



Evolving

toward a sustainable future

2021 SUSTAINABLE DEVELOPMENT REPORT

At Peñoles we are committed to generating value by providing essential resources in a sustainable manner. In the first year of a new administration at Industrias Peñoles, and in coordination with the new structure of Baluarte Minero, we are evolving not only to achieve permanence in the future, but to thrive amidst uncertainty and change for the benefit of our stakeholders. This transcendental transformation has implied a deep reflection at all levels of the organization, since it entails a process of cultural change and a new way of doing things.

Evolving to generate value



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

Contents

With this 21st Annual Sustainable Development Report, which covers from January 1 to December 31, 2021, we inform our stakeholders and all interested parties about Peñoles' performance as a socially responsible company in environmental, social and governance (ESG) issues.

The following abbreviations will be used throughout the report:

- t = metric tons
- Mt = million metric tons
- Mm³ = million cubic meters
- l = liters
- US\$ M = million dollars



4 Message from the CEO

6 About Peñoles

- 07 Company profile
- 08 Products and sales
- 11 Location of operations
- 12 Awards and recognitions
- 13 Associations

14 Governance

- 16 Sustainability management
- 19 Stakeholders
- 21 Integrity and compliance

31 Economic performance

- 32 Economic performance
- 34 Indirect economic impact
- 35 Employment, wages and equity
- 37 Suppliers
- 43 Customer safety

46 Environmental performance

- 47 Environmental performance
- 48 Environmental compliance
- 49 Climate change
- 54 Other atmospheric emissions
- 55 Water
- 58 Waste
- 61 Tailings & mineral waste management
- 65 Biodiversity

67 Social performance

- 68 Human resources
- 71 Safety
- 75 Health
- 81 Community engagement

95 Fresnillo plc subsidiary

104 About this report



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

We welcome feedback on its contents.

Message from the CEO

102-14



Rafael Rebollar
Chief Executive Officer

At Peñoles we are committed to generating value, opportunity and wellbeing by providing essential resources in a sustainable manner.

I am pleased to present to our stakeholders and society in general our twenty-first Sustainable Development Report, in which we present our performance in environmental, social and governance (ESG) issues, as well as our strategy in the preventive management of potential impacts and risks associated with our operations to continue creating development opportunities and generating shared value in the transformation of the natural resources we use for the benefit of society.

I would like to highlight some of our actions on ESG issues during the reporting year.

We continued to manage the challenges of the COVID-19 contingency and the new normal. Our priority continued to be the application of strict sanitary protocols to minimize the number of contagions in our operations, for which we extended the home-based work mode for administrative personnel, conducted tests for early diagnosis of all people with any symptoms or suspected contact with a sick person, and provided guidance, medical and psychological assistance on an ongoing basis.

In 2021, we carried out actions to address the needs arising from the pandemic in the communities surrounding our operations in seven Mexican states, where more than

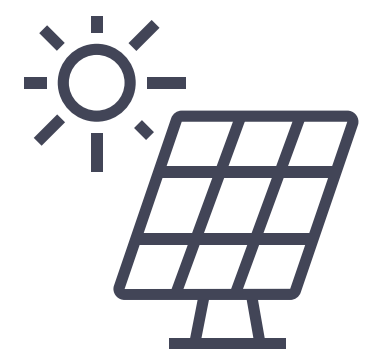
200,000 people benefited from our support in the form of supplies, equipment and materials for medical personnel in hospitals and health centers.

The trust of the community and the authorities laid the foundations for Peñoles to work as a partner in the National Vaccination Strategy of the Ministry of Welfare. We were able to administer 163,851 vaccines during the year with the participation of 284 volunteers from the company and society, to whom we express our gratitude, as well as to the community we served.

We remain committed to the ethical and socially responsible conduct of the business to ensure sustainability and competitiveness.

For **30 consecutive years**, we have received Good Delivery recertification from the London Bullion Market Association in precious metals, which evaluates our supply chain practices in the areas of labor relations, ethics, human rights, communities, environment, health and safety.

For the second consecutive year, Industrias Peñoles was recognized as one of the Most Ethical Companies by AMITAI—the leading labor honesty evaluation system—and *El Financiero*, placing us in tenth place



48%

of contracted electrical energy comes from renewable sources.

in the ranking of the thirty best-evaluated companies. We also stood out in the Ethical Business Philosophy dimension, obtaining fourth place. Likewise, for the first time, we ranked first in the IC500 Corporate Integrity Index of the 500 most important companies in Mexico, according to the diagnosis prepared by Mexican Transparency and Mexicans Against Corruption and Impunity associations, and Grupo Expansión. Fresnillo plc is a member of Ethisphere’s Most Ethical Companies for the third consecutive year.

We are committed to responding to the challenge of climate change. Therefore, our emissions mitigation strategy is based on the use of electricity from renewable sources, which reduce our emissions and contribute to providing essential metals in the transition to a low-carbon economy. In 2021, contracted renewable generation amounted to 48% of consumption. However, the consumption of clean energy legally assigned to Peñoles only reached 27.7%, as the rest was “sold” to the wholesale electricity market and the “missing” energy was acquired from the Federal Electricity Commission. We continue with the procedures to ensure that all the clean energy we generate is awarded to us, maintaining our goal of 100% of our electricity supply coming from clean sources by 2028.

The Board of Directors adheres to sound governance practices. In the performance of its duties, it is supported by committees recommended in the Code of Corporate Governance Principles and Best Practices. The board met six times during the fiscal year. Among the main topics discussed and approved at these meetings, we highlight the following

- ▶ The follow-up of the emergency plan for the COVID-19 pandemic.
- ▶ The reinforcement of the occupational and environmental safety programs.
- ▶ Updating of the Strategic Plan.
- ▶ Review of the risk matrix.
- ▶ Analysis of investment and financing programs.
- ▶ Modifications to the company’s Code of Conduct.
- ▶ Implementing actions to comply with the labor outsourcing reform.

In coordination with the new structure of Baluarte Minero, we are in the process of a momentous transformation that involved deep reflection at all levels of the organization, as it entails a process of cultural evolution.

As part of this evolutionary process to better adapt to the environment, the mission and vision of Peñoles were renewed, from which six strategies were derived for the restructuring of the company. Objectives, actions, indicators and goals were set for each of these strategies to achieve the future states we want to reach.

These strategic priorities are the following:

- ▶ Environment, safety and health
- ▶ Operational focus and efficiency
- ▶ Growth
- ▶ Risk management and compliance
- ▶ Relations with communities and local governments
- ▶ Transformation of Peñoles (evolution)

We are aware of our constant exposure to short-, medium- and long-term risks given the context in which Peñoles operates. We therefore set ourselves the task of monitoring the main uncertainties or risks that could positively or negatively affect our strategic objectives, taking into consideration the relevance of the issues and the impact on our stakeholders, and exploring possible scenarios to capitalize on opportunities and/or face threats.

At Peñoles we are committed to providing essential resources in a sustainable manner.

We seek to generate solid trust in society by doing the right thing, building a positive legacy, and reimagining our activities to make them increasