"> • CP-6 Water stress projections • CP-7 Reuse, water recirculation, and discharge management • CP-8 Hydrogeological models
R-13. New regulations caused by water stress	<ul style="list-style-type: none"> • Increased difficulty in obtaining environmental permits and water concessions • Increased conflict with communities over access to water 	<ul style="list-style-type: none"> • CP-9 Water volumes under concession • CP-10 Water balance models • CD-2 Monitoring of water volumes • CC-3 Water rationing
R-9. Increase in insurance premiums	<ul style="list-style-type: none"> • Increase in OpEx • Difficulty in accessing financing or unfavorable financing costs 	<ul style="list-style-type: none"> • CC-3 Water rationing

Integration with our ERM

Our business risks (ERM) consolidate climate-related risks into two categories: principal risks and risks prioritized by Peñoles' governing body for inclusion in its watch list, aligned with the organization's strategic plan. These represent the organization's most significant risks in a calendar

year. The ERM risks relating to climate change are:

- 1. Compromise our performance and operational continuity due to the physical risks of climate change.**
- 2. Compromise our viability and profitability due to the risks associated with the transition to a low-carbon economy.**



Performance and metrics

Climate change indicators

We use the following indicators to monitor energy demand and intensity, and consequently, identify opportunities for energy efficiency in our business units. We also monitor progress toward our goal of increasing the use of clean energy aligned with our goal of reaching 100% by 2028, if the regulatory framework allows us. In 2023, we reduced our GHG emissions by 14.17% through decarbonization initiatives, and energy consumption decreased by 7.77% compared to 2022.

All information below includes metrics for Industrias Peñoles and subsidiaries, unless otherwise indicated.

Global GHG emissions (tCO₂e)- (MWhe)

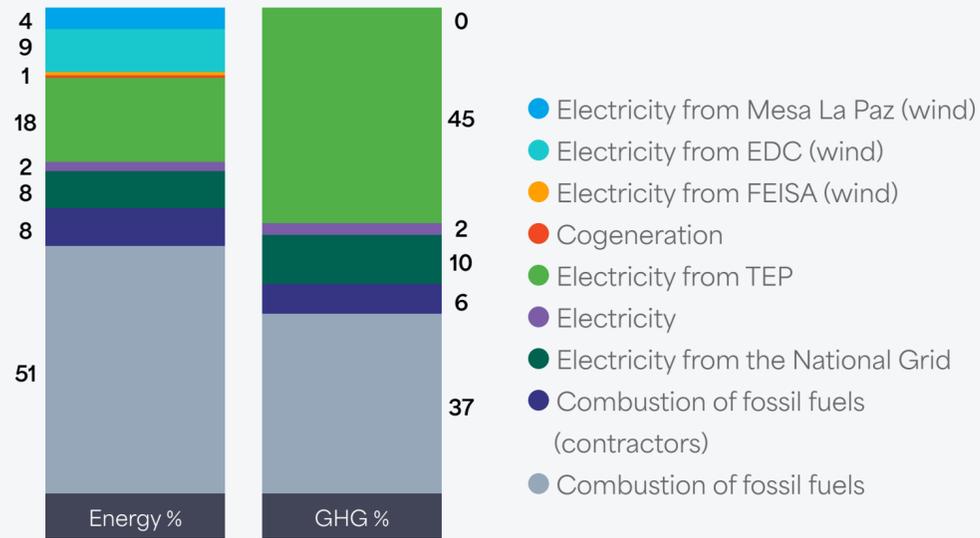
Global GHG emissions for the period from January 1 to December 31, 2023	GHG emissions (tCO ₂ e)				Energy (MWhe)				
	Reporting year				Previous year	Base year	Reporting year	Previous year	Base year
	2023				2022	2012	2023	2022	2012
	tCO ₂ e	tCO ₂	tCH ₄	tN ₂ O					
Scope 1 (direct emissions): Combustion of fuels (stationary and mobile sources) and process	1,216,142	1,200,400	96	35	1,347,660	823,932	4,394,808	4,918,702	3,528,900
Scope 2 (indirect): Electricity purchased from the national grid (CFE), Eólica Peñoles (FEISA, Mesa La Paz, and EDC), and Termoeléctrica Peñoles (TEP)	1,429,896	1,424,499	32	6	1,735,378	2,073,331	3,092,940	3,199,665	2,369,421

The consolidation of emissions is presented according to the financial control approach, based on methodologies established by the Greenhouse Gas Protocol in A Corporate Accounting and Reporting Standard published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), and a 100-year horizon in Global Warming Potential (GWP) for equivalences of methane (CH₄) and nitrous oxide (N₂O). It also incorporates information published by the Intergovernmental Panel on Climate Change (IPCC) and Mexican regulations issued on the matter.

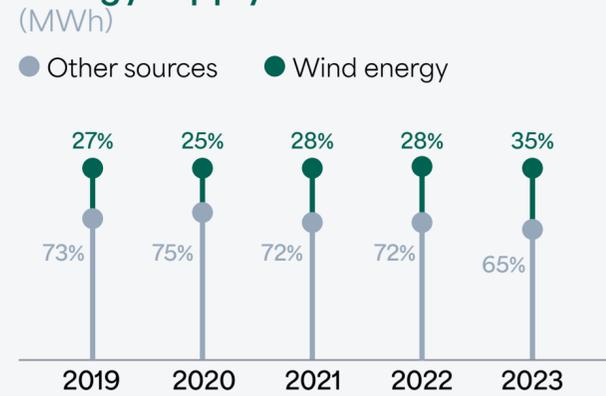
Scope 1: Direct emissions
Scope 2: Market-based indirect emissions



Energy-GHG profile



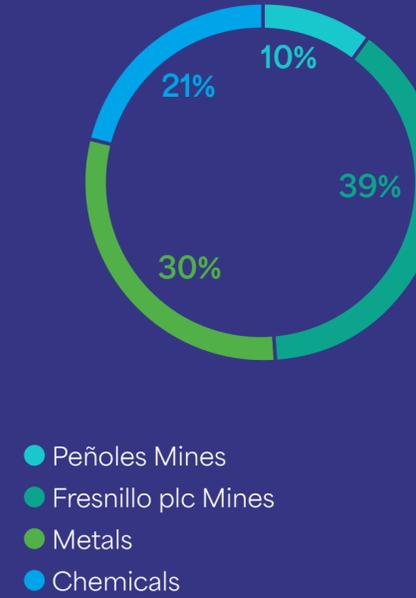
Energy supply



Energy (GWhe)



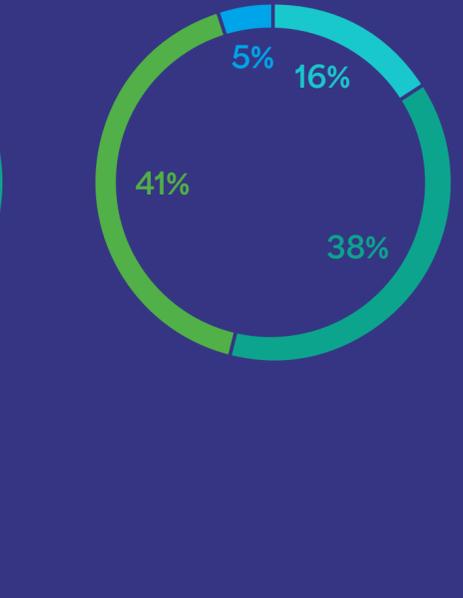
Energy (MWhe)



Scope 1



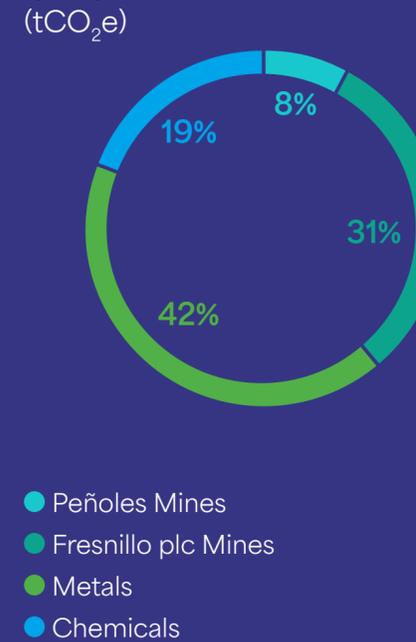
Scope 2



GHG emissions (ktCO₂e)



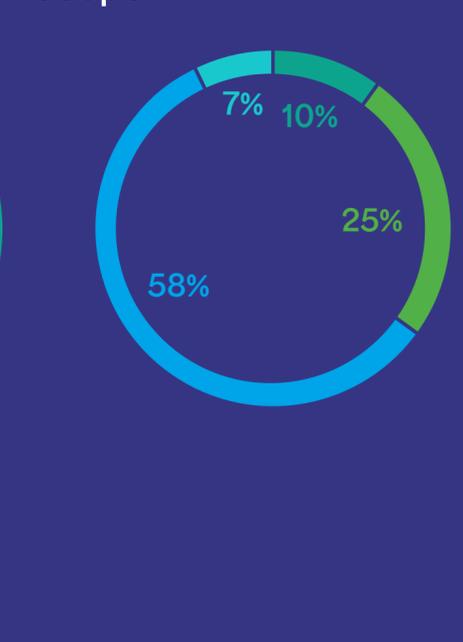
GHG (tCO₂e)



Scope 1

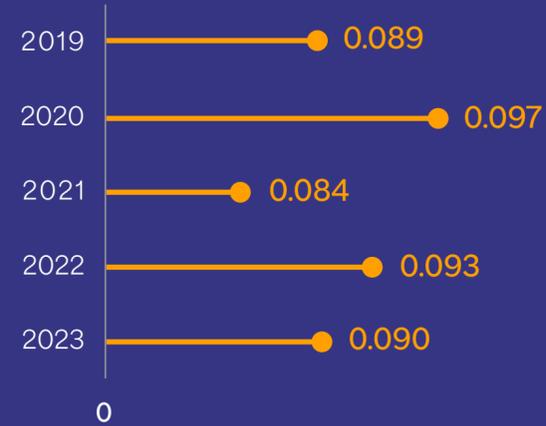


Scope 2

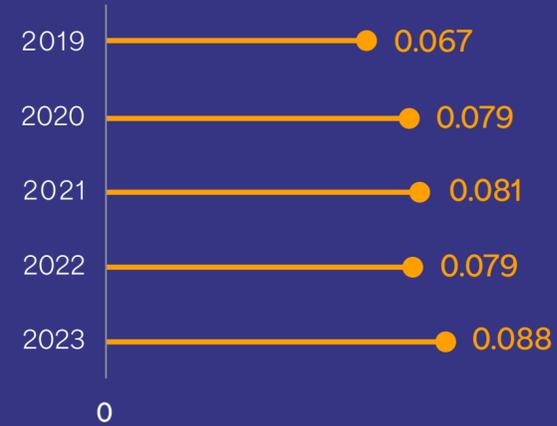


Energy intensity (MWhe / t ore processed)

Peñoles Mines

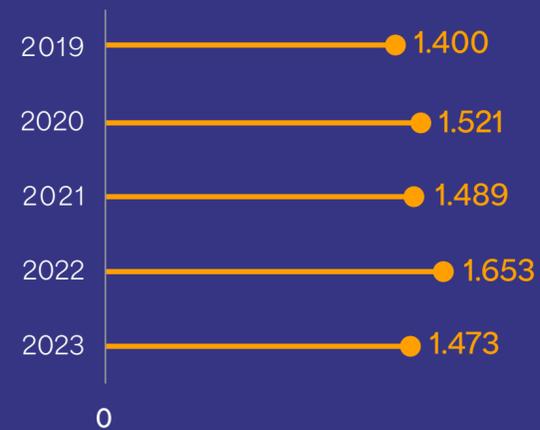


Fresnillo plc Mines



Energy intensity (MWhe / t production)

Metals



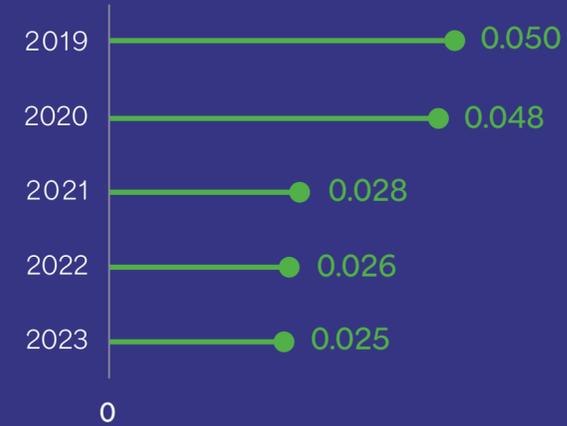
Chemicals



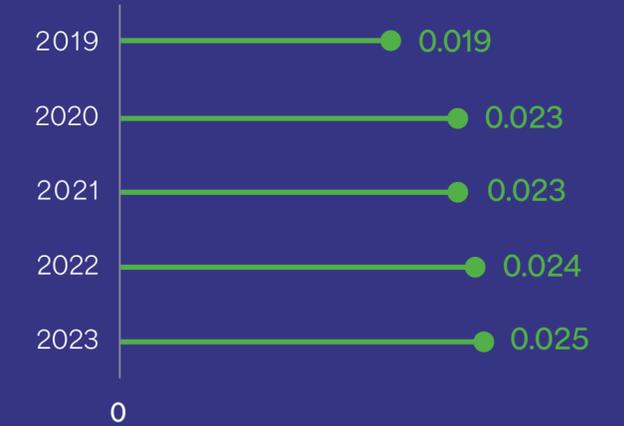
Production Metals and Chemicals includes products and by-products

GHG intensity (tCO₂e / t ore processed)

Peñoles Mines



Fresnillo plc Mines

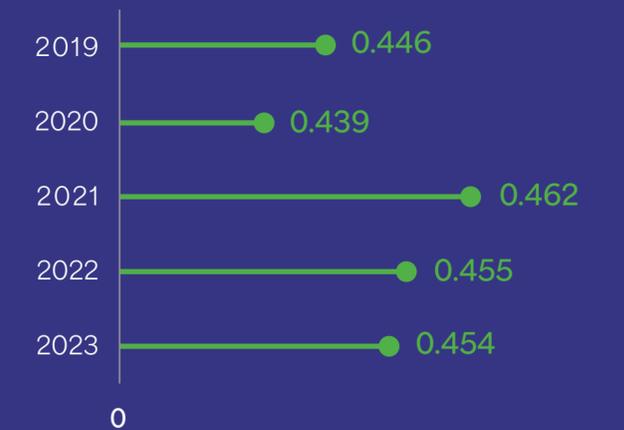


GHG intensity (tCO₂e / t production)

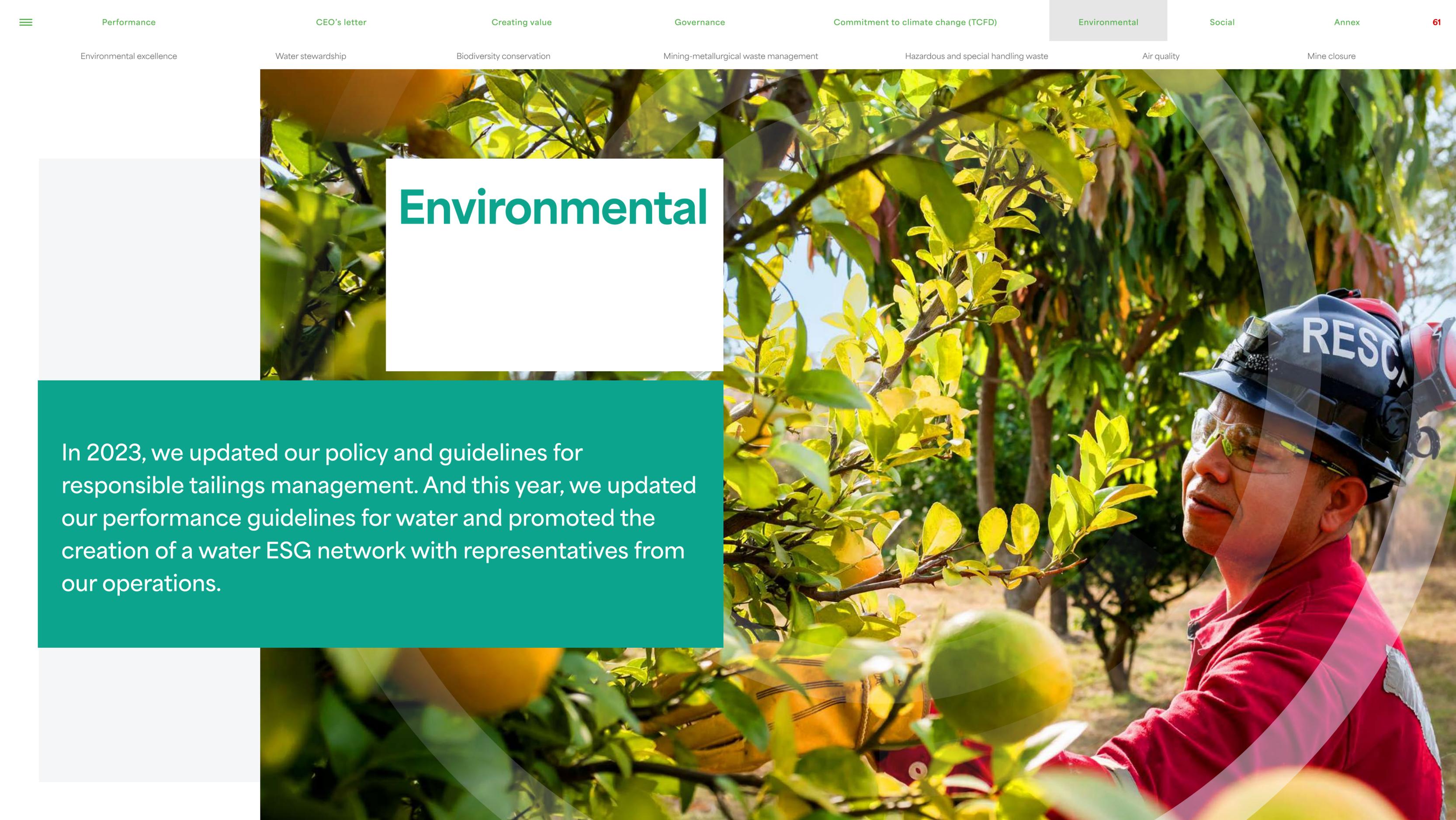
Metals



Chemicals



Production Metals and Chemicals includes products and by-products



Environmental

In 2023, we updated our policy and guidelines for responsible tailings management. And this year, we updated our performance guidelines for water and promoted the creation of a water ESG network with representatives from our operations.

Environmental excellence

We recognize that our activities can impact the environment. Preventive environmental care is a key factor in our business strategy. Our commitment is defined in our [Sustainability Policy](#).

Environmental management

Our Environmental Management System integrates the key mechanisms for improving environmental performance, stakeholder relations, emergency response, and monitoring compliance with current legislation through a regulatory system. Trained and competent personnel implement the system at our operations. Internal audits are conducted annually, regardless of whether the unit is certified by an external entity.

Our environmental management includes:

- **Compliance** with environmental regulations
- Biodiversity and ecosystem **conservation**
- **Prevention** of atmospheric **emissions**
- **Prevention** of **water** deterioration
- **Prevention** of inadequate disposal of **mining waste**
- **Prevention and management** of environmental incidents, aimed at zero environmental damage.



Incident management

Industrias Peñoles has standards and procedures in place to be prepared for and deal with emergencies that may arise from accidents, learn from each case, and take the necessary preventive measures. We have a standardized scheme in place that covers the following environmental incidents: waste and material spills, water contamination, atmospheric emissions and wild fires.

"A significant environmental incident is one that exceeds the maximum permissible limit indicated by the applicable legislation on soil, air, water and waste and, consequently, must be reported and addressed immediately, evaluating the need to carry out remediation actions, which must be submitted for consideration to the applicable government agency."

During 2023, the following environmental incidents were reported to the federal Environmental Protection Agency (PROFEPA):

Company	Spills	Emissions	2023
Peñoles	0	9	9
Fresnillo plc	0	0	0

Case study - Migrating to High Potential Management

Undoubtedly, mining is an activity with potential environmental impacts, and society's expectations in terms of transparency, responsibility, and accountability have evolved in a context of increasingly stringent legislation, which has led our organization to adopt the **High Potential Management Strategy** for the prevention and control of inherent critical environmental risks. The strategy also includes behavior management through visible leadership and incident management.

Maintaining a culture of preventative reporting through high potential near-miss management will give us the opportunity to detect missing or failed critical controls that could lead to high potential accidents.

The severity of these incidents was evaluated in terms of possible environmental, safety, community, and financial impacts, with the result that **these incidents did not cause significant environmental damage** to the environment, since corrective measures were taken immediately, and there were no significant fines or penalties for non-compliance in relation to air quality on the part of the environmental authorities.

Certifications

We made progress in the organization's internal and external commitments to implement the **ISO 14001**, standard, which facilitates improve-

ments in coverage and efficiency in our operating units. During 2023, **75%** of our operating units obtained this certification, and we continue our efforts to obtain it for the rest of our operations. In addition, the Metals and Chemicals Divisions are **ISO 9001** certified.

Química del Rey and **Fertirey** units have successfully maintained the Integral Responsibility Management System (**SARI**) certification granted by the National Association of the Chemical Industry (**ANIQ**).

Water stewardship

Governance

We recognize that water is a finite shared resource of significant environmental, social, cultural, and economic value, and caring for it is one way we gain and preserve the trust of the communities where we operate and want to develop our projects. We are committed to effectively managing and preserving water, with the participation of our stakeholders and with full transparency about our performance.

The ESG Committee (see *ESG Governance section*) is responsible for evaluating the organization's water management and stewardship performance. The Tailings Steering Committee seeks out synergies between good engineering practices and operational governance related to tailings and water management. We have performance guidelines that define water management roles and responsibilities for everyone involved—from the executive team to the operational staff.

We also operate a water ESG group and network of representatives from our operations. Their goals are to improve our understanding of stakeholder expectations and identify efficiency and technology opportunities. This working group collaborates in the creation of roadmaps, and committees, working groups, and networks help to strengthen the organization's water stewardship culture.

Strategy

Managing water is one of the most relevant issues for our business and among the most significant for our stakeholders, according to our present and future materiality study (2033).

Strategic implications of water management

The water we consume in our operations comes from surface and groundwater, municipal sources, and wastewater that we treat and reuse. We reduce water consumption through process efficiency and recirculation. Our access to the water we need for our operations, depends on physical availability, water concessions, and the support of our communities. Access to water has the following strategic implications:

Physical water availability: water stress and climate change

Physical availability is imperiled by the threat of water stress in the watersheds where we operate and the severity of the physical impacts of climate change. In Mexico, climate change will raise temperatures, increase evaporation, and reduce annual rainfall. It will also extend the magnitude of extreme rainfall and the duration of droughts. These effects will contribute to water stress in the watersheds where we operate.

In 2023, we updated our identification of our operating units' water stress and risk zones using the [World Resources Institute's](#) online Aqueduct tool, which resulted in a greater than 50% change in the status of our operating units.

The results indicate that 73% of our operations are now located in extremely high water-stress zones, 9% in medium-high water-stress zones, and 18% in low water-stress zones. With regard to water risk, 68% of the business units are in the extremely high category and 18% in the high-risk category.

Evolution of the regulatory framework and our stakeholder's expectations

Water regulatory frameworks are expected to evolve everywhere in the world in response to stakeholder expectations and adaptation to climate change. The real value of water will increase as its availability decreases, which could make it more costly in the future. There will be increasing expectations for partnerships between mining companies and other users in the watersheds where they operate, mainly with neighboring communities. Consultation processes with indigenous peoples will raise expectations for projects whose watersheds are located, totally or partially, in indigenous peoples' territories.

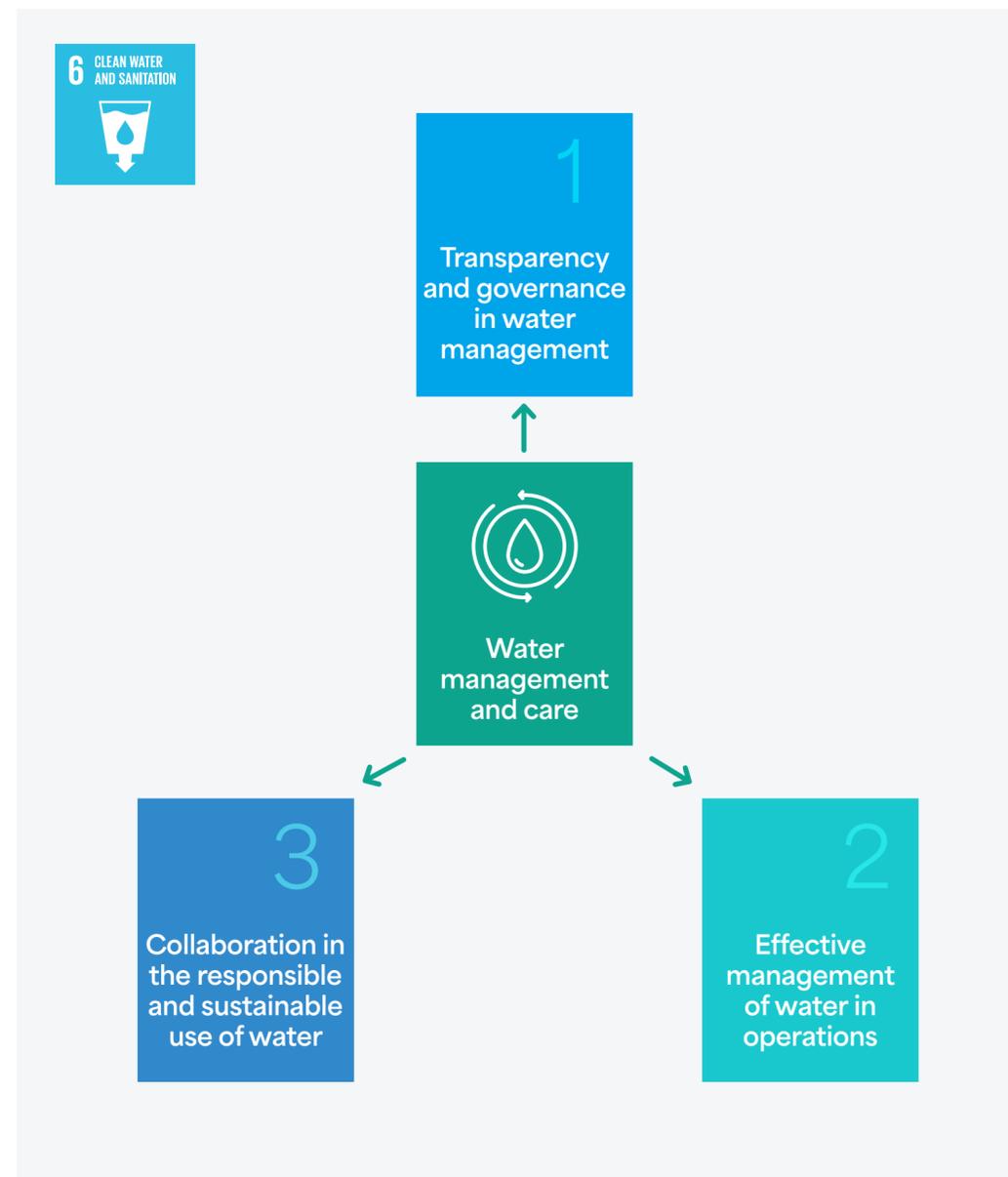


Water stewardship strategy

These strategic implications have the following potential impacts on the business:

- **Limitation on growth**
- **Mine closure**
- **Reduction or interruption of production capacity**
- **Reduced revenues due to lower production**
- **Increased production costs**
- **Initial costs for adopting/ implementing new practices and processes**
- **Increased compliance costs**
- **Reputational damage**
- **Deterioration or loss of social license**
- **Fines and penalties**
- **Litigation**
- **Supply chain disruption**

This strategy is sustained by three basic pillars, which in turn determine goals and programs to improve water security in the regions where we operate. These pillars are aligned with the International Council of Mining and Metals (ICMM) Position Statement on Water Stewardship, and Sustainable Development Goal 6 of the United Nations.



Managing impacts and risks

Our water stewardship strategy has three strategic lines for managing impacts on sustainable development:

- **Transparency and governance in water management:** We improve our water accounting, disclose our performance in accordance with the WAF framework, and design benchmarking standards for our operations.
- **Efficient water management in operations:** We reduce our operations' freshwater consumption by using treated municipal sewage and brackish water. We reuse water through closed circuits that include high-compaction thickeners and water recirculation, without discharging process water. We explore new technologies that enable us to mitigate socio-environmental impacts.
- **Collaboration in the responsible and sustainable use of water:** We manage water in partnership with stakeholders, conduct social and environmental studies, and promote responsible water use.

A key process of our strategy involves understanding and mitigating physical, regulatory, reputational/market, and technological risks in the watersheds where we operate and in our value chain.

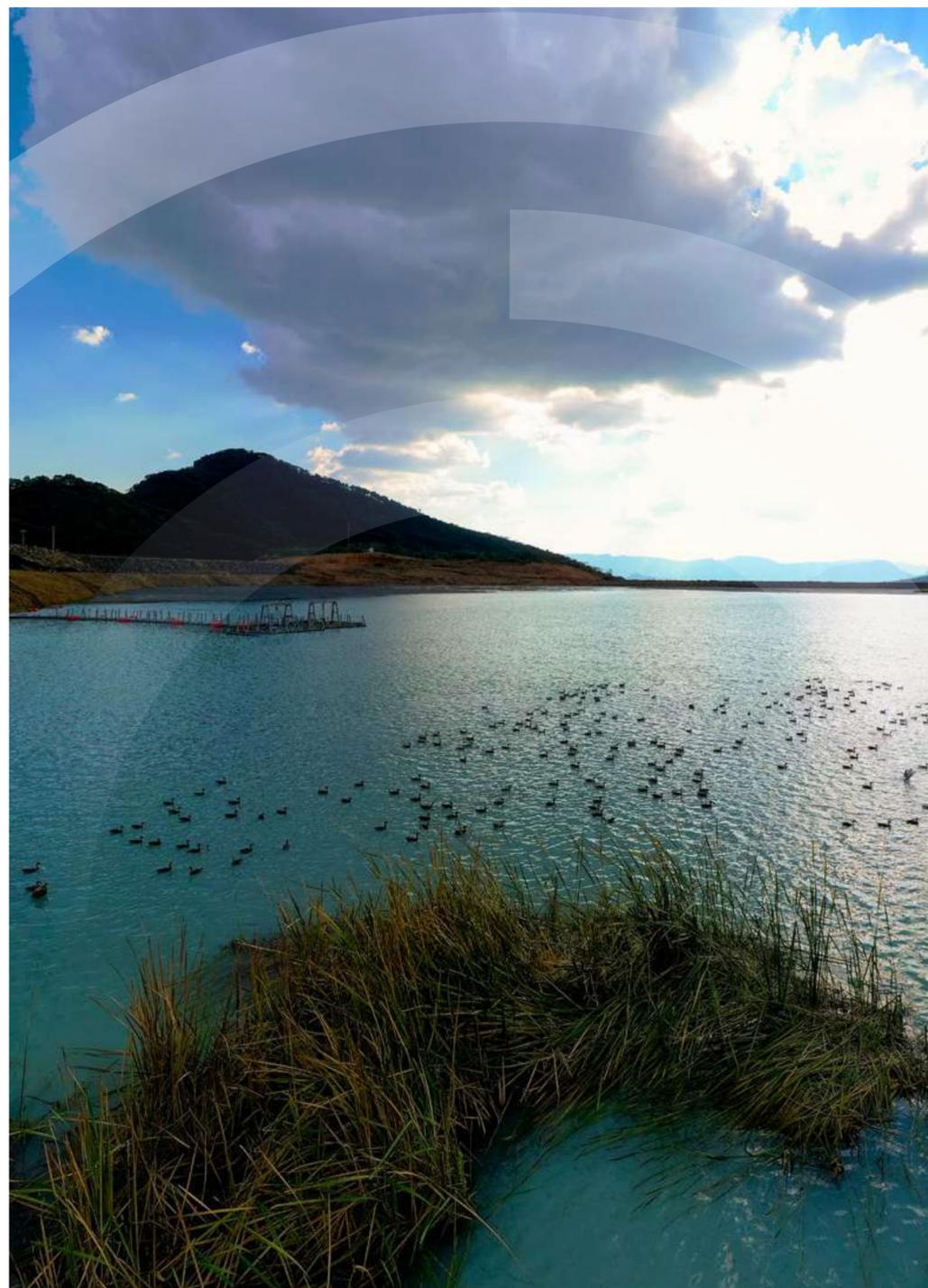
Risk responses (controls):

Definition of functional boundaries and areas of influence, hydrological and hydrogeological studies, regional water balance, social studies, risk assessment, water management plan, social management plan, designs of water reservoirs and conveyance structures, site water balance, water accounting framework, quality standards and quality and quantity monitoring plan.

Type of risk	Potential risks
Chronic physical	Changes in annual precipitation, aquifer depletion, water stress, insufficient infrastructure, ecosystem vulnerability, land use change, soil degradation, and acid drainage
Acute physical	Hurricanes, droughts, extreme precipitation, environmental incidents, tailings storage facilities ruptures and spills
Regulatory	Increased water prices, greater difficulties in obtaining permits, more restrictive regulations, regulatory uncertainty, rationing, and reductions in concession volumes
Reputational/market	Community opposition, concerns and negative reactions from interest groups, litigation on water-related issues, and negative media coverage
Technological	Lack of watershed information, lack of availability of more efficient technologies and processes, and investments in technology without the expected results

Water management in new projects

We identify the risks and impacts associated with water management before starting our projects by conducting technical studies justifying changes in land use, preventive reports or environmental impact studies, which we update every time there is a change in our operations. Based on this information, we decide on ways to prevent risks and potential impacts to water resources and water users, including ecosystems. Each time a modification is made to the original scenario, the risk assessment is updated to adapt it to the new circumstances.



Case study - Orisyvo mining project: Comprehensive, sustainable water management

The Orisyvo mining project is a prime example of our proactive, sustainable approach to water management. It is located in the municipality of Uruachi, in the state of Chihuahua, where we initiated a comprehensive approach to water management beginning with a determination of the hydrological and hydrogeological characterization to establish a solid baseline of the water resource. Through regional monitoring, assessment of the area of direct and indirect influence of the mine areas, future planning, strategic design of facilities and water management based on accurate and representative information, we work in partnership with communities and stakeholders in the regional assessment of its availability to decide on the best alternative for sustainable and responsible withdrawal, and to prepare a predictive water balance of the site.

At Orisyvo, we have conducted detailed analyses to understand precise water needs at all stages of the project. This includes its efficient use in mining processes, as well as consideration of local water needs for the nearby communities. The result is a balanced and sustainable management of water resources.

Bearing in mind the importance of a cordial relationship with local communities, Orisyvo has established a proactive approach to address any water-related concerns. Transparency, civic participation, and active engagement have been crucial for our success at building a positive relationship with local stakeholders.

For all of these reasons, the Orisyvo mining project is poised for long-term success. Comprehensive and sustainable water management, proactive attention to risks, and strong community relationships constitute an exemplary approach to responsible mining.

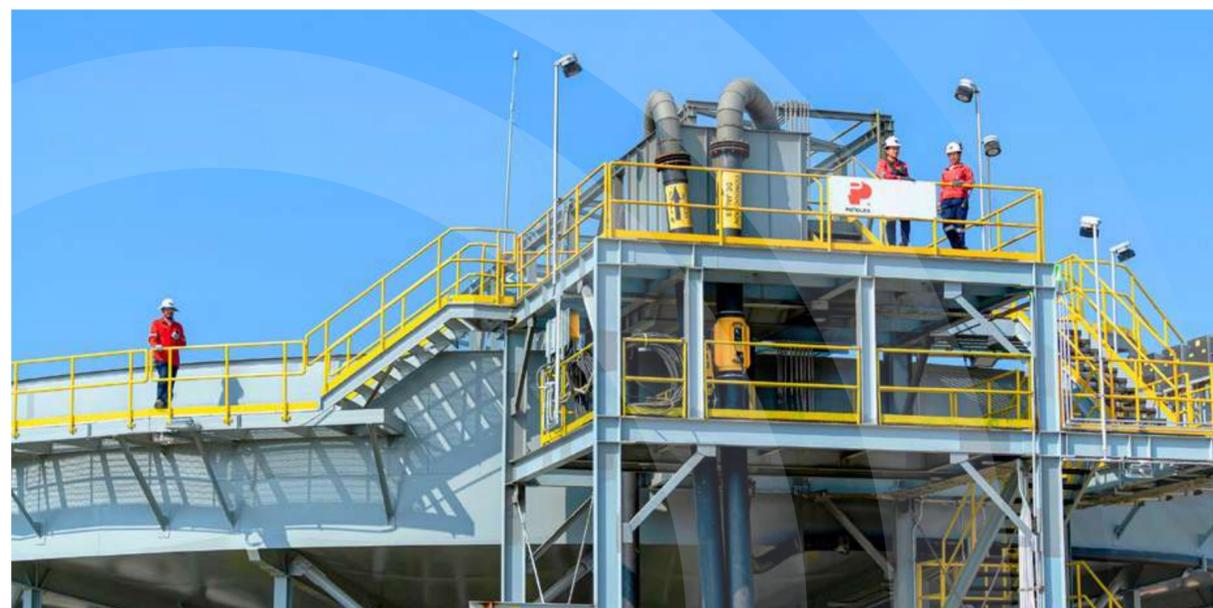
Performance and metrics

The term “**fresh water**” refers to surface and groundwater sources, such as mine workings, wells, and municipal service networks; brackish water is not included due to the quantity of dissolved solids it contains.

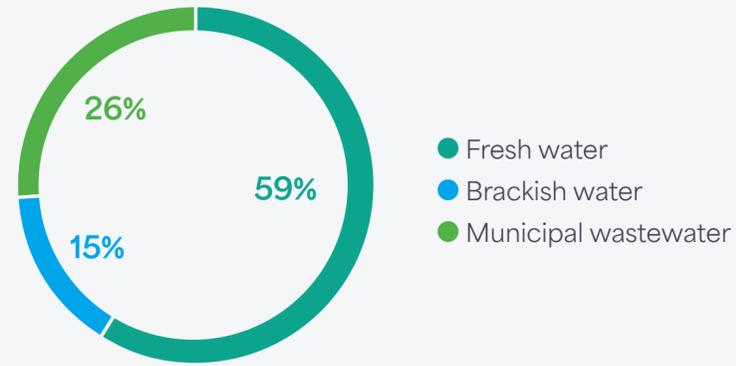
We fully comply with applicable regulations at all levels and preserve the company's reputation by maintaining and adopting best practices in water management, which allow us to reduce operating costs and maximize efficiency in water reuse through recirculation processes and closed circuits in which we recirculate **78% of process and sanitary water**, minimizing freshwater consumption. We implement preventive and predictive maintenance programs to avoid leaks in our systems, and we have metering devices and water treatment plants for recirculating water from internal services.

Water balance (WAF)

Balance (MI)	Category	Element	2019	2020	2021	2022	2023	
Inputs	Fresh water	Surface	232.41	407.80	901.52	823.59	735.57	
		Municipal network	456.17	466.30	438.66	430.95	412.85	
	Brackish water	Ground water	39,295.17	26,314.89	35,092.07	37,297.01	27,587.28	
		Treated water	Municipal wastewater	6,419.49	6,876.72	6,951.38	6,692.46	6,412.31
	Total inputs			46,403.25	34,065.70	43,383.63	45,244.01	38,728.11
Outputs	Fresh water	Ground water	19,632.69	7,494.96	13,921.29	17,179.08	14,500.83	
	Total outputs			19,632.69	7,494.96	13,921.29	17,179.08	14,500.83
Water consumption			26,770.56	26,570.74	29,462.34	28,064.93	24,227.28	
			Peñoles Mines	4,867.97	4,691.91	3,998.45	4,572.73	4,725.33
			Fresnillo plc Mines	12,805.20	13,329.96	16,526.69	14,584.57	12,431.02
			Metals	5,352.63	5,129.64	5,133.89	5,102.71	3,487.94
			Chemicals	3,744.76	3,419.23	3,803.32	3,804.93	3,583.00

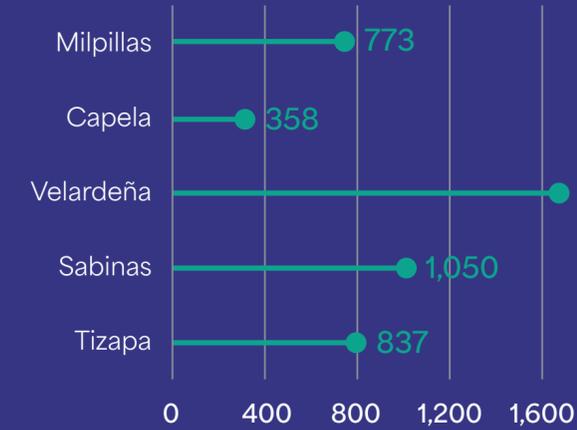


Industrias Peñoles water consumption

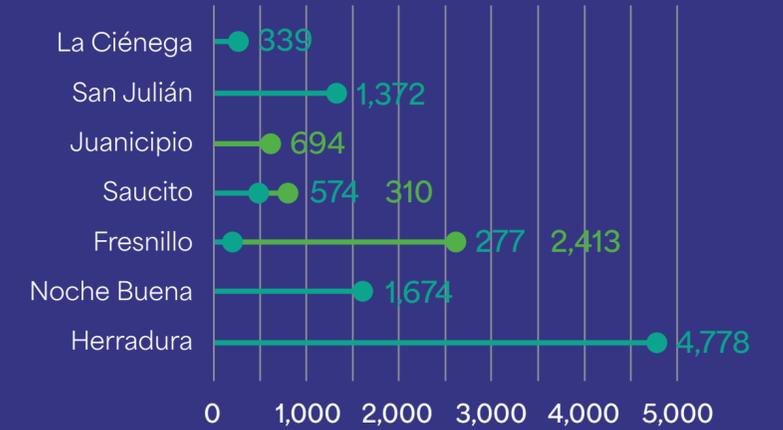


Industrias Peñoles water consumption by business unit

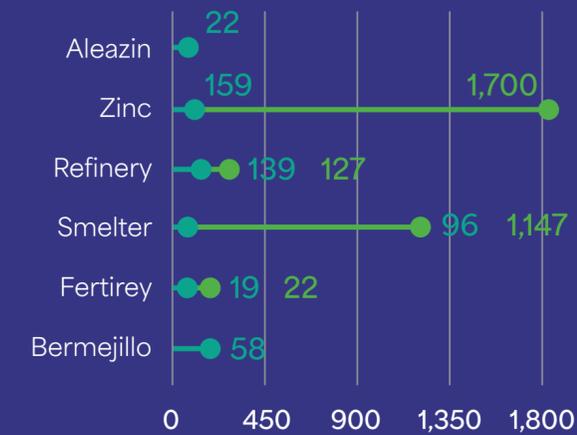
Peñoles Mines (MI of consumption)



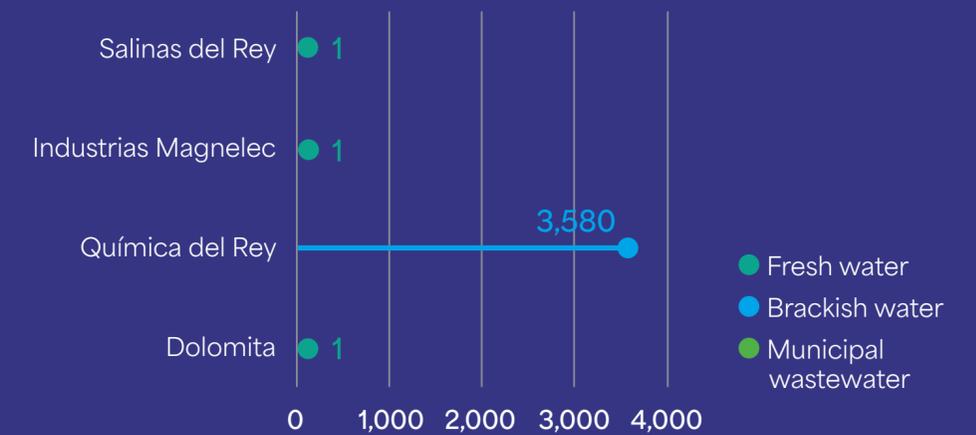
Fresnillo plc Mines (MI of consumption)



Metals (MI of consumption)



Chemicals (MI of consumption)



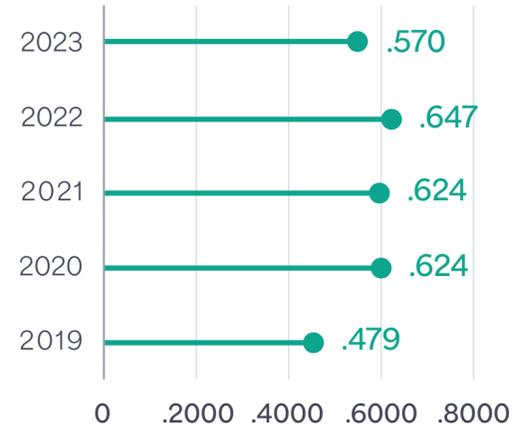
Operating efficiency

Operating efficiency (MI)			2019	2020	2021	2022	2023
Process water			120,080.13	101,433.70	107,993.90	117,083.06	111,958.54
Recirculated water			93,309.57	74,862.96	78,531.56	89,018.12	87,731.26
Recirculated	Process	Operation	92,007.93	73,067.76	78,162.30	88,572.02	87,035.12
	Treatment	Internal services	1,301.64	1,795.20	369.25	446.11	696.14
Reuse efficiency			78%	74%	73%	76%	78%

Consumption Intensity by division

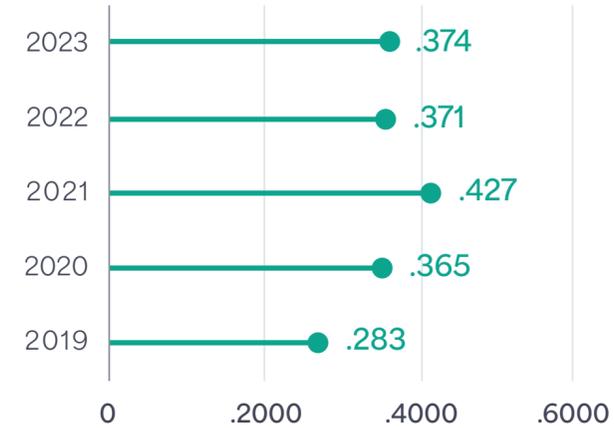
Peñoles Mines

(m³ water consumed/t ore milled)



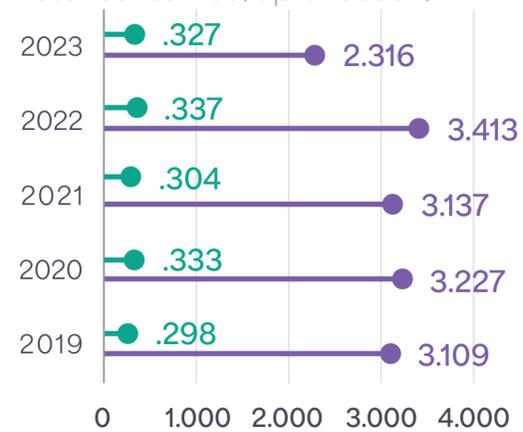
Fresnillo plc Mines

(m³ water consumed/t ore milled)



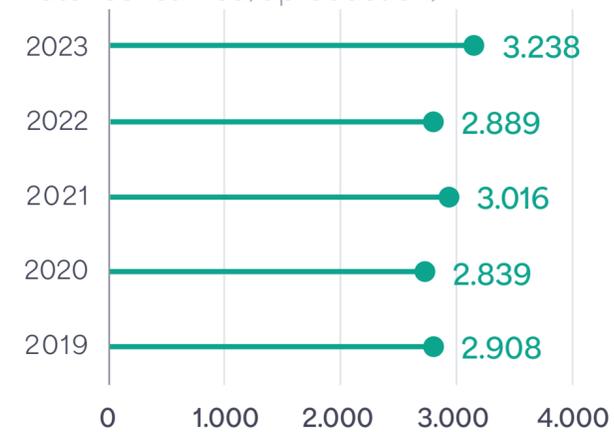
Metals

(m³ water consumed/t production)



Chemicals

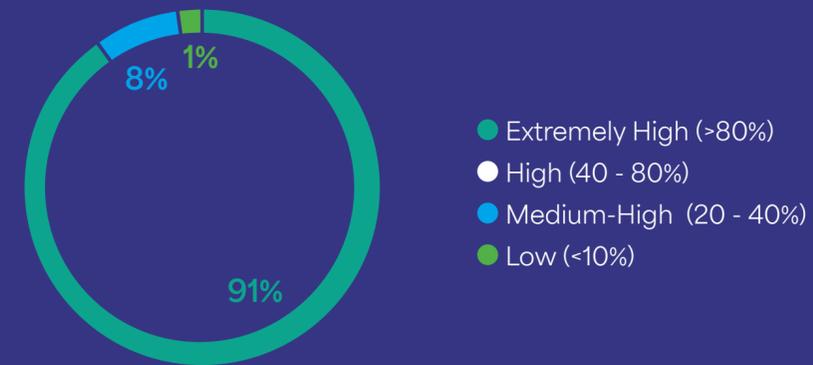
(m³ water consumed/t production)



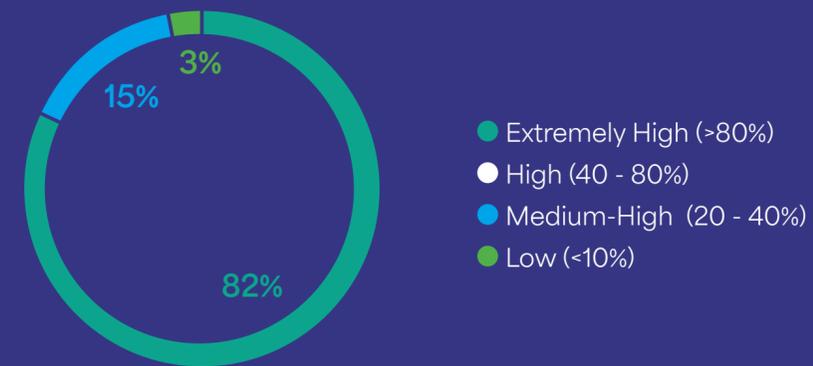
● Freshwater consumption ● Water consumption

Production: Metals and Chemicals divisions include products and byproducts.

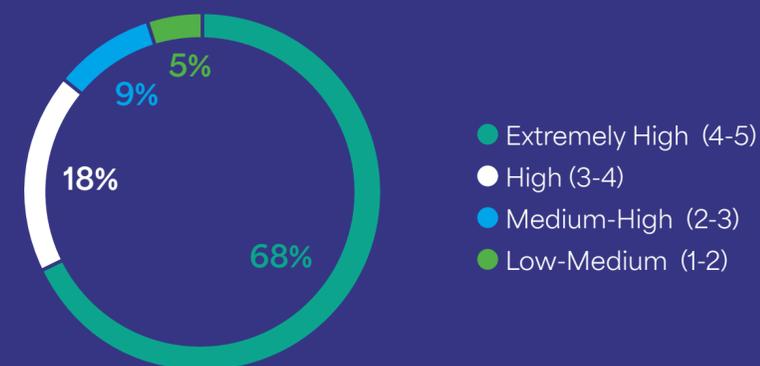
Withdrawal of fresh water by water-stress location



Consumption of fresh water by water-stress location



Business units by risk category



We implemented preventive and predictive maintenance programs to avoid leaks in our systems; we have measuring devices and water treatment plants to recirculate water from internal services.

Biodiversity conservation

Due to the characteristics of our activities, they often have impacts on biodiversity and ecosystems in the sites where we operate. Therefore, we are committed to apply measures to minimize these impacts and to promote positive impacts by implementing a hierarchy of mitigation and best available and/or applicable practices, based on an environmental culture of care for ecosystems. We also commit our third parties to follow similar measures, as indicated in our Sustainability Policy and our ethics and integrity guidelines. These measures are applied throughout the value chain and the life cycle of our operations.

With a firm commitment not to occupy areas or carry out activities where environmental risks compromise the integrity of key species and irreversibly affect ecosystems, all of our operations are conducted outside protected natural areas.

Impact and risk management

At Industrias Peñoles, we manage biodiversity conservation efficiently at the local level, based on the regulatory framework applicable to the ecosystems where we operate and the permits of each business unit. Before starting any project or during its operation, the competent entities carry out an environmental impact assessment.

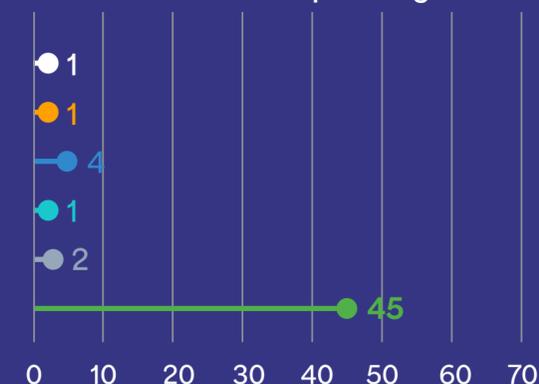
We then manage the corresponding risks, giving priority to their elimination or maximum reduction. We also restore the impacted environment, and as a last resort, make the corresponding compensation. Our management plans cover legal compliance, and we are progressively maturing on other points:

- **Legal compliance:**
 - › Delimitation of forest areas with environmental permit
 - › Training and qualification of personnel
 - › Installation and maintenance of allusive signage for the protection of species
 - › Identification of species with risk category
 - › Rescue and relocation activities of individual flora and fauna
 - › Constant progress reporting.
- **Avoid:**
 - › Extraction of flora or fauna outside the authorized property
 - › Unauthorized clearing with fire or chemical products
 - › Entry of non-native flora or fauna
- **Restore:**
 - › Conservation of the natural landscape of the region where we operate
 - › Progressive preservation actions in authorized areas
- **Regenerate:**
 - › Execution of soil conservation and water infiltration works
 - › Extraction and relocation of native species in neighboring areas
- **Follow up** and monitor biodiversity in the sites where we operate
- **Evaluate** risks and significant impacts of the operation on the ecosystems
- **Include** our stakeholders in strategic actions and promote good environmental management practices

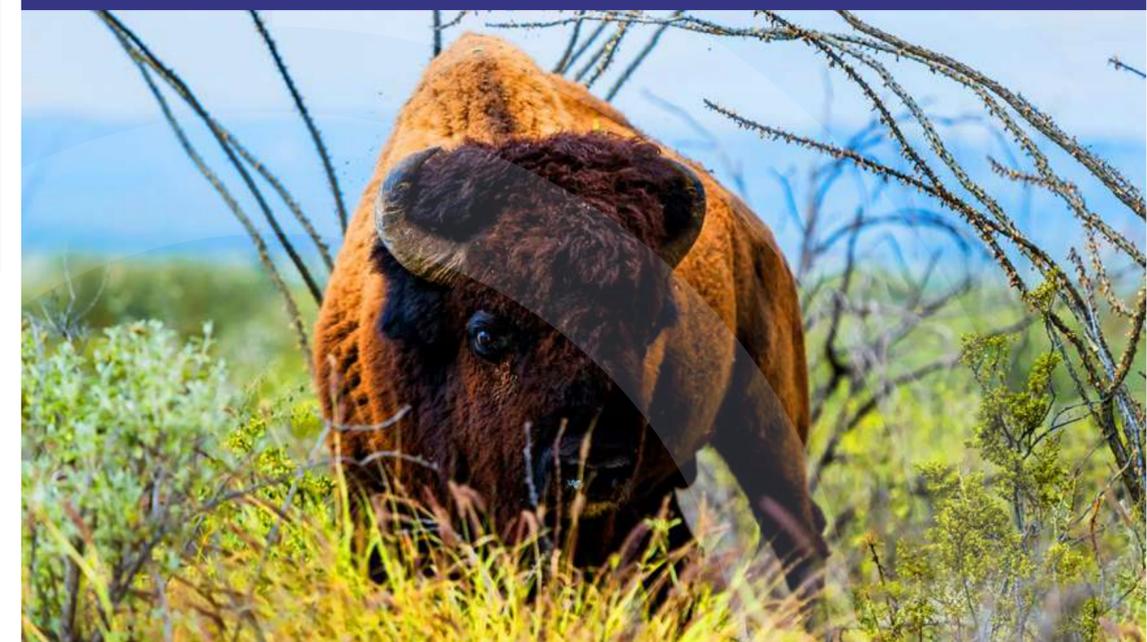
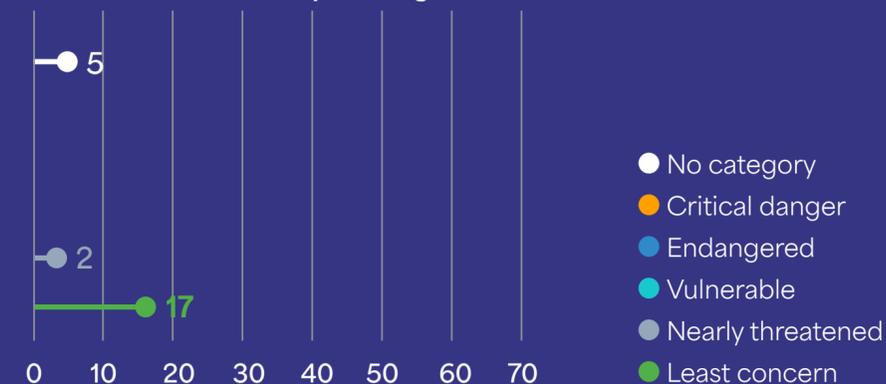
All of our operations are conducted outside natural protected areas.

Each mining operation conducts an environmental impact assessment based on regional forestry studies, and classifies local flora and fauna species identified in the [IUCN Red List](#) at properties or facilities that manage wildlife.

Categories of IUCN species (fauna) Industrias Peñoles operating units



Categories of IUCN species (flora) Industrias Peñoles operating units



Mining-metallurgical waste management



Responsible, effective handling of the sites where waste from our mining and metallurgical processes is stored, is indispensable for earning and maintaining the trust of our stakeholders

and executing our business strategy. Our commitment is to establish a process for responsibly managing these resources based on best engineering and governance practices.

Our commitment is to manage these resources responsibly, incorporating the best engineering and governance practices.

Governance

Our governance defines and documents roles, competencies, responsibilities, and accountability of the governance team responsible for the facility's safety throughout its life cycle—design, construction, operating, maintenance, and oversight. The team is organized into groups:



- I. Site management:** The mine managers that administer tailings storage facilities (TSF) for our operations are the risk owners responsible for operating the facility according to internal rules. The Regional Tailings Manager is responsible for the installation of tailings, while qualified Engineer of Record (EoR) provides the technical experience to guarantee that the facility is managed safely and according to appropriate governance and best practices. Site management and the tailings operations team work together to guarantee safe operation and implementation of our system.
- II. Corporate tailings team:** This is a group of experts who develop and administer corporate governance and controls, including implementation of inspections and external reviews. The deputy CEO of technical services at Baluarte leads the team, with the support of the assistant vice president of infrastructure, as well as corporate tailings specialists and managers.
- III. External reviewers:** Independent experts, inspectors, reviewers, and auditors—who confirm that our requirements for best engineering and governance practices are being met—support our governance framework. Our independent review process includes an Independent Tailings Review Panel (ITRP), dam safety inspections by the EoR, and safety reviews of our dams by external reviewers.
- IV. Group-level oversight:** The Tailings Storage Facilities Review Executive Committee supervises general governance and operations. This committee—made up of members of senior management—seeks out the advice and assessment of independent experts for a continuous review of operating, governance, inspection, review, and audits. The chief executive officer is the senior executive in charge of tailings management and the development and implementation of the systems necessary for responsibly managing tailings facilities.

Strategy

Strategic implications of mining-metallurgical waste management

Stakeholder trust

Historically, most of the mining industry has responsibly managed tailings storage facilities. While the number of incidents is relatively low, the consequences of a failure can be catastrophic for workers, communities, and the environment. Recent catastrophic failures in Brazil—at Fundão in Mariana and Feijão in Brumadinho—have had severe consequences for the industry's reputation. Of course, extreme consequences for people and the environment resulting from catastrophic failures are unacceptable.

Stakeholders increasingly expect a standard of zero harm to people and the environment. Therefore, responsible management of this type of infrastructure is essential for maintaining the trust of communities, workers, governments, investors, and insurers.

Effective tailings management

Having sufficient storage capacity is essential for the growth and operational continuity of mining and

metallurgical operations. Responsible management of this infrastructure is a complex and multidisciplinary task, requiring the adoption of best engineering practices and governance from the stages of planning, design, construction, operation, maintenance, monitoring, closure, and post-closure. Likewise, the adoption of best social practices requires close community involvement in the facilities' lifecycle.

Management strategy

Our strategy is based on the implementation of currently applicable best practices and available control technologies in engineering, operation, and governance of TSF, as part of our comprehensive tailings management system.

Through continuous development and management, we review and deploy cutting-edge technologies, practices, and methods in our facilities, with the aim of causing zero harm to people and the environment. To achieve this, we adopt best engineering practices and management principles from the Mining Association of Canada (MAC), CDA, ICOLD and ICMM.

Impacts and risks management

We apply the following basic principles to achieve a culture of safe tailings management throughout our facilities' lifecycle:

- I. Accountability, responsibility, and competence:** The associated responsibilities and competencies are defined to support identification and management of the facility's risks.
- II. Planning and resourcing:** The financial and human resources needed to ensure continuous management and governance are kept available throughout the life cycle of the facility and its resources.
- III. Risk management:** Includes the identification of risks associated with the facility, an appropriate system for control, and verification of performance targets. To control risks, we adopted the "critical controls" approach (more information on this approach in the Safety section).
- IV. Change management:** The risks associated with possible changes are evaluated, controlled, and communicated to avoid inadvertently compromising the safety of the facilities.
- V. Emergency preparedness and response:** Processes for recognizing and responding to imminent failures in the facilities and mitigating the impact of a potentially catastrophic failure.
- VI. Review and assurance:** Internal and external processes for review and assurance so the facility's risk controls can be comprehensively evaluated and continuously improved.
- VII. Significant community involvement:** We engage with communities to address their questions and concerns, and conduct visits so they can learn about these infrastructures and responsible operating practices.

Maintaining the highest safety and environmental protection standards for TSF is an ongoing process that requires constant evaluation throughout the facility's lifecycle. Standards for design, construction, monitoring, maintenance, and external review specify the protection of human health and the environment, and establish parameters for closure of mining operations.

TSF engineering focuses on aspects such as the dam liner, downstream seepage interception drainage system,

and surface water diversion. In addition, we have environmental oversight programs aligned with our management and compliance system.

For new projects, we conduct a multi-criteria analysis—also known as multi-account analysis—which considers social, environmental, technical, technological, and economic aspects in our assessment of potential sites for the construction of mining-metallurgical waste storage infrastructure.



Performance and metrics



Governance status

In 2023, we reinforced our commitment to improving safe management of mining-metallurgical waste by successfully applying a TSF governance framework to all of our units and publishing our tailings management policy and tailings guidelines. These documents are essential pillars of our strategy for safe waste management, aligned with industry best practices. We formally incorporated a new engineer of record, adding to the two engineers that joined in 2022. The rest of the sites (11) maintain the designation of Future Engineer of Record.

Progress of impact and risk management

In 2023, we made significant progress in deploying the internal [tailings management system](#), reaching an average completion status of 53%, compared to 36% in 2022. The progress is reflected in the implementation of local governance, the development of the Operation, Maintenance, and Surveillance Manual, as well as the Emergency Preparedness and Response Plan and Potential Failure Modes Analysis; all of which strengthen our capacity to effectively manage and respond to any risk situation. Important progress

has also been made toward the design and construction of new reservoirs or adaptations of existing ones, based on site characterization, the definition of design bases and criteria aligned with the best industry standards, the implementation of quality control and assurance systems, change management, the water management plan, and the tailings disposal plan.

Investments

In 2023, our strategic investments focused on extending existing TSF and developing new facilities to ensure operational continuity. Fifteen projects are now in place, with an overall investment of US\$191.8 million. Among the largest projects are those at key units such as Capela, Sabinas, and Velardeña.

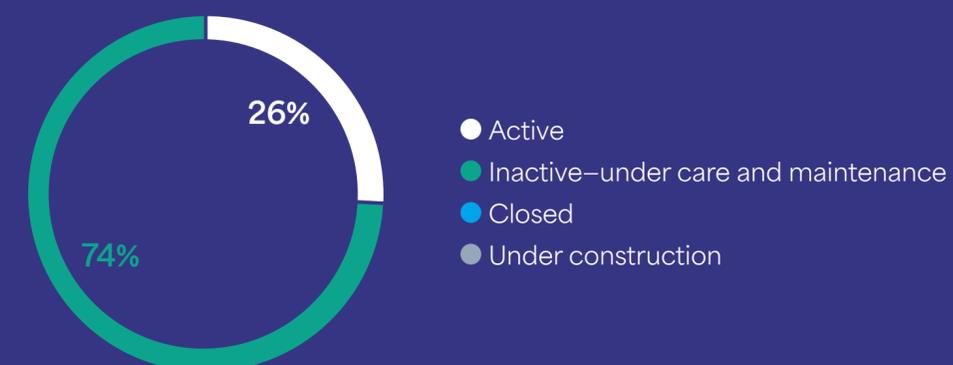
Inventory of facilities

The inventory of mining-metallurgical waste storage facilities and water dams was updated in 2023. Thirty-four were recorded as inactive or under care and maintenance and 12 as in active operation.

We continued to closely monitor the amounts of tailings deposited at our facilities to determine their capacity and remaining useful life. In 2023, we generated **19.35 million metric tons** of tailings, **2.33 million** of which were used

in mine backfilling processes while the rest were stored in our TSF. We also deposited **23.01 million metric tons of ore** at our leaching pads and generated **1.21 million metric tons** of other mining-metallurgical waste other than jarosite, which were stored at safe facilities as part of our tailings management system.

Status of tailings storage facilities

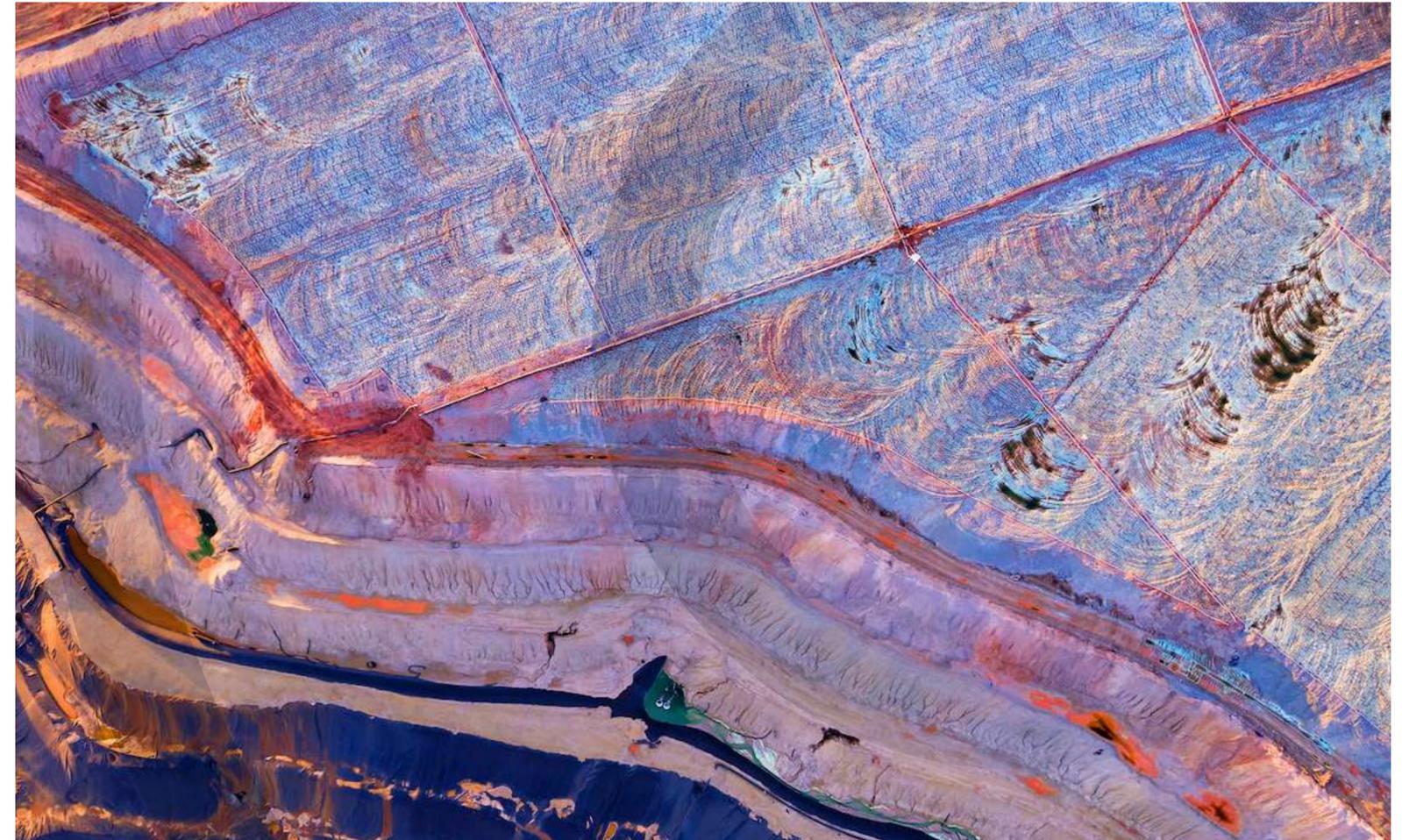
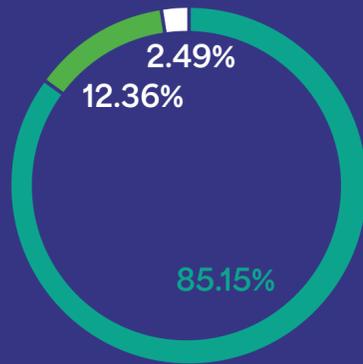


Generation of mining-metallurgical waste (t)**2023**

Division	Tailings	Waste rock
Peñoles Mines	4,857,298.47	5,209,190.40
Fresnillo plc Mines	14,500,469.51	88,241,009.77
Industrias Peñoles	19,357,767.98	93,450,200.17

**Disposal in leaching pads (t)**

Division	2019	2020	2021	2022	2023
Peñoles Mines	2,473,965.00	694,219.00	-	894,745.00	1,806,596.00
Fresnillo plc Mines	34,422,898.00	20,570,573.00	28,641,642.00	29,345,382.00	21,208,753.00
Industrias Peñoles	36,896,863.00	21,264,792.00	28,641,642.00	30,240,127.00	23,015,349.00

**Generation vs. reuse of tailings**

- Generated tailings deposited directly
- Reprocessed tailings redeposited
- Tailings reused

55% of the tailings reused at Industrias Peñoles are extracted from the TSF for backfilling process which uses dry tailings. This means that waste was already quantified in preceding fiscal years.

Our heap leaching facilities management is crucial because it helps us monitor the processes of care, maintenance, and closure at the point when processed leachates are considered mining-metallurgical waste.

During 2023, we successfully implemented the governance framework for tailings storage facilities—reinforcing our commitment to improve safety in mining and metallurgical waste management.

Case study - Technology in instrumentation and monitoring systems

We made technological improvements in the instrumentation and monitoring systems used at the San Julián, Herradura, Sabinas, Tizapa, and Capela TSF, and work is underway to incorporate them at other units. These improvements include robotic stations for the automatic measurement of prisms and topographic controls in the main geotechnical structures of the deposits, as well as the remote, continuous, and automatic measurement of vibrating wire piezometers. As a result, we enhance the reliability and timeliness of our measurement of instrumentation data from the facilities.



Currently, Sabinas' tailings storage facility operates under stable conditions with instrumentation and real-time monitoring.

Case study - Compliance with CDA criteria

In early 2023, the Cienega 3 tailings storage facility achieved compliance with the safety factors established by the Canadian Dam Association (CDA) for ensuring slope stability. This significant compliance was achieved by building a reinforcement to the main embankment, which was design based on field investigations of the original construction. The deposit is now operating in line with international standards and is ready for possible growth to serve the mine for its remaining life.

Case study - Sabinas tailings storage facility

Following the eighth expansion of the Sabinas tailings storage facility number 4—completed in early 2019—there were concerns about its stability, and it ceased operations in November 2019. A geotechnical investigation was conducted, confirming the risk to the stability of the main embankment. A reinforcement had to be designed and built to achieve static and dynamic stability. This reinforcement was completed in 2023, which allowed for an elevation that would cover a further two years of operation. In 2024, further analysis will be carried out to design an additional raise, which will create capacity for approximately 2.5 more years. Currently, this facility operates under stable conditions and has instrumentation and real-time monitoring, as well as documents and procedures that guarantee the safety of its operation aligned with its tailings management system.



Hazardous and special handling waste

Industrias Peñoles handles and disposes its waste in an appropriate and responsible manner and in compliance with applicable legislation, after working to reduce and recycle it.

- The regulatory process for the life of waste within our operations is:
- **Generation:** Training of personnel to identify the type of waste and its correct segregation.
 - **Temporary storage:** Design of areas to temporarily contain the waste and prevent its dispersion.
 - **Transportation:** Selection of authorized transportation service providers.
 - **Final disposal:** Selection of authorized final disposal service providers in accordance with legal compliance and assurance of proper management.
 - **Final storage:** Design, construction, and management of the area identified as the final destination within the operating units, subject to authorization.

Strategy

In order to eliminate hazardous and special handling products, all units are aligned with the current regulatory framework for hazardous waste at federal level and special handling waste at state level.

Before final disposal, waste is assessed to verify whether it can be reused, recycled, or recovered for energy purposes. If there is no energy recovery, the waste will be disposed of in an authorized deposit or destroyed by chemical oxidation.



Performance and metrics

During 2023, we generated just over 33,000 metric tons of hazardous waste, most of which came from metallurgical processes at the zinc electrolytic plant, the smelter, and the refinery; all considered contaminated debris and hazardous white sludge. In the case of special handling waste, slightly more than 294,000 metric tons were generated, most of which came from gypsum and dolomite fines from the Chemicals Division.



Waste by type of disposal (t) and classification

Division	Classification	2023			
		External final disposal	Internal final disposal	External recycled	Internal recycled
Peñoles Mines	Hazardous	481.71	-	530.88	-
Peñoles Mines	Special handling	646.91	-	3,421.93	-
Metals	Hazardous	31,939.18	-	59.66	-
Metals	Special handling	10,013.32	-	2,378.85	-
Chemicals	Hazardous	30.53	-	13.59	-
Chemicals	Special handling	638.31	276,665.49	382.53	-
Total Peñoles	Hazardous	32,451.42	-	604.13	-
Total Peñoles	Special handling	11,298.54	276,665.49	6,183.31	-
Total Peñoles	-	43,749.96	276,665.49	6,787.44	-

[Details of the type of treatment](#)

Air quality

At Peñoles, we are committed to reducing GHG and particulate emissions, as well as other polluting gases.

Strategy

All of our operations have the necessary equipment to monitor our emissions and keep them within the maximum permissible emission limits mandated by the Federal Environmental Protection Agency (Profepa).

The company's main stack emissions come from metallurgical processes. Therefore, we have highly efficient control systems and permanently monitor the presence of sulfur dioxide and particulate matter in ambient air in real

time using a high-tech automated network. We also have an emergency plan that consists of the timely partial or total shutdown of production processes in the event that, due to adverse weather conditions, the atmosphere cannot sufficiently disperse the emissions. We have trained personnel to deal with any contingency that may arise.

Chemical plant processes basically generate particulate emissions, which are captured in dust collection systems. Although mining units do not generate significant stack emissions, measures are implemented to contain emissions of fly-away dust, such as keeping the TSF and roads watered and reforested. All ore sample analysis laboratories in the mines have dust collectors and gas cleaners.

All of our operations utilize the necessary equipment to monitor their emissions and keep them within the maximum permissible emission limits.



Mine closure

The closure of a mining operation's activities are an integral part of the mine's life cycle. Therefore, preparing for it in advance and continuously during the useful life of each project is a priority for Peñoles. Our Department of Closure and Closed Mine Management—in synergy with other areas of the company—coordinates the closure integration management, abiding by federal regulations applicable to the mining industry, as well as commitments to neighboring communities. The aim is to maintain the sites where the mine operation was located, guaranteeing its physical, chemical, and biological stability throughout the various phases of the mining operation, including closure, with a long-term vision.

Mine closure is a multidisciplinary activity that involves many departments, most importantly the planning, environmental, comptrollership, and operating areas, as well as neighboring communities and other stakeholders interested in the recovery, remediation, and stabilization of the mining site to ensure that it is environmentally rational, sustainable, and productive in the future.

Each operating unit is unique, so its particular characteristics are considered in preparing the methodology to ensure an environmentally safe and viable closure in environmental, technical and economic aspects, with the purpose of leaving a positive legacy in keeping with local regulations and the environmental, economic, and social context, including best practices for site closure and remediation processes. The process for the development and implementation of the guidelines for the closure and management of closed mines guarantees the allocation of resources—financial, human, and information, among others—to attend and execute the closure in the different stages and disciplines involved in the operation of each mining-metallurgical operation. This includes short-, medium-, and long-term planning, based on the information generated throughout the life of the unit, and according to the vision, principles, and objectives of the closure, thus making these activities more cost-efficient.

Management

The purpose of conceptual planning for mine closure is to establish the criteria and guidelines for a successful and

cost-efficient closure of the unit, preparing in advance activities such as reshaping, rehabilitating, and recovering areas affected by the project. This allows for articulation into the landscape and into the way land is used in the region, avoiding environmental liabilities at the site. Conceptual closure activities generally begin during the pre-closure stage—three years before the unit stops operating—and continue during the closure stage, monitored and maintained according to plan during the post-closure period.

Performance

All mining units have a conceptual closure plan, which establishes a guarantee fund—ecological reserve—to cover these activities. This fund is updated every year based on studies, estimates of conditions, and updated costs to manage progressive closure activities.

The closure methodology is reviewed every five years for Peñoles' mines and every three years for Fresnillo plc mines, or when there is a significant change in the operation. In 2023, the conceptual closure plan for one of Fresnillo plc's mining units was updated as part of the conceptual closure update program.

In the case of Peñoles' mines, geochemical modeling is currently under way for eight of its operating units, providing information for the design for the closure methodology.

Nurseries are maintained at the operating units for the propagation of specimens to be used in progressive restoration. In the Noche Buena unit, for example, we have a nursery with a production capacity of 150,000 seedlings, which will be used in the restoration of the site.

The implementation of progressive closure activities enables us to specify the closure methodology based on studies that ensure the physical, chemical, and biological stability of the site. This will allow us to give the land a future use during the post-closure stage—leaving behind a positive mining legacy.

Case study - Bismark: Closure plan progress

By the end of 2023, we have achieved the following:

- Reforestation of **61 ha** with **67,475 trees** native to the region.
- Survival rate of **88% in trees** planted in the reforested areas.
- **Reforestation** with plants native to the region—huizache, mesquite, gobernadora, and yucca.
- **Wildlife monitoring** in the reforested area, as part of the habitat recovery indicators for the area's wildlife.
- **Relocation** of 22 wildlife specimens, the most common of which is the western diamondback rattlesnake (*Crotalus atrox*).
- **Continued recovery** of impacted areas through reforestation and soil conservation works.





Social

To strengthen the social fabric and promote health care, we encourage education, sports, and recreation—all within a framework of respect for human rights and cultural diversity.



Human rights

Governance

The Ethics and Values Committee and the Honor Commission are the highest governance bodies for ethical conduct and attention to human rights incidents. The committees are supported by the ESG Committee (see *ESG Governance section*), which evaluates the performance of the company's human rights initiatives. We also operate an ESG Human Rights Working Group and network with representatives from our operations to better understand stakeholder expectations and identify risks and opportunities. This working group participates in drafting human rights roadmaps.

Our Code of Conduct, Third-Party Code of Conduct, and Labor Equality and Non-discrimination Policy express our commitment to human rights.

Strategy

Society's growing expectations for corporate accountability on human rights have resulted in an increasing number of international guidelines that require disclosure of how companies identify, prevent, mitigate, and address potential human rights impacts.

At Peñoles, we are committed to respecting human rights and reporting clearly and openly on how we address the risks and opportunities in our organization, in the communities where we operate, and throughout our value chain.

As members of the UN Global Compact, we support the United Nations' Guiding Principles on Business and Human Rights, and our human rights approach draws on the Due Diligence and Responsible Business Conduct model prepared by the Organization for Economic Cooperation and Development (OECD). Our due diligence framework is built on four pillars: policies and governance, risk management, training, and compliance and performance verification.



Impact and risk management

We responsibly manage activities in our business model and value chain that may affect human rights. When it comes to impact and risk management, our position is clear: we ensure that human rights are respected and enforced in our operations and with our stakeholders—employees, unionized personnel, contractors, and the communities where our operating units are located.

The table below identifies the potential impacts on the most relevant human rights, taking into account our stakeholders and business model, and the sections of the report that document the measures we take to prevent and mitigate them—both in our own activities and in our value chain.

Relevant human rights potential impacts	Additional information about our activities:
Right to life	Safety and health section
Right to safe access to water	Water stewardship section
Right to safe, equitable, and healthy working conditions	Comprehensive well-being, Safety and health section
Right to freedom from slavery	Value chain section, Our people section
Right to freedom of association	Strong correlation section
Rights of indigenous peoples	Human rights - Indigenous peoples Living the Community section

Managing impacts

Indigenous peoples

The human rights of indigenous people are among our company's most material issues. Aware that our mining projects operate in remote and rural regions, we recognize that there is always a possibility that our operations may adversely impact the rights of indigenous peoples and communities or their territories. It is tremendously important for us to determine in advance whether there are any communities that would by law be entitled to prior consultation and consent to the project. Because of this, companies that hold mining concessions must—from the planning and feasibility stage of a project—carry out a process of due diligence, obtaining official opinions to identify communities entitled to such consultation within the areas of their mining concessions.

Our organization has a protocol of action for organizing the Prior Free and Informed Consent (PFIC) consultation. This protocol establishes the steps to follow in new projects and expansions to determine whether the company is obligated to conduct such a consultation of indigenous or Afro-Mexican people and communities, and when necessary, the procedure the company must follow for respecting the PFIC process with those communities.

To determine whether there are indigenous communities entitled to a PFIC within our mining concessions or areas of influence, we carry out a planimetric survey of concessions in the national statistics institute's Geostatistical Framework, identifying the presence of such locations within the area. After that, we review the official 2020 census to discover whether there are indigenous or Afro-Mexican people that inhabit the area and review the catalogues of the National Commission for the Development of Indigenous Peoples and the National Indigenous Language Institute to identify whether some indigenous language is spoken in these settlements, or if the mining concessions intersect with any of the 25 indigenous regions of Mexico.

We complement this analysis with an exhaustive search of laws, registries, listings, or legal instruments that may have been issued at state level, in which indigenous peoples or communities are recognized, including information from state electoral institutions.

The reports provide information to identify whether a collective right to consultation is necessary, in which case we must complement the analysis with a social, cultural, and human rights impact.

Percentage of proven and probable reserves in or near indigenous land

To date, no authority has identified or ruled that the mining concessions worked by any of Industrias Peñoles' subsidiaries are located within indigenous territory. Nevertheless, we consistently follow a due diligence process to ensure we do not begin any new work or projects in locations that may be considered indigenous.

Respect for other positions and opinions

We do not tolerate any form of attack, harassment or discrimination against people whose positions or opinions vary from our own. We will not tolerate any form of threat or means of intimidation or obtaining illicit business benefits.

Physical safety

Our strategy underscores our commitment to protecting the physical integrity of our employees in the event of an incident. The business units have a risk agenda that serves as the basis for designing and implementing measures to prevent situations that threaten the normal course of business and the company's image—ultimately to allow our employees peace of mind when doing their jobs. Partnership, trust, and respect among our stakeholders are key elements in our culture of self-care and asset protection.

In 2023, we strengthened our processes with the renewal of state-of-the-art technology in our operations, and created multidisciplinary workspaces to monitor and address security risks in a preventive manner.

Interaction with private security forces

We want to be as efficient as possible in the preventive measures taken by our private security personnel. We have developed protocols and procedures to strengthen the security of our business units' properties and trained security personnel in respect for human rights.

Peñoles employs unarmed private security guards. However, proper management and continuous monitoring have made it possible to identify vulnerabilities and reduce the recurrence of events that affect operations. These actions help us to mitigate potential impacts.

- Confrontations with criminal groups that may pose a danger to the life of our workers and the communities
- Violent confrontations with artisanal miners who may illegally enter our facilities

Our Third-Party Code of Conduct governs the services provided by private security contractors, and the guards hired by the firms are first subject to a background check to ensure they have no criminal record.



Interaction with public security forces

We are respectful of the work of the authorities and abide by the law in all our activities; we coordinate closely with the public security forces in the territories where we operate.

In 2020, the Mexican Federal Protection Service (part of the Ministry of Safety and Citizen Protection) established a new police force specializing in mining operation security. The mining police are the result of collaboration between that Ministry, the Ministry of Economy, and the Mexican Mining

Chamber. The mining police are trained to protect mining facilities—always with absolute respect for human rights.

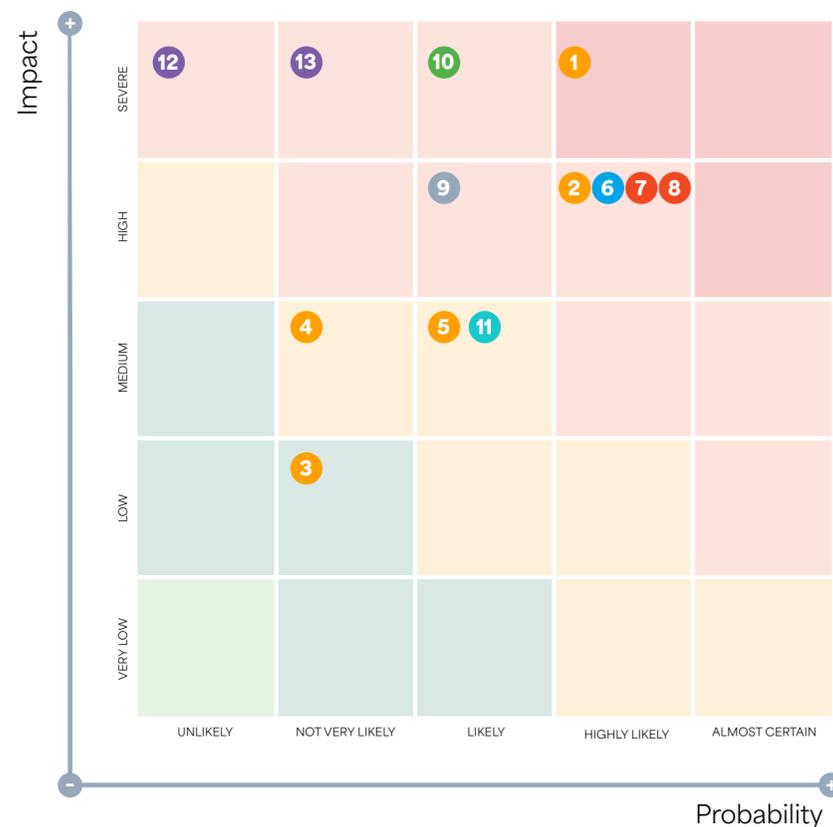
All employees are subject to criminal record background checks as part of the full-time employee control process, reinforced for members of our own Security Department.

Risk management

Based on the Universal Human Rights Compendium, in 2023 we developed a Human Rights Risk Catalog using the ESG risk management methodology (see ESG Risk Management section). A multidisciplinary team evaluated these risks to obtain the baseline that will enable us to take actions and establish measures and control mechanisms to prevent, detect or correct situations.

The following diagram shows the Risk Catalog and a heat map developed from the assessment of these risks.

Risk assessment



Top five risks

1. Placing our employees' lives in jeopardy due to hazardous or unsafe conditions in the workplace.
2. Exposing employees to temporary or permanent injury due to hazardous or unsafe conditions in the workplace and/or occupational diseases due to unhealthy conditions.
3. Depleting the quality of the ecosystems (soil, water, and air) on which the health and well-being of communities near our operations depend.
4. Engaging in or allowing physical disciplinary abuse, harsh treatment, sexual or verbal harassment or any other form of intimidation.
5. Infringing on personal freedom, limiting opportunities for development and/or discriminating for any reason.

Impacts

Life, health, and social security

Access to safe water and healthy environment

Equality and freedom from discrimination

Labor rights and obligations

Respect for indigenous peoples and communities

Education and culture

Modern slavery and child labor

Risks

1. Placing our employees' lives in jeopardy due to hazardous or unsafe conditions in the workplace
2. Exposing employees to temporary or permanent injury due to hazardous or unsafe conditions in the workplace and/or occupational diseases due to unhealthy conditions
3. Establishing labor relations (employees) with salaries and benefits below the standards of the law
4. Conducting business with third parties (suppliers of goods or services) close to our operations with insufficient payment for them to meet their basic needs (living wage)
5. Engaging in pressure or intimidation against people who hold positions contrary to those of the company
6. Deteriorating the quality of the ecosystems (soil, water, and air) on which the health and well-being of communities near our operations depend
7. Infringing on personal freedom, limiting opportunities for development, and/or discriminating for any reason
8. Engaging in or permitting physical disciplinary abuse, harsh treatment, sexual or verbal harassment or any other form of intimidation
9. Establishing business relations with other parties that violate guarantees and obligations regarding employment conditions
10. Operating without the prior, free, and informed consent of indigenous peoples and/or denying them access to land
11. Limiting access to education or opposing the values, customs, cultural traditions, and other aspects of human development in the communities where we operate
12. Allowing working conditions where people are forced to work against their will (modern slavery) and/or where human trafficking is present
13. Permitting child labor in our value chain

Performance and metrics

Training

We regularly hold various workshops and training sessions on issues relating to human rights, including environment, occupational health, industrial safety, cultural evolution, diversity and inclusion, personal data protection, Code of Conduct, and Third-Party Code of Conduct.

All the members of the mining police force receive 15 hours of human rights training to identify the relationship between human rights and their police conduct, and how to protect, respect, promote, and guarantee human rights in their work and daily life.

Compliance and performance verification

Peñoles's Línea Correcta is a grievance mechanism that is currently in the process of increasing its scope and strengthening its actions. In 2023,

Línea Correcta received complaints of human rights violations like sexual harassment (42 cases), bullying (113 cases), and risky working conditions (11) (see the section on Ethics and Integrity - Cases reported to Línea Correcta 2023). We employed our existing mechanisms and protocols to address, investigate, and sanction, when necessary, these possible violations, and to ensure the psychosocial well-being of our people.

Engagement with other organizations

With the aim of sharing best practices with other companies, we belong to the Mexican Mining Chamber's Commission for Community Development and Human Rights—in which we are active members of the Work Group of Companies and Human Rights. We also involve ourselves actively in the programs, strategies, and training mechanisms recommended by the OECD.

During 2023, there were no legal actions related to extortion, abuse, discrimination, forced or compulsory labor, unfair labor practices, indigenous rights, or any other complaint related to human rights.



Our people



Our workforce is a strategic stakeholder group. Our success depends on our people, and we are committed to building an organizational culture that inspires, develops, and values them. We focus on attracting, developing, and retaining the best talent—creating a work environment that enables them to reach their fullest potential and which translates into extraordinary results for our company. We promote and maintain safe, healthy, and socially productive workplaces where mining operations can be carried out in harmony with society and the environment. We respect freedom of association and reject any form of discrimination or harassment.

Strategy

To support our organization's constant evolution and align behaviors with our cultural strategy, we have begun to redesign our talent management programs and processes. This involves recruitment, selection, hiring, training, succession, career planning, and retention, as well as programs to drive performance—such as recognition and continuous feedback—and a system for diagnosing and improving the work environment. The changes incorporate cutting-edge practices and human processes that improve leadership, management, productivity, and efficiency; all for the purpose of achieving extraordinary results.

We focus on attracting, developing, and retaining the best talent—creating a work environment that enables them to reach their fullest potential and translates into extraordinary results for our company.

In 2023, we made these tools available to our people to promote new behaviors and productive habits:

- **Ten Commandments of the Leader:** Fundamental principles of our leadership model, helping leaders develop their skills and inspire others
- **Cultural Evolution Wallet:** An interactive tool that helps work teams to reinforce their knowledge and experience of the organizational culture
- **Guide to Effective Meetings:** Checklist for planning and organizing meetings efficiently.





Talent management

• Recruitment and hiring

Recruiting and retaining the best talent is fundamental to achieving our goals. We look for people who share our skills, values, and behaviors, and who contribute to our success. Our selection process is designed to find the best candidates and offer opportunities for promotion and advancement based on values, ability, performance, and merit. In 2023, we hired 398 people, and promoted 383.

The Engineer-in-Training program—which began in 2003—is a significant source of talent for our business. To date, 100 classes have graduated from the program, and a total of 2,489 professionals joined our company. This year, 36 recent graduates joined the program to become professionals fully committed to our values and highly qualified to lead our operations.

• Talent development

We value the development of our people. We detect training needs and have internal and external training programs to fill them. During the year, we provided 1,413,825 hours of training, an average of 42.63 hours per employee. These programs strengthen the technical and human skills of our people, enabling us to face current and future challenges more productively, with higher quality and competitiveness.

We launched an online course called the New Organizational Skills Model. The new model promotes agility, inclusive collaboration, total commitment to results, trust-based communication, talent development and emotional intelligence. These competencies guide behaviors towards the achievement of better results, the creation of work ecosystems and the strengthening of the organizational culture. 94% of our non-union employees completed the course.

We also updated the Performance Notes tool to align it with our new skills model and provide more effective feedback and reinforcement of expected behaviors for our employees.

As we do every year—and in partnership with the Instituto Tecnológico Autónomo de México (ITAM)—we offered management and skills development programs to 73 of our executives in areas such as leadership, strategy, decision-making, and communication to boost their growth and prepare them to face future challenges.

• Talent retention

Because of its high impact on the organization, one of our strategic actions is identifying the critical positions that guarantee our business' operational continuity. We can then develop **succession and career plans** to ensure that we always have the right people in the right positions.

75% of our key positions have an authorized succession plan.



We offer our employees competitive and fair salaries and benefits, based on salary surveys and the Korn-Ferry/Hay-Group methodology for evaluating positions and determining salary schedules. We also have an attractive package of benefits, including medical, disability, and life insurance, and pension and savings fund, among others. The company's lowest salary level is 2.14 times higher than the legal minimum wage and, therefore, higher than the living wage.

Termination of personnel

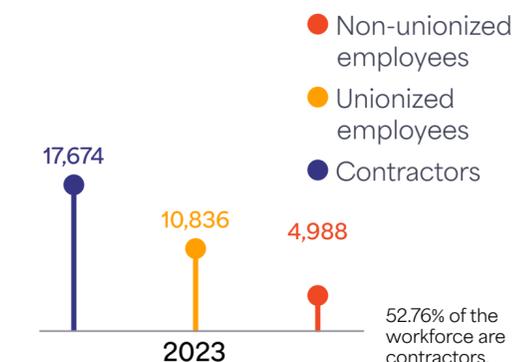
When layoffs are inevitable to preserve the company's viability, Peñoles manages its obligations responsibly and in keeping with the law. The reduction in total headcount and increase in turnover figures between 2022 and 2023 is due to layoffs that were part of this deeper transformation process.

Performance and metrics

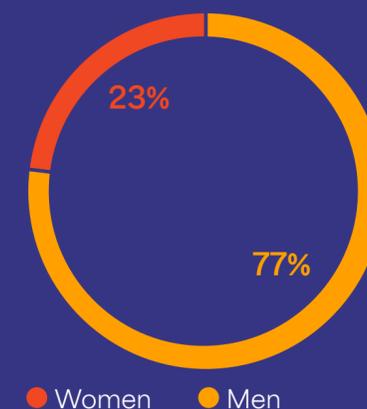
	Total training hours	Average training hours
Non-unionized employees	230,129	47.30
Unionized employees	630,269	59.09
Contractors	553,427	31.38
TOTAL	1,413,825	42.63

* This information excludes personnel from Bal Holdings (42), Quirey do Brasil (2), and Línea Coahuila Durango (288).

Workforce



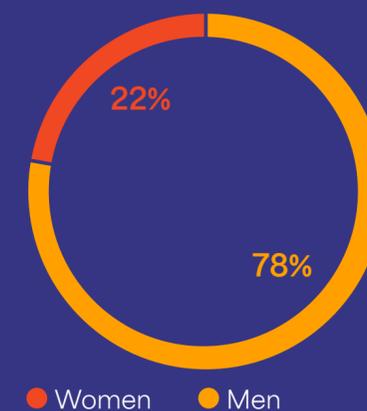
Promotions



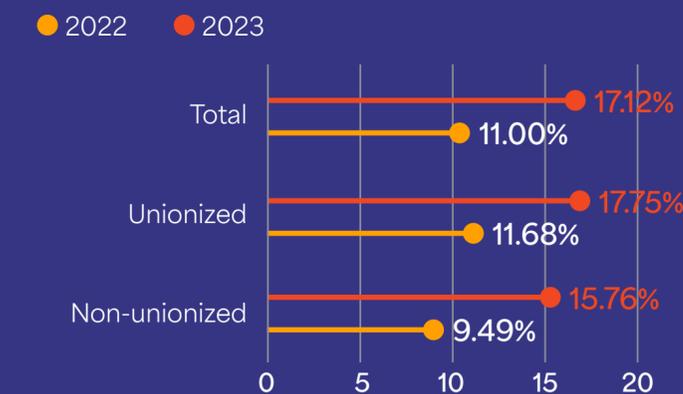
Movements by type of position 2023



New hires



Turnover



Comprehensive well-being

The well-being of our people is central to our organization's development and success. With this in mind, in 2023 we underscored our commitment to providing a safe and healthy work environment, so all of our employees can enjoy a full and satisfying life.

Strategy

In 2023, we consolidated our Comprehensive Well-Being strategy—which promotes healthy growth and advancement for people through specific goals arranged on five paths—to reach their fullest individual and collective potential and to be the best version they can be in every dimension.

Physical: Provide safe and healthy workplaces to ensure the well-being of employees and their families

Emotional: Foster interpersonal relationships based on respect and trust, which guarantee work environments free of stress, violence, and discrimination

Intellectual/Professional: Promote reflective thinking in decision making, continuous learning with a focus on change, and skills and competencies for deploying talent

Cultural: Promote an ethical work environment of unity, commitment, innovation, and efficiency to build a shared identity between the organization and its people through leadership and partnership

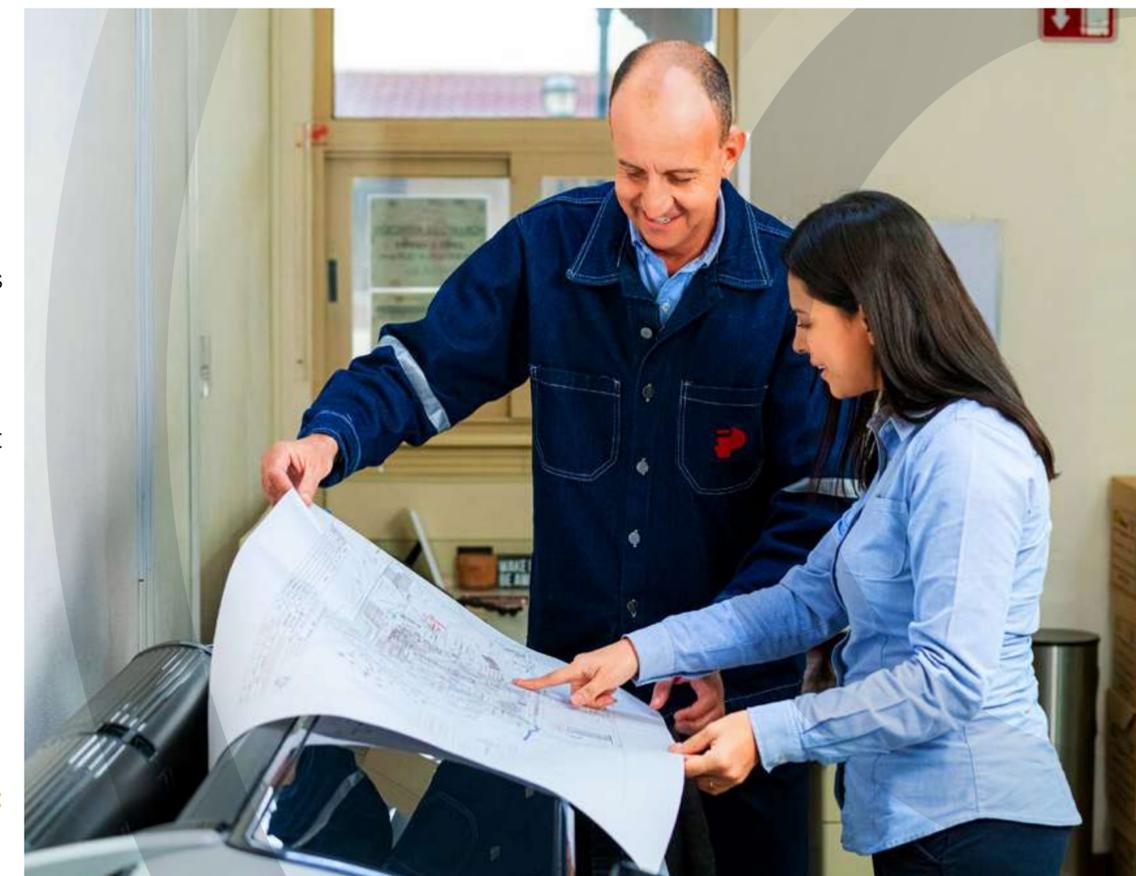
Transcendental: Encourage awareness of a life purpose focused on being the best version we can be and contributing to the well-being of ourselves and others, our families, and the environment



High-impact projects

In 2023, we redefined our high-impact projects:

- 1. Environments of prevention, trust, and balance:** Fostering the physical and emotional well-being of our people through behavioral programs that empower and enable self-care—supported by agile and transformational leadership—promoting safety and health in an environment of trust and dignity.
- 2. We empower talent:** Promote the professional and intellectual development of our people through continuous learning, facilitating the development of skills and intellectual abilities that unleash talent through a plan for growth.
- 3. People with purpose and fulfillment:** Employees should live in harmony with the corporate culture, have a sense of purpose in being the best that they can be, and contribute to the well-being of others.



In 2023, we consolidated our Comprehensive Well-Being strategy, promoting healthy growth and advancement for people through specific goals arranged on five paths.

Project

Key actions in 2023

Environments of prevention, trust, and balance

Physical/emotional paths

- Integration of a technical committee in charge of the management and deployment of the strategy.
- Promotion of the **Live in Balance** program through webinars and publications on getting physically active, nutrition and eating habits, and lifestyle changes. Results analysis for each work center for the implementation of actions related to psychosocial risk factors identified, based on the **NOM-035**.

Empowering talent

Intellectual/professional paths

- The **Wellness Contact** routine for employees, a tool for learning new healthy behaviors and habits through infographics, video capsules, and a collection of support materials, made available to personnel on the web portal. Our **Talent University** virtual platform, a tool for training our people in technical and human competencies, offering **7,909 courses** to our employees, 1,021 of which were taken by a total of **4,811 employees**, or **99%** of non-unionized personnel. A total of **605 employees** also took English courses given on the platform.

People with purpose and fulfillment

Cultural/transcendental paths

- Documentation and formation of a multidisciplinary committee that will decide on the description, goals, scope, and rules of a volunteer program.
- Update and publication of our **Leadership Model** to develop an agile, transformational leadership that encourages the culture our organization requires, along with the well-being of ourselves and our co-workers.

As part of the management methodology of the Comprehensive Well Being strategy, different ecosystems were identified for its implementation:

Leadership Ecosystem: Ensures the alignment of the company's actions and resources with the strategy. **1**

Strategic Ecosystem: Validates key information for the technical ecosystem to ensure that the strategy is followed. **2**

Technical Ecosystem: Establishes models, programs, and intervention projects in the short, medium, and long term. **3**

Implementer Ecosystem: Successfully implements the action plans, ensuring that goals are met, involving all employees. **4**

Case study - Live in Balance Program

In the interests of encouraging our employees' healthy lifestyles, we began a campaign of webinars on topics such as lifestyle changes, eating habits, and physical activation, accompanied by infographics and capsules containing the same content. The program was inspired and designed based on the results of a **Live in Balance** survey applied to **9,870 employees** at the end of 2022 (**62%** of unionized and non-unionized employees). All of this material was made available to employees and their families.



Our Talent University virtual platform—a tool for training our people in technical and human competencies—offered 7,909 courses to our employees.

Diversity, equity, and inclusion

At Industrias Peñoles, we are convinced that a diverse workforce enhances innovation and creativity. We are determined to be the best employment option for all people, offering real opportunities for development and recognition in a safe, equitable, inclusive, respectful, and equal opportunity work environment—where everyone feels valued and inspired to contribute to their fullest potential.

Strategy

We have advanced further toward a culture of labor equality and non-discrimination with the publication of our Labor Equality and Non-Discrimination Policy and the formation of a committee that will focus on two main areas of action: female talent and people with disabilities.

These are some of the actions we carried out to build a more inclusive work environment:

Case study – Promoting breastfeeding in our workplaces

To raise awareness about the importance and benefits of breastfeeding, during World Breastfeeding Week 2023, we carried out a communication campaign to promote a culture of comprehensive well-being that reconciles work, family, and personal life.

Two webinars were given by specialists in the subject: "Breastfeeding for working mothers: A comprehensive well-being approach" and "Work and breastfeeding, let's make it possible." To extend this content to employees who work in remote places, printed and digital posters were made up highlighting the benefits of breastfeeding and tips on pumping, transporting, and preserving breast milk.

We offer real opportunities for development in a respectful, inclusive, and equal opportunity work environment.

Project

Key actions in 2023

Labor equality and nondiscrimination

- The Labor Equality and Nondiscrimination Committee met to develop proposals for work on diversity, equity, and inclusion.
- The consulting firm KPMG provided training to **39 managers** on addressing and preventing workplace and sexual harassment.
- Communication campaigns were deployed on commemorative dates to raise awareness about diversity, equity, and inclusion.
- Talent University offered **188 micro learning capsules** on discrimination, diversity, equity, and inclusion.

Female talent

- We obtained Gold level in the WIM Seal, the accreditation granted by Mujeres WIM México (Women in Mining) to companies in the mining industry that promote gender equality and the development of women and inclusion standards.
- The first class of the Women for Women Mentoring Program graduated. At the end of this year, **20%** of the mentees were promoted and the call went out for participants in the second class.
- A **women's network** was activated in our work centers in Torreón and Mexico City to promote acts of sisterhood and create safe spaces women can trust.
- In partnership with KPMG and Camimex, we promoted the first survey of Women in the Mining Industry 2023, applied to **1,230 women** from different companies in the country's mining businesses. The goals were to learn about the development of female talent in the Mexican industry, as well as the benefits their experience and professionalism bring to companies.
- An awareness campaign was carried out as part of **World Breastfeeding Week** (see case study).
- Nursing centers were opened at the Capela, Sabinas, Fresnillo, Penmont, and Juanicipio mining units.

People with disabilities

- We carried out the first phase of our mapping of people with disabilities, surveying **5,502 direct employees** to identify the reasonable adaptations they need to work in the organization and decide on the protocol, process, and formats required for these adaptations.
- Through **Inclusive Leadership** training provided by Éntrale—an alliance for the inclusion of people with disabilities in the workplace—we raised awareness of disability issues among executives and managers.
- Talent recruitment personnel were trained in **inclusive recruitment** and unconscious biases and to seek out the most appropriate skills to fill positions regardless of disability.



Gender pay gap

We are committed to moving toward equal pay for men and women. To this end, we have incorporated gender pay gap as an indicator, based on the average salary of men and women employees in non-unionized, non-managerial positions.

Pay gap by hierarchical level

Hierarchical level	Pay gap (ratio) of women vs. men	Women	Men	
Senior positions	0.95	21%	79%	100%
Professional	0.98	23%	77%	100%
Non-professional	1.06	25%	75%	100%

Breakdown by hierarchical level

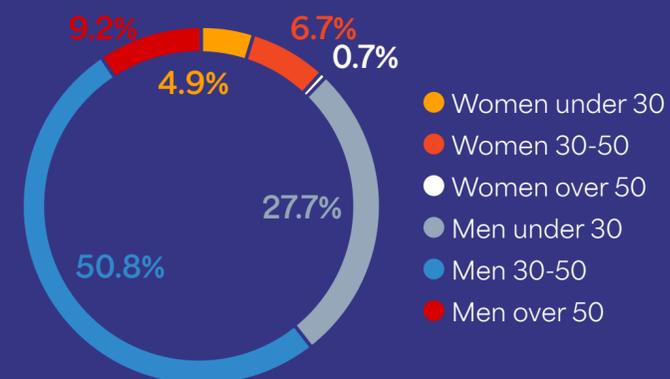
Hierarchical level	Women	Men
Senior positions	27.68%	30.64%
Professional	53.87%	53.59%
Non-professional	18.45%	15.77%
	100%	100%

This gap is mainly due to the average length of service in the position and the number of women in relation to the number of men at the various hierarchical levels. In the case of senior management, there are 3% fewer women than men, while at the non-professional level there are 3% more women than men. Peñoles pay scales make no distinction as to gender, sexual orientation, religion or other personal characteristics. Compensation policies and procedures are based on the relative value of the position in the organization. The ratio of starting salaries between men and women is 1 to 1.

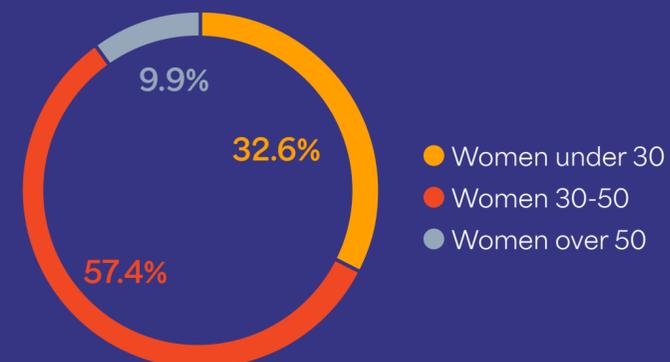
Performance and metrics

Division	Peñoles		Fresnillo		Industrias Peñoles		Total
	Men	Women	Men	Women	Men	Women	
Manager and senior executive positions	352	65	158	14	510	79	589
Employees (unionized and non-unionized)	7,082	1,065	6,096	992	13,178	2,057	15,235
Contractors	4,419	739	11,173	1,343	15,592	2,082	17,674

Breakdown by gender and age

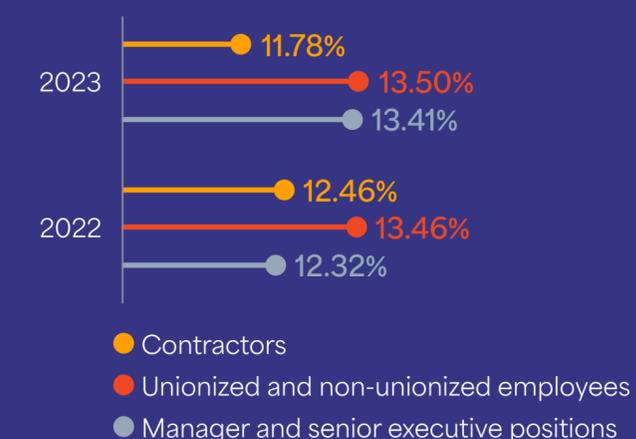


Breakdown by age



* Breakdowns by age and gender exclude employees of BAL Holdings (42) and Peñoles contractors (5,158).

Percentage of women



Total percentage of women



* The drop in the total percentage of women is due to a decline in the percentage of women contractors.

Safety and health

The safety, health, and well-being of our employees and contractors are fundamental to the success of our operations. We are committed to embedding a love of life in our safety culture and demonstrating this with discipline through our **High Potential Management strategy**, based on our zero-harm mentality.

Governance

The ESG Committee (see section *ESG Governance*) is responsible for assessing the organization's safety and health performance. The operational committees review both safety performance and strategic progress.

Our sustainability policy sets out our commitment to running a safe operation, based on a culture of prevention, hazard elimination, and risk reduction. The Safety, Health, and Environment Department prepares the strategy and guidelines for its implementation to eliminate fatalities, serious injuries, and occupational diseases in the workplace. It is jointly responsible with the Operations, Project, and Exploration Departments for developing critical controls and high potential programs, and the leadership of these areas is responsible for compliance with safety and health standards and procedures.

Strategy

High Potential Management strategy

We are continually and systematically working to reduce high potential and catastrophic incidents that have a significant impact on health or even fatalities. Our strategy is to focus on three processes that must be continuously improved—which strengthen each other and are supported by visible leadership:

High Potential Management Strategy



Our high potential and critical risk strategy aims for a goal of **zero harm** in our activities.

Our high potential management strategy's journey to maturity

- **2021 to 2023 - Safety:** The average fatality rate between 2018 and 2020 was 6.3, impressing upon us the urgency to develop and deploy a High-Potential Management strategy. To do this, we first identified the critical risks at each site (approximately 30 sites between Peñoles and Fresnillo plc). We then performed what are called bow-tie analyses to establish barriers and preventive and mitigating controls. Finally, we defined critical controls and performance standards for each risk. We began by managing the five or six most critical risks. For each, we perform a self-diagnosis of current compliance with critical controls to establish action plans to close the gap. Field verification of critical controls has been a main focus of visible leadership, and in addition, one of the main preventive performance indicators. Along with critical risk management, we developed an **incident management process**. All this succeeded in reducing the average number of fatalities by 58%, from 6.3 to 2.6.
- **2024 to 2026 - Safety:** We will continue dealing with and controlling the remaining critical risks at all sites. In 2024, one of our central concerns will be defining a safety, occupational health, and environmental management standard for contractors. We will also standardize emergency preparedness and response.
- **2024 to 2026 - Occupational health and environment:** We will define critical hazards and develop critical controls and performance standards for occupational noise exposure, dust exposure, vibration exposure, extreme temperature exposure, spills, emissions, and loss of permit validity. Additionally, we will align incident management with visible leadership.
- **2027 to 2028 - Occupational health and environment:** We will continue the process of addressing and controlling all critical occupational health and environmental risks.
- **2029 and beyond:** We will continue to improve steadily through best practices, technology, and new processes.



Main critical risks

Due to the nature of our operations (exploration, projects, mines–open pit and underground–metallurgy, smelting, chemicals, logistics, and others), we have identified a group of around 30 critical risks. The 15 most significant are:

1. Rock fall
2. Interaction between equipment, vehicles, and people
3. Loss of control of equipment and vehicles
4. Fire
5. Contact with electrical energy
6. Uncontrolled release of energy
7. Contact with molten materials
8. Loss of balance in working at heights
9. Loss of control in hoisting maneuvers
10. Entrapment by moving parts
11. Contact with hazardous substances
12. Loss of control in the handling of explosives and blasting
13. Falling objects
14. Landslide/fault slippage
15. Loss of control when entering confined spaces.

Safety impact and risk management

Critical risk management and controls

Managing risks that could result in a fatality or serious injury remains our highest priority. Our High-Potential Accident Management Strategy has enabled us to identify and prioritize the critical safety risks to which staff may be exposed in our operations, and to determine the critical controls for each risk. Leadership has been key to fostering a preventive culture among our own staff and contractors; it has enabled us to ensure continuous monitoring of the critical controls for identified risks.

Guaranteeing critical controls and assessing their effectiveness is part of our work, involving recognition and accountability at all levels of the company. We continually check our progress on this strategy and conduct in-depth reviews of the critical risks that have the greatest impact on our operations.

We work as a team with the members of the Health and Safety Commissions to reinforce our strategic actions through certification according to CONOCER 0391.01 standard and training on critical risks and controls,



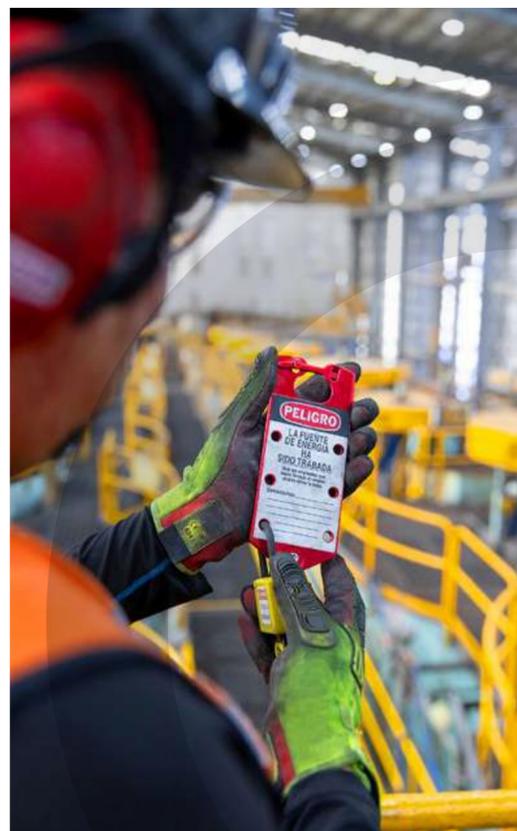
as well as monthly walkthroughs that support the company's efforts to eradicate fatalities.

We have adopted a balanced approach to preventing and managing risks, according to these categories:

Category	Scope	Action
High potential	Fatalities and high-impact incidents	<ul style="list-style-type: none"> • Learning • Assurance of critical controls • Performance and competence • Change management
Catastrophic events	Mass death, contamination, or major damage to infrastructure and equipment	<ul style="list-style-type: none"> • Culture of safety and environmental care • Fire fighting • Rescue • Process administration • Safe design for projects
Low potential	Injuries/minor impacts	<ul style="list-style-type: none"> • Hazard and risk awareness • Safe workplaces • Psychology • Ergonomics • Contractor management

Behavioral management

At Industrias Peñoles, we consider it an ethical and moral obligation to eliminate conditions that leave people and property open to harm. To do so, we have pledged to build and foster a culture of prevention in occupational safety and health through transformational, adaptive, powerful, and decisive visible leadership **whose priority is love for life.**



Visible leadership by our leaders—in the form of *implementation, verification, and continuous improvement*—will allow us to guide and encourage our people's commitment to do their jobs according to our company's values.

We have made strengthening our preventive culture a priority, supported by the **Safety, Occupational Health and Environment Leadership Standard**, which guides us in protecting our people and their environment—reinforcing the importance and value of human life, well-being, and dignity.

We work to strengthen leadership through the presence of our leaders in the field, interacting openly and frank-

ly with their workers and detecting areas for improvement. This leads to safer work and sets an example for workers to follow—inspiring greater commitment and conviction.

At our eleventh annual Safety Symposium, we discussed leadership practices and underscored each employee's **Right to Say No**, which are **preventive** elements of our **High-Potential Management** strategy and the empowerment of our staff.

We will continue to raise awareness of occupational health risks to strengthen our preventive culture, and we will extend the lessons from 2023 on critical safety risks to critical occupational health risks.

Incident management

This dimension of our strategy enables us to maintain a culture of preventive reporting by managing high-potential near misses, which give us the opportunity to detect missing or failed critical controls that could lead to high-potential accidents. All employees are empowered to say **NO** when an activity does not meet the safety standards expected of our leaders. This builds commitment and contributes to a more mature preventive safety and occupational health culture at the company.

The benefits of preventive reporting are:

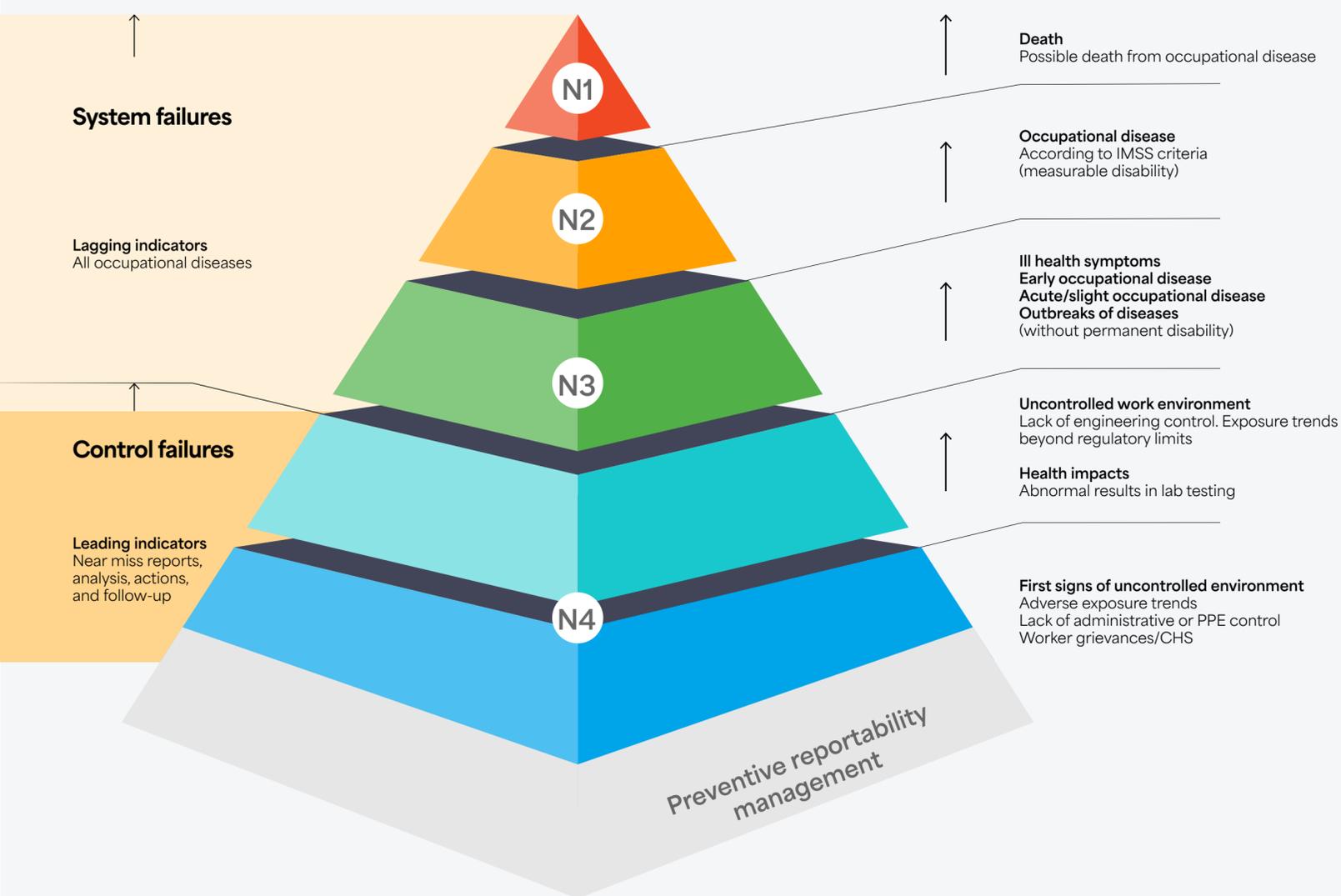
- Protecting your life and that of your co-workers
- Anticipating risk as an early warning system
- Supporting your team and your company
- Actively participating in risk management
- Assessing the appropriate level of implementation for critical controls in the field.

In incident management, learning from failures and mistakes is fundamental to avoid a repetition, building a stronger culture of prevention in safety and occupational health; hence, the importance of quality research, timely communication, reflection on lessons

learned, and implementation, verification, and evaluation of actions.

When a significant event occurs, our investigation procedure begins with a root cause analysis (RCA) method. Subsequently, to learn from the incident, we use the High-Potential methodology, based on the incident-cause-analysis-method (ICAM). Staff from the various divisions has been prepared to act as trainers and facilitators in this method. Additionally, workshops for leaders have been held throughout the company to reinforce their commitment and responsibility for incident investigation and compliance, as well as for follow-up and control of the recommendations stemming from each investigation.

Health Risk Management Model



Health impact and risk management

In 2023, we devised a plan of ongoing hygiene studies to update risk maps and redefine our classification of groups with similar exposures, while reinforcing the occupational health-monitoring program with

a battery of studies on specific risks through the mainstream standard of oversight. This strengthens our preventive approach to safety by focusing on controlling the work environment (levels N3 and N4 of the health risk management model).

In 2023, we developed a plan of ongoing hygiene studies to update risk maps and redefine our classification of groups with similar exposures.

Case study - BAL Safety Week 2023

“Love for life” is a maxim we live by, both within and outside of our operations. Day by day, we dedicate ourselves to achieving a workplace that is orderly, safe, and free from fatalities and occupational diseases.

The Grupo BAL’s chairman introduced Safety Week as an initiative to strengthen our preventive culture in safety, occupational health, and the environment. This year, a new Leadership Standard was introduced to inspire commitment from senior management to employees and business partners.

This initiative began with a message from Grupo BAL’s chairman of the board, Alejandro Baillères, with more than 600 people connected live and another 2,900 who subsequently viewed it. Each CEO conveyed the message to their leadership team and requested their support and commitment in implementing this standard.

The message was clear and concise: “Life is a miracle and a wonderful gift, which is why our business group’s strategy is the moral duty to prioritize love for life, for our people, our co-workers, and their families.”

This activity will become an annual practice, and starting in 2024, it will include the presentation of the Annual Safety Award, recognizing outstanding work by individuals and teams, their leadership performance, and promotion of our prevention and safety culture. In the future, it will be extended to matters of occupational health and the environment, inviting learning and replication of best practices and initiatives within our company.



Health monitoring

Non-occupational health monitoring was resumed **fully** in 2023, with our personnel's health assessment. With this, we encourage self-care for health through prevention, early detection, and prompt treatment.

This year—as part of our non-occupational health-monitoring program—we provided checkups to **70.8%** of Peñoles employees and gynecological exams to **94.5%** of women employees. At Fresnillo plc, **99%** of employees received checkups, and **30.6%** of women employees received gynecological exams.



Mental health

We continued to strengthen our strategy of supporting our employees' mental health, working through various mainstream actions:

- Psychological first aid workshops
- Managing post-traumatic stress
- One-on-one psychological sessions
- Group anti-stress workshops.

We also resumed strategies focused on health lifestyles like eating well and getting physically active.

Our preventive health program was brought to the workplace through campaigns on hygiene, early breast and prostate cancer detection, and monitoring patients with chronic degenerative disease and employees who are pregnant or nursing.

For this last group, we underscored our support for a healthy work/life/family balance by introducing a maternity and nursing standard in addition to the existing nursing rooms. This is intended to retain women employees in mining work. At the close of the year, we had 10 nursing rooms operating.

In 2023, we updated the requirements for certifying an area as heart-healthy and smoke-free, and now have:

- **5 heart-healthy** areas
- **15 smoke-free** areas.

COVID-19

We continued our preventive measures against COVID-19 while stressing the importance of vaccination against other infectious diseases like the flu. We are keeping an eye on the constantly changing characteristics of various COVID strains, so we can take steps to anticipate needs and maintain business continuity.

Safety and health certifications

We have made progress in the company's internal and external commitments to achieving **ISO 45001**, standard as part of our continuous improvement of operational management systems. To date, we are 35% of the way toward obtaining certification of our operational units.

Performance and metrics

We are deeply grieved to note that there were four fatal accidents in our group during the year: three in Saucito and one in Fresnillo plc Explorations. We conducted a detailed investigation into each and shared the lessons

learned with all Peñoles and Fresnillo plc business units—in addition to implementing corrective actions derived from the investigation to minimize the potential for similar incidents and prevent them from recurring.

Average hours of safety and health training

	Training hours	Average hours of training
Non-unionized employees	53,638	10.15
Unionized employees	261,071	24.09
Contractors	370,785	20.98



Fatalities



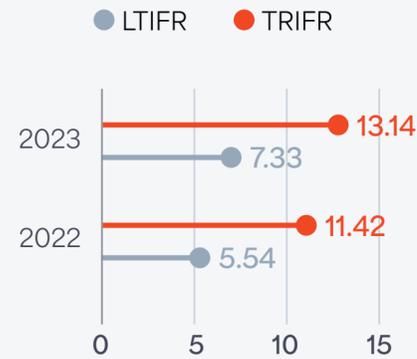
Lost time injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR)

Safety metrics

	Total	Peñoles			Fresnillo plc		
		Total	Employees	Contractors	Total	Employees	Contractors
Hours of risk exposure	83,948,544	34,864,744	21,461,558	13,403,186	49,083,800	18,066,400	31,017,400
Lost-time injuries	615	252	159	93	363	157	206
Total recordable	1,103	510	323	187	593	236	357
TRIFR	13.14	14.63	15.05	13.95	12.08	13.06	11.51
LTIFR	7.33	7.23	7.41	6.94	7.40	8.69	6.64

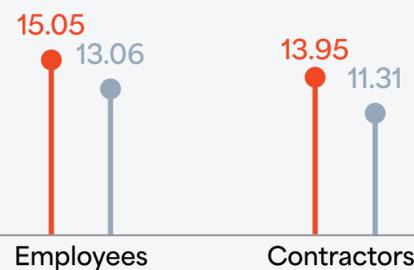
Total recordable injury frequency rate (TRIFR), lost time injury frequency rate (LTIFR)

frequency rate (TRIFR), lost time injury frequency rate (LTIFR)



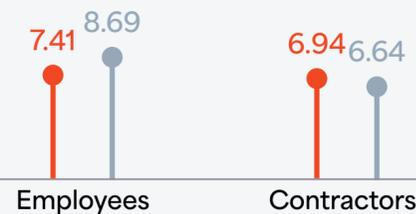
TRIFR employees and contractors

● Peñoles ● Fresnillo plc



LTIFR employees and contractors

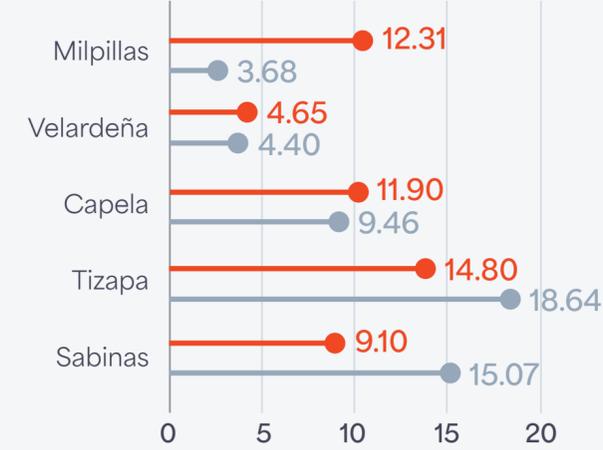
● Peñoles ● Fresnillo plc



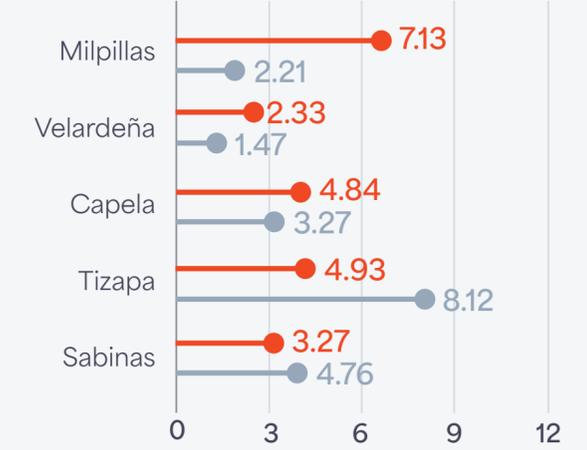
Lost time injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR) 2022-2023 by business unit

● 2023 ● 2022

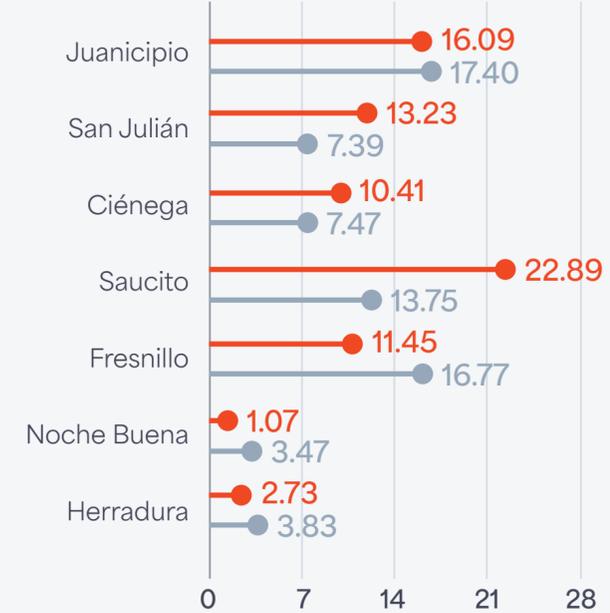
TRIFR Peñoles Mining Division



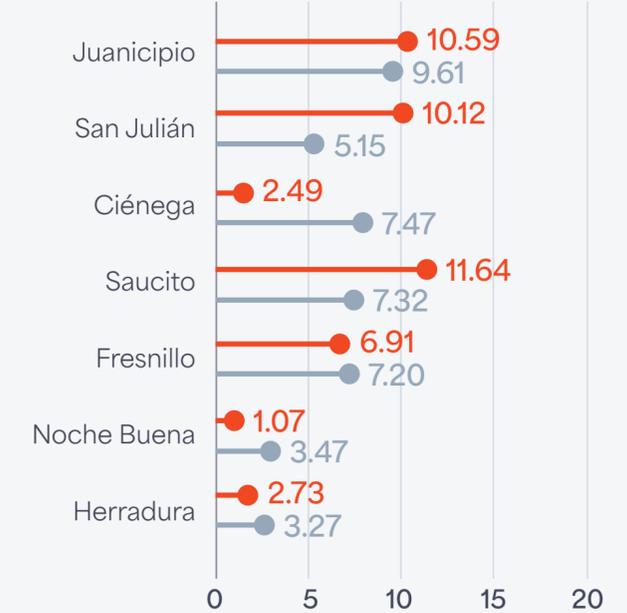
LTIFR Peñoles Mining Division



TRIFR Fresnillo plc Mining Division



LTIFR Fresnillo plc Mining Division

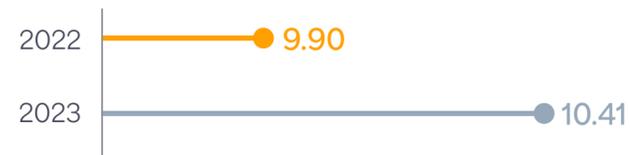


Lost time injury frequency rate (LTIFR): Number of lost-time injuries per 1,000,000 hours worked.
 Total recordable injury frequency rate: Fatal accidents + lost-time injuries + restricted work injuries + medically treated injuries per 1,000,000 hours worked.

High Potential Accident Rate

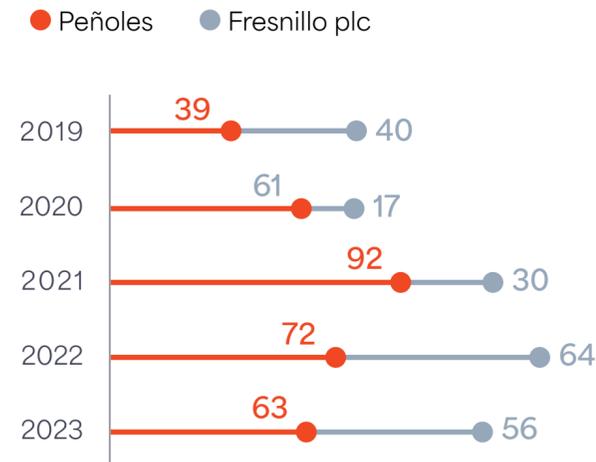
Hours of risk exposure	83,948,544
High potential accidents	874
High Potential Accident Rate	10.41

High Potential Accident Rate



High Potential Accident Rate: Number of high potential accidents per 1,000,000 hours worked.

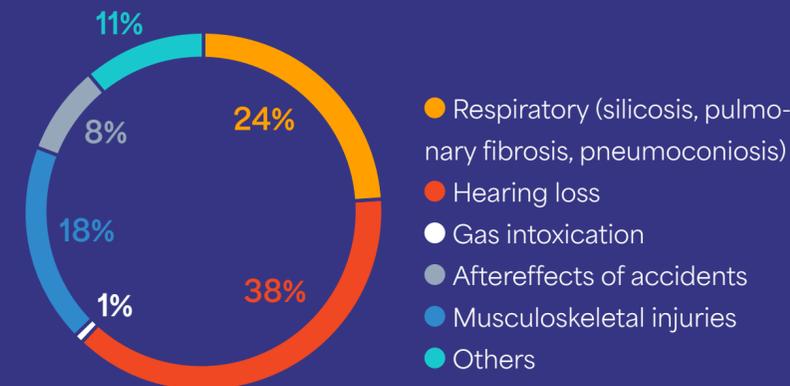
Occupational Diseases



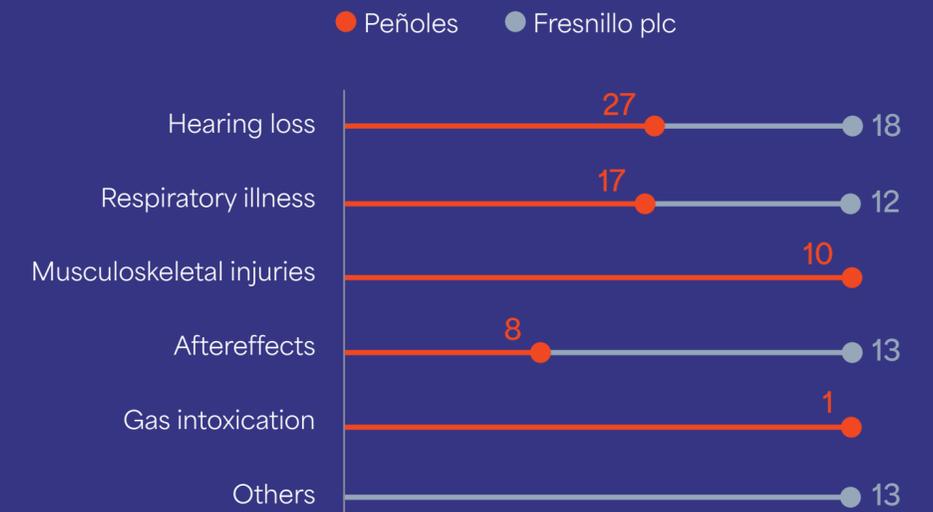
In 2023, there were no deaths resulting from occupational diseases.



Breakdown of occupational diseases



Breakdown of occupational diseases



Living the Community



We aspire to Live the Community by getting involved in the causes and needs that the communities around us are interested in addressing and resolving—joining in their development plans for a shared future and forging strategic partnerships with authorities, cooperating entities, and civil society organizations for the common good.

We promote dialogue and participation to encourage community advancement, pri-

oritizing skill building and strengthening for social organizations, empowering communities to work for sustainable development, and promoting shared solutions.

We are aware of the increasingly exacting expectations of social performance and the social complexity of the regions where we operate and develop our projects, and we are committed to continuously improving our social performance practices.

Governance

The ESG Committee governance mechanism (see section *ESG Governance*) oversees social performance issues. The Committee will monitor social performance results and progress against strategic plan goals (see *Strategy section of the Annual Report*). We also operate a Community Relations Best Practices Committee, which establishes performance standards and social management system procedures for our activities in Mexico, Peru, and Chile. This committee supports the exchange of best practices and partnerships with civil society, cooperating organizations, and authorities.

Social Performance Standard

Our standard establishes the criteria and success factors for responsibly managing social impacts and risks, so we can earn the communities' trust in our operations and projects and execute our business strategy.

Strategy

Social license to operate is consistently among the five main risks and opportunities in the mining-metallurgy industry.¹

Strategic implications of social performance

Managing social impacts and risks

Responsibly managing socio-environmental impacts and risks is crucial for earning and retaining community support for our activities, including human rights implications. When impacts are not properly managed, they become social risks, with negative implications for operating continuity and our ability to execute our business strategy. To ensure success, we must responsibly manage impacts and promptly manage social risks by engaging and dialoguing with communities.

Community engagement

Community engagement is essential to incorporating their expectations and concerns into our operating, tactical, and strategic decisions. When a com-

munity is actively involved in the issues that matter to them, we enjoy broader social support for our activities and create opportunities for social development. Community expectations regarding a company's social performance evolve over time, and the success of an engagement strategy lies in that company's capacity to adapt to this reality.

Indigenous peoples

Some of our operations and projects are located in communities and territories that are home to indigenous groups. In such cases, we are required to obtain and maintain the communities' Prior, Free and Informed Consent (PFIC). Mexico, Peru and Chile have both signed the ILO Convention 169, and it is incorporated in one way or another into local law. Having a robust social process for engagement, managing possible impacts, and obtaining this PFIC are key factors for the success of our business.

¹ Ernst & Young Global Limited (EYG). *Top 10 business risks and opportunities for mining and metals in 2023*. Retrieved from: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/mining-metals/mining-metals-pdfs/ey-top-10-business-risks-and-opportunities-for-mining-and-metals-in-2023.pdf

Adapting to changing regulatory frameworks and international expectations of social performance

The rules of social performance are constantly changing—in terms of both national and local laws and international frameworks. Our system of social management must be flexible and agile enough to adapt to these changes, and our people's skills must evolve in tandem.

Strategic alignment

The organization's strategic plan now includes an action line devoted to social performance, which encompasses these goals:

Strategic

- Having a framework for managing and engaging with communities and governments
- Providing training and space for reflection on how our behaviors impact communities and governments
- Introducing mechanisms for intelligence, monitoring, and communication to prevent and mitigate situations that are adverse to businesses
- Having a verifiable Community Management System

Social performance mindset

- Build awareness within the company about the importance of our conduct in the communities where we operate and with the authorities
- Developing our strengths of empathy and proactivity to be a positive and legitimate influence with our communities and authorities.

Material community concerns

- Through community engagement, we identify and address the issues that are most important to our communities, which makes them strategic for social management:

Issues material to our communities

- Access to land
- Air quality
- Behavior of our people
- Commitments and agreements
- Communication and transparency
- Equality in social support
- Industrial health and safety
- Jobs and labor relations
- Management of TSF
- Mechanisms for attending to the community
- Soil conservation
- Vibrations
- Water stewardship

Note: Issues are presented in alphabetical order.

Social performance maturity

The International Council on Mining and Metals (ICMM) proposes measuring social performance maturity through four dimensions: leadership and social awareness, management system, people, and metrics. We have adapted this convention to guide our capacity-building efforts.



Source: International Council on Mining and Metals (ICMM) Social Performance Maturity Matrix



Social impact and risk management

Life cycle engagement

Our community engagement strategy is tailored to community expectations and potential impacts at each stage of the mining and metals life cycle. Communities expect the company to give them an opportunity to be heard and to participate in development. That is why we get involved early in the project life cycle:

- **Exploration:** Our teams establish contact with the communities to introduce us as a company, socialize our activities, and negotiate land access permits for exploration. During this stage, we identify their issues of interest, needs, expectations, and concerns; we address concerns and complaints related to our activities and become positively involved—generating opportunities for temporary employment, supply, and social investment. In advanced exploration stages, we conduct baseline studies to gain a better understanding of the communities. We conduct due diligence of indigenous peoples in company concessions to identify in advance the need to take steps to establish respectful relations with indigenous communities.

- **Projects:** We promote engagement with exploration and operation teams through a social management continuity plan that includes management evaluation, commitment tracking, and strengthening of project community relations teams to provide them with a working vision throughout the business life cycle.

Our teams expand on baseline social studies and impact assessments to design a social management plan. We make our social programs more ambitious by involving communities and civil society organizations. We conduct awareness activities for engineering and mining teams on key community aspects and consider social aspects in TSF site analyses. Additionally, we train our contractor partners on social issues. We increase our presence through meetings with communities and their authorities, as well as field visits to address their concerns and complaints, which helps to build trust. We work closely with land acquisition teams to address community expectations and concerns and connect them with local job and supply opportu-

nities with the projects. In projects located in indigenous territories, we work with the authorities to prepare and organize the Free Prior and Informed Consent processes. All of this is carried out through a comprehensive risk management plan, in coordination with technical and administrative areas.

- **Mining, metallurgical, and chemical operations:** Our community relations teams create social management plans to benefit causes of interest to communities. These plans include relationship-building activities and dialogue with communities and local authorities on topics relevant to them and the company. Institutional social investment programs are deployed during operations, and mechanisms for addressing concerns and grievances are maintained. To identify performance gaps and opportunities in our social strategy, we conduct social studies annually or biannually to incorporate viewpoints, expectations, and concerns. During the operational phase, longer-term employment and local sourcing opportunities are developed.

Case study – Forum and interactive workshops with the community

In keeping with our commitment to transparency with the communities surrounding the Rodeo project, we shared with them how the company manages environmental, social, and innovation issues in mining processes through a series of forums and informative workshops for ejido residents and the community at large. The purpose was to talk about the good practices in place at our units and to have a chance to listen to questions and concerns from the general public.



103 people work in community relations.



Tailing storage facilities

Together with communities, we identify and manage impacts and social risks during the various phases of the TSF life cycle. This includes:

- Involvement of the community through infrastructure (TSF) socialization processes
- Concrete and transparent communication with the community
- Design of emergency response plans
- Audits with community participation.

Land acquisition and resettlement

When we acquire land for our activities, we also carry out a process of community engagement to support the negotiations. From the project design phase, we are committed to studying alternatives to avoid any physical relocation of families and communities. When this is not possible, the resettlement must be backed by impact studies and action plans, with communities' involvement in identifying measures to mitigate impacts and restore the means of subsistence.

Social studies

Every year, we conduct social diagnostics in our operations, consulting communities about their concerns and expectations and learning about how they perceive our social and environmental commitment—as an employer and as a neighbor—and how they see our institutional image. This process helps us to identify risks and opportunities for improving our social performance. The studies include social impact assessments and due diligence with a focus on human rights.

Social management plans

We develop social management plans to address the positive and negative impacts that we find in the social impact assessments, and incorporate mechanisms for addressing these appropriately. We also form strategic partnerships on relevant issues with governments, other businesses, and civil society organizations.

Mechanism for addressing concerns and grievances

Our operations, projects, and explorations all have feedback mechanisms by which we can understand the real or perceived impacts of our activities and take action to address them. A grievance is a concern that requires a response or action from the company.



*Statistics on grievances are reported in the Metrics section.

Artisanal mining

We identify and characterize any ongoing artisanal mining activities in the company's zones of interest starting in the exploration phase, in order to assess the inherent risks and opportunities. We include attending to groups of artisanal miners in our social management plans, according to the context and local laws.

Social transition for closure of operations

Contributing to the means of subsistence in communities during the mining life cycle is fundamental. For this reason, we identify social impacts and opportunities starting from the exploration phase and continuing through the final closure of operations. We design a management plan, setting targets for social transition and taking meaningful action for the community through monitoring and assurance during post-closure (see the Closure section).

No resettlements were necessary for developing our activities during 2023.



The following is a list of our community consultations on social performance perceptions in 2023.

Units with perception surveys

Tizapa	*
Sabinas	*
Milpillas	*
Velardeña	*
Capela	*
Met-Mex	*
Bermejillo	*
Química del Rey	*
Fuerza Eólica del Istmo	*
Penmont	*
Ciénega	*
San Julián	*
Fresnillo	*
Saucito	*
Juanicipio	*

Indigenous peoples

We conduct due diligence to identify whether there are indigenous groups present in the areas of interest surrounding our projects, so we can take the necessary steps for community engagement. Through social impact studies, we identify the potential impacts and mitigation measures to respect indigenous rights and take their interests and expectations into account.

We work together with the competent authorities, whenever possible, to obtain the required PFIC. We have a specific action protocol for conducting the PFIC process (*see the section on Human rights - Indigenous peoples*).

Community engagement

Understanding our communities' expectations and concerns is a priority for us. All units and projects have engagement plans that include permanent attention to and dialogue with communities. We also go through a formal process of asking them how they see our performance as an employer and good neighbor, our institutionalism, and our environmental and social performance. This is done through focus groups, interviews with the population at large, and in-depth interviews.

Jobs and local sourcing

We try to diversify local economies through skill-building and local entre-

preneurship programs with stakeholders—prioritizing local labor and supporting families' economic development. Our social management plan also includes actions to develop capacities in the community, so people can access local jobs and sourcing opportunities in our value chain.

Social investment and shared value

Our social investment portfolio—which is aligned with the SDGs—fosters mutual understanding and a harmonious relationship with communities, stronger relations of trust and shared responsibility, development of local capacities, and productive alliances with civil society organizations; all for the purpose of creating social well-being.

Case study - Water stewardship committees

Together with the community, we created committees to track our activities in managing and caring for water and the actions taken to maintain our supply system. This encourages social participation by offering to contribute organizational tools that the community can appropriate in its own processes in the future.





Education



We want to promote social unity through education, culture, art, cultural heritage preservation, science, technology, and educational infrastructure. We promote quality technical, professional, and higher education—including university level classes—so people can get decent jobs or start their own businesses. We also support literacy programs.

Key activities

- With the **FIRST Robotics program**, we encourage young people to pursue careers in science, technology, engineering, and mathematics (STEM). Students compete for scholarships to study at Universidad LaSalle, with which we have an agreement at its Laguna and Hermosillo campuses.
- Our **Picando Letras program**—where kids can pick out books to read and discuss their ideas with others—resumed activity at “Bunkos” at Cienega and Caborca.
- INNOVEC supported our launch of a **Climate Education Program**—in an alliance with the UNESCO Office for Climate Education—to encourage understanding of climate change among children in neighboring communities.
- Our **Metals Museum** encourages interest in science and showcases mining and metals as opportunities for development. The museum supports academic performance through a focus on science, technology, and human development, offering content and resources for community learning.
- We work together with the educational community and local authorities to develop civil protection programs that contribute to the safety of the school community through **School Civil Protection Fairs**.

25 teams

830 youth (42% women)

180 mentors/volunteers

Case study – Educational Quality Council

To respond to detected challenges—like school dropout, addiction, and bullying in schools and among community youth—we formed an alliance between leaders of each of the educational institutions in neighboring communities, local authorities, and company employees, to create an Educational Quality Council.

This practice contributes to SDG 3, Health and Well-being, through target:

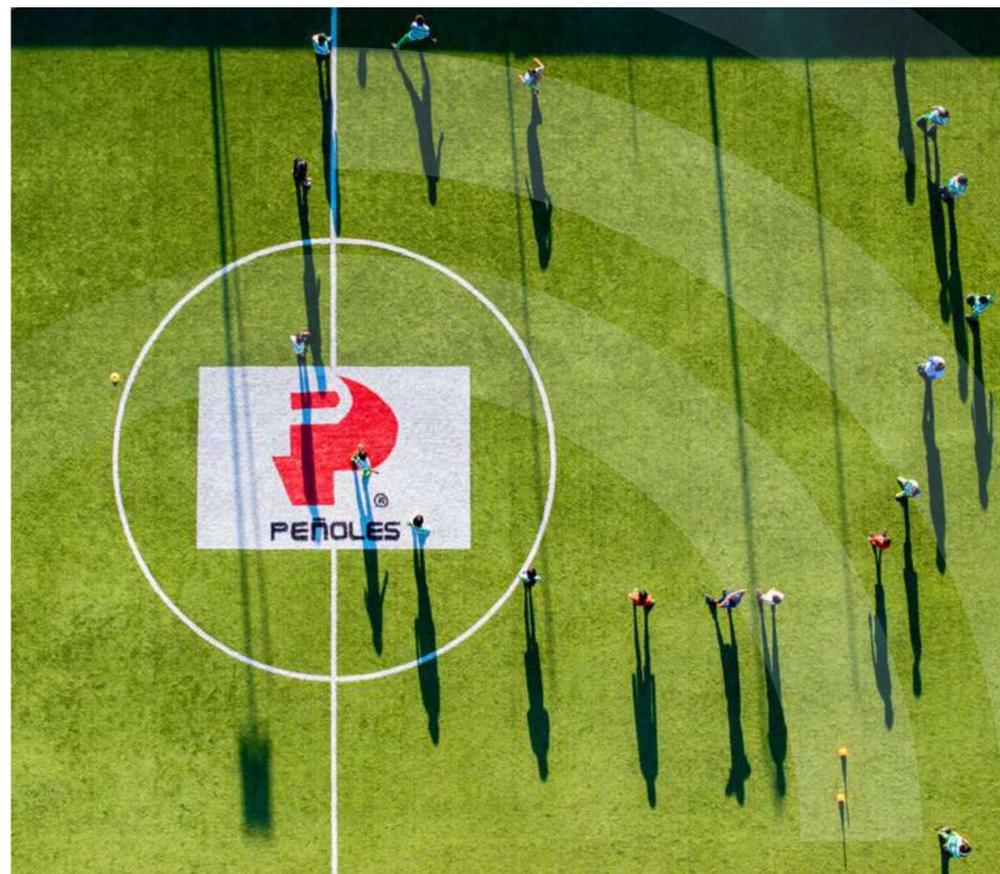
✓ **3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol**

This activity’s approach is to strengthen practices and contents of state educational systems to improve competencies for community youth from a comprehensive, interdisciplinary perspective.

- In alliance with the Instituto Mexicano para la Excelencia Educativa A.C., **we promote tools and methodologies** that help teachers perform their jobs better, while creating a community of teachers who are enriched by exchanging experiences and best practices. We have trained more than **196 administrators** and **teachers**.
- Among our actions aimed at promoting **adult education**, we continued our literacy program in Durango, Zacatecas, and Guerrero.
- Through **volunteer work**—in partnership with the United Way Mexico—we contributed equipment and infrastructure to schools in our neighbor communities.
- In coordination with the authorities, civil society organizations, teachers, and the community at large, we participated in a **program on co-management of educational infrastructure**.



Health and sports



Our goal is to encourage our communities' healthy lifestyles and well-being. We support health systems, good hygienic and nutritional habits, and access to safe vaccines; we promote preventive health and sports programs, family togetherness, and emergency response.

Key activities

- Together with Fundación UNAM and the health authorities, we continued our program of **Health Days**, offering medical checkups and specialized care for vulnerable people from our communities. In 2023, we provided more than **7,700 doctors' visits**.
- Through our **11 Santos-Peñoles & Fresnillo plc. soccer academies**, we instilled values among more than **1,200 boys and girls**, transforming their lives and boosting their skills.
- We also organized other **sports tournaments** to promote family togetherness and restore public spaces.

We support better health systems, hygiene, and nutritional habits, while promoting preventive health and sports programs.



Case study - Tú Psique me Importas

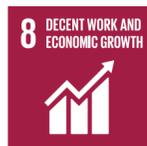
The Tú Psique me Importas psychosocial wellness program aims to guide the families of Velardeña towards greater awareness and a culture based on healthy living habits in collaboration with local organizations and the educational community. The practice follows five lines of action: mental health, children's health, sexual health, chronic diseases, and healthy environments.

This practice contributes to SDG 3, Health and Well-being, through targets 3.4 and 3.5:

- ✓ **3.4 By 2030, reduce premature mortality from noncommunicable diseases by one-third through prevention and treatment, and promote mental health and well-being**
- ✓ **3.5 Strengthen prevention and treatment of substance abuse, including substance abuse and harmful use of alcohol**

The program provides tools and builds awareness to prevent and resolve health challenges, and is compatible with community interests because communities value physical and emotional health.





Skill building



Our goal is to develop capacities and promote entrepreneurship to diversify local economies and build resilient communities.

Key activities

- In an alliance with **Fundación ProEmpleo A.C.**, we promote entrepreneurship and better local businesses through training in business skills, consulting, work grants, and development of local sourcing.
- We develop social capacities through **productive projects**, focusing on economic development. (see *Case study*).
- Our **community centers** provide a space where we can help develop capacities and support talent in our communities. The objective is to strengthen the relationship between the company and the communities by providing a space that facilitates the integration of training activities for life and work, skills development, culture promotion, sports and talent encouragement, harmonizing stakeholders gathering.
- The **Centro de Estudios Técnicos Laguna del Rey (CETLAR)** offers full scholarships to young people from communities near our operations, who receive training as highly qualified technicians.

Our community centers are a space where we develop the capabilities and talent in our communities.

Case study – Productive workshops: food processing

To strengthen skills in our neighboring communities and help improve families' quality of life through economic development and women's skills in Valdecañas and Saucito del Poleo, Zacatecas, we offered programs in processed food production.

This practice contributes to SDG 5, Gender Equality and SDG 8, Decent Work and Economic Growth, through targets 5.5 and 8.5:

- ✓ **5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life**
- ✓ **8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value**

This program helps build skills in partnership with the community's Rural Development Education Brigade no. 46.





Access to water



We intend to reduce our water footprint and work with communities and authorities to improve safe access to water, while building awareness about environmental aspects.

Key activities

- We **treat municipal wastewater** and use it in our processes, so we consume less fresh water.
- We developed a water well diagnosis project for the communities in Penmont.
- We conducted **recycling, cleanup, and environmental awareness campaigns** and promoted water stewardship through publications, round tables, and contests in collaboration with authorities, communities, and educational centers.
- We organized visits for school children from neighboring communities to our **wildlife management units and plant nurseries** to raise awareness about the environment and preservation of flora and fauna.



We intend to reduce our water footprint and work with communities and authorities to improve safe access to water—while building awareness about environmental matters.

Case study – Climate Education Program

The purpose of this program is to provide tools and knowledge to teachers and students in the region and to induce the behavioral changes needed to understand and adapt to climate change by promoting high-quality climate change education for primary and secondary school students. This program was developed in collaboration with the government of the State of Zacatecas through the Ministry of Education and the Zacatecas Council for Science, Technology and Innovation, INNOVEC, AC and UNESCO's OCE.

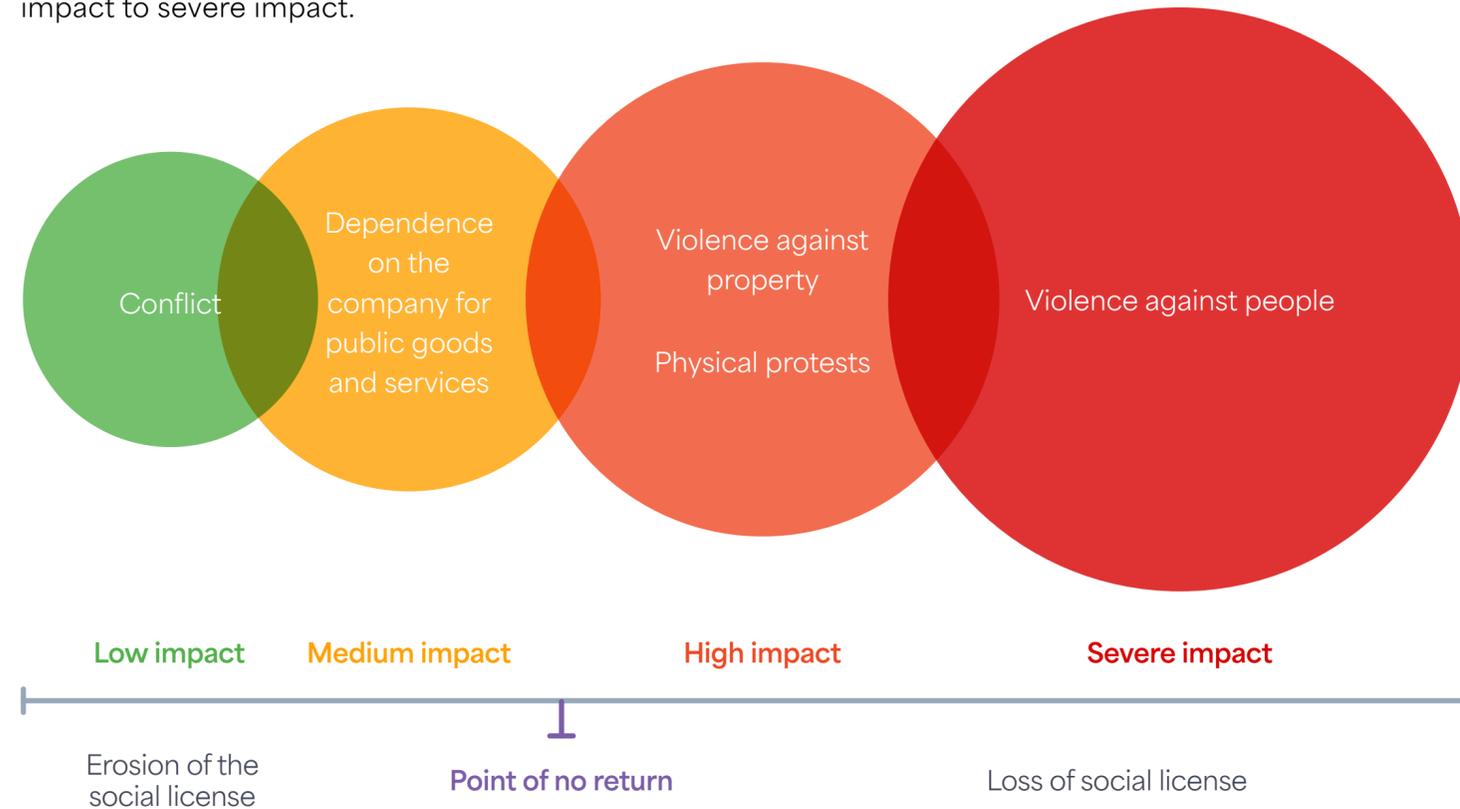
This practice contributes to SDG number 13, Climate Action, through target:

✓ **13.3 Improve education, awareness and human and institutional capacity on climate change mitigation, adaptation, mitigation and early warning.**

With this practice, we provide tools for strengthening individual and collective awareness regarding the protection of natural resources, youth participation, and the call for community action on one of the main global risks: climate change.

Social risk management

Through the organization's enterprise risk framework, we assess social risks with the objective of strengthening operational continuity. The corporate social risk assessment matrix considers two main risks in four phases, from low impact to severe impact.



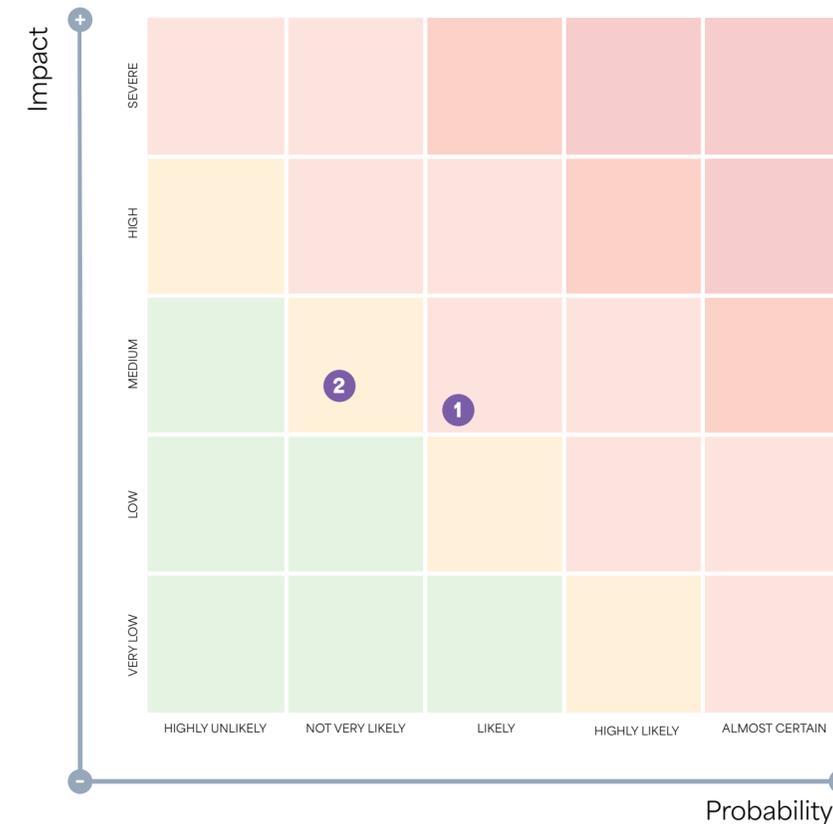
Reference:
Davis, Rachel and Daniel M. Franks. 2014. "Costs of Company-Community Conflict in the Extractive Sector." Corporate Social Responsibility Initiative Report No. 66. Cambridge, MA: Harvard Kennedy School.

We assess social risks to strengthen our business continuity.

Risks and consequences

Risks	Consequences	Management instruments
1. Erosion of social license through conflicts with the company and/or dependence on public services	1. Community grievances and claims 2. Disputes and lawsuits over various issues	1. Leadership and social awareness
2. Loss of social license through physical protests, violence against property and/or against people	1. Refusal to negotiate access to land 2. Increase in community demands and conditions 3. Blocked access to public infrastructure or operating works	2. Management System 3. People 4. Metrics

Identification of ERM risks - Communities



Number and total duration (in days) of site closures or project delays due to significant conflict with the community, occurred during the reporting period.

Site closures or delays

Year	Closure or delay	Duration (days)
2022	0	0
2023	0	0

Social investment by strategic lever



Social performance indicators

Grievances

Category	2022	2023
Pending from prior years	11	10
New grievances in the period	26	26
Total grievances	37	36
Grievances closed during the period	27	29
Grievances pending at end of period	10	7

*Starting in 2023, grievances reported to our subsidiary Fresnillo plc are included.



Social investment, local jobs, and local sourcing

Period	Social investment	Local suppliers	Local sourcing (payments to local suppliers/total supplier payments)	Local employment
2022	US\$6.64 M	58%	-	67%
2023	US\$6.00 M	58%	47.81%*	73%

* This was the first year the calculation was made.

Alliance for the Common Good

Our Alliance for the Common Good strategy establishes strategic links with the three levels of government—municipal, state and federal—in the places where we operate. It is characterized by a proactive approach, empathy with the purposes of the authorities, and a positive influence to generate public policies that benefit everyone. Likewise, we seek to ensure that these authorities recognize the contributions of the organization's work in favor of the common good. To normalize our aspiration, commitment, and strategic links, we have developed a government relations procedure as part of our internal regulations.

Through open, transparent, and participatory dialogue and assertive and consistent interaction with authorities, we provide them with accurate and timely information, including documents and public actions where Industrias Peñoles' values make us a benchmark of trust,

understanding, and impact on the common good in the jurisdictions where we operate. We are part of the Government Relations and Legislative Liaison Committee of the Mexican Mining Chamber and collaborate with the Mexican-Peruvian Chamber of Commerce.

During 2023, we promoted engagement with the communities of Velardeña and Capela by launching the Demystifying Mining media campaign, aimed at highlighting the socio-environmental benefits of a mining operation. We also collaborated with municipal governments in the states of Guerrero, Zacatecas, Mexico, Sonora, and Durango, focusing mainly on projects to improve housing, access to water, supplier development, local employment, civil works, and development strategy.

During 2023, we promoted engagement with the communities of Velardeña and Capela to highlight the socio-environmental benefits of a mining operation.



Strong correlation

The unions are our strategic partners— with whom we maintain labor relations based on trust, a permanent orientation towards a culture of ethics and safety, and a constant search for mutual benefit. The interaction between the company and the unions is based on a permanent dialogue with union representatives at local and national levels. As a result, we are able to give timely notice of any significant operational changes, share business information in a transparent manner, and fulfill our commitments to this stakeholder group.

At Peñoles, we comply with applicable labor laws, treaties, international conventions, and regulations, always mind-

ful of workers' rights, including freedom of association and collective bargaining. Periodically, the unions appoint review commissions that, together with the company, carry out processes of analysis and negotiation of collective bargaining agreements, including the rights and obligations of both parties and the joint commitment to guarantee safety, work ethic, productivity, and quality of life at work. Thanks to our good working relationship, the contract and salary reviews carried out during 2023 were conducted in a framework of respect and cooperation, without any collective conflict.

Union officials have free access to assigned areas and are provided with fa-

cilities to organize meetings with their union members, as long as they comply with health and safety standards.

The company and the unions continue to implement the Labor Modernity work model in the business units, focused on promoting the three pillars of work: ethical, safe, and productive. This allows our employees to reach their highest potential, contribute to job stability, protect the source of employment, and ensure the integral well-being of their families and the communities where we operate.

68% of our direct employees are covered by collective bargaining agreements.

Case study - CETLAR celebrates its 30th anniversary

The Centro de Estudios Técnicos Laguna del Rey (CETLAR) continued its mission to provide comprehensive training to young people in the communities surrounding Industrias Peñoles companies, focusing on three main lines of action: technical training, human development, and community collaboration. In this way, we strengthen the technical, administrative, and human competencies of young people in order to incorporate them into our operating units and thus have competent personnel.

In 2023, we celebrated CETLAR's 30th anniversary of constant work. We reached the 27th generation of young people with a total of 949 graduates, and maintain our commitment to our operating units, students, and the community.





Annex

Recognizing the importance of the Sustainable Development Goals and the Global Compact in addressing global challenges and charting a path to a more sustainable future, we present our performance indicators below.



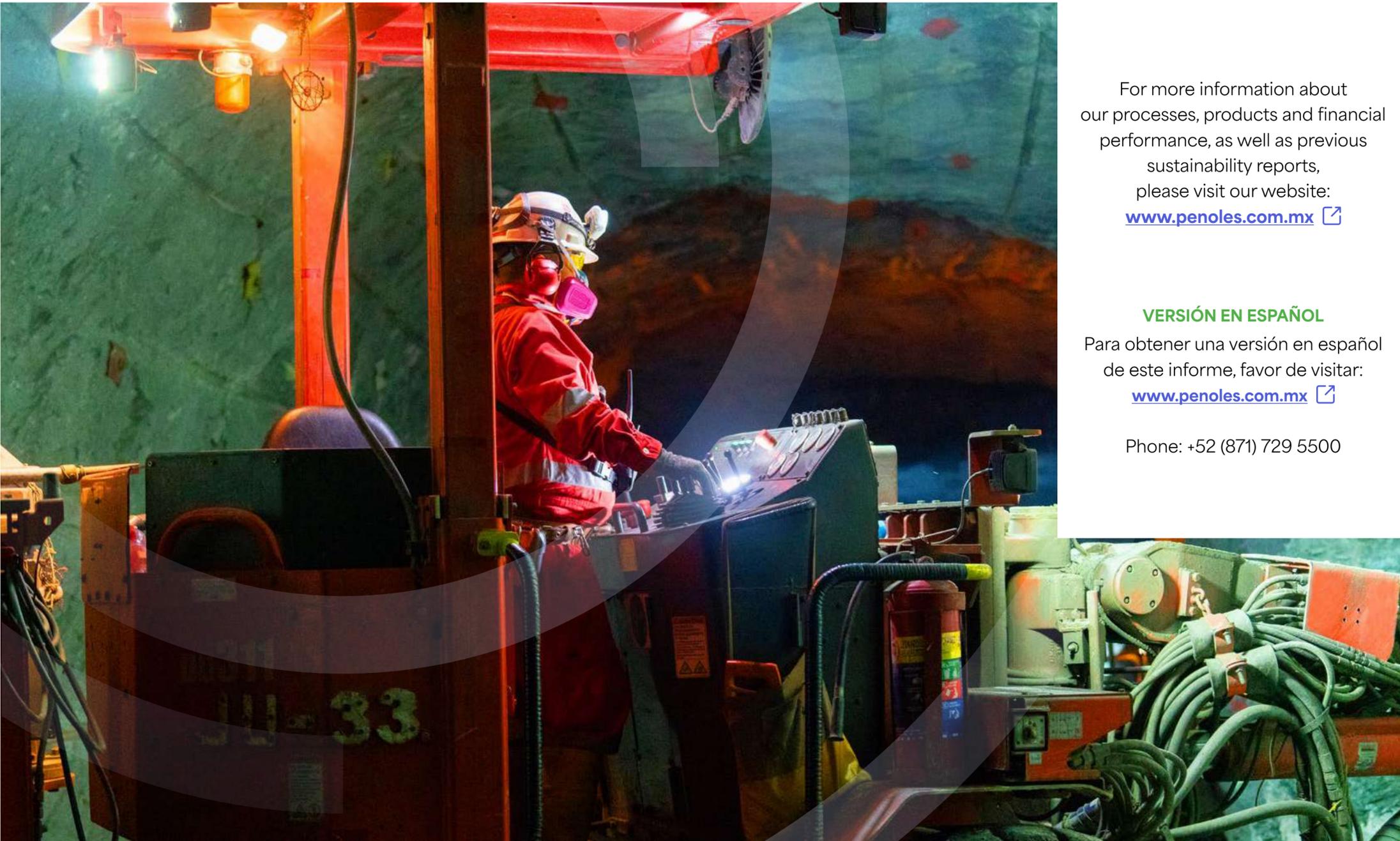
Performance indicators

Performance indicators (KPI)	External verification	GRI	SASB	Page
Letter from the CEO		102-14		7 ↗
Direct economic value generated and distributed	Yes	201-1-a		24 ↗
Materiality	Yes	3-2		25 ↗
Statement on sustainable development strategy	Yes	2-22		35 ↗
Management system for prevention of corruption and bribery throughout the value chain			EM-MM-510a.1	41 ↗
Mechanisms for seeking advice and raising concerns	Yes	2-26		41 ↗
Confirmed incidents of corruption and discrimination and actions taken	Yes	205-3, 406-1		41 ↗
Operations assessed for risks related to corruption	Yes	205-1		39 ↗
Communication and training about anti-corruption policies and procedures	Yes	205-2		42 ↗
Report on climate change	Yes	201-2		48 ↗
GHG emissions (scopes 1 & 2)	Yes	305-1, 305-2	EM-MM-110a.1	58 ↗
Historic GHG emissions (scopes 1 & 2)	Yes	305-1, 305-2		59 ↗
GHG emissions by division (scopes 1 & 2)	Yes	305-1, 305-2		59 ↗
Historic energy consumption	Yes	302-1	EM-MM-130a.1	59 ↗
Energy consumption by division	Yes	302-1		59 ↗
Energy profile	Yes	302-1, 302-2	EM-MM-130a.1	59 ↗
Energy and GHG emissions intensities by division		302-3, 305-4		60 ↗
Environmental incidents	Yes	306-3	EM-MM-140a.2, EM-MM-150a.9	62 ↗
Water Accounting Framework (WAF), water consumption by division and business unit	Yes	303-3, 303-4, 303-5	EM-MM-140a.1	66 ↗
Freshwater consumption from areas with water stress	Yes	303-5	EM-MM-140a.1	68 ↗
Freshwater withdrawal from areas with water stress	Yes	303-3	EM-MM-140a.1	68 ↗
Business units with water stress risk	Yes		EM-MM-140a.1	68 ↗

**Performance indicators (KPI)**

	External verification	GRI	SASB	Page
Operational sites in protected areas or areas of high biodiversity value	Yes	304-1	EM-MM-160a.3	69 ↗
IUCN Red List species	Yes	304-4	EM-CM-160a.1	69 ↗
Management of impacts related to mining-metallurgical waste	Yes	306-2		71 ↗
Mining-metallurgical waste generated	Yes	306-3, 306-4, 306-5, G4-MM3	EM-MM-150a.2, EM-MM-150a.6	73 ↗
Mining-metallurgical waste internally recycled		306-4	EM-MM-150a.2	73 ↗
Tailings Storage Facilities Management		G4-MM3		72 ↗
Classification of waste by destination (t and %)	Yes	306-2, 306-3, 306-4, 306-5	EM-MM-150a.1, EM-MM-150a.4, EM-MM-150a.7, EM-MM-150a.8	75 ↗
Incidents of violations involving rights of indigenous peoples	Yes	411-1		82 ↗
New employee hires and employee turnover	Yes	401-1		85 ↗
Training programs and average training hours	Yes	404-1, 404-2		85 ↗
Ratio of basic wage compared to local minimum wage	Yes	202-1		85 ↗
Total number of employees	Yes	2-7-a	EM-MM-000.B	85 ↗
Gender pay gap (ratio) of women vs men	Yes	405-2		89 ↗
Employee diversity (% women, % women by category, % total employees by gender and age group)	Yes	405-1-b		89 ↗
Lost time injury frequency rate (LTIFR) - employees and contractors	Yes	403-9	EM-MM-320a.1.	95 ↗
Total recordable injury frequency rate (TRIFR) - employees and contractors	Yes	403-9	EM-MM-320a.1.	95 ↗
High-potential accident frequency rate		403-9		96 ↗
Number of fatalities - employees and contractors	Yes	403-9-a-i, 403-9-b-i	EM-MM-320a.1.	94 ↗
Occupational health services	Yes	403-3		94 ↗
Number and type of occupational diseases	Yes	403-10		96 ↗
Worker participation, consultation, and communication on occupational health and safety	Yes	403-4		90 ↗
Worker training on occupational health and safety and emergency response	Yes	403-5	EM-MM-320a.1.	94 ↗
Infrastructure investments and services supported (social investment and local employment)	Yes	203-1		107 ↗
Percentage of local suppliers and spending on local suppliers	Yes	204-1		107 ↗
Percentage of total employees covered by collective bargaining agreements	Yes	2-30	EM-MM-310a.1	109 ↗

Contact



For more information about our processes, products and financial performance, as well as previous sustainability reports, please visit our website:

www.penoles.com.mx

VERSIÓN EN ESPAÑOL

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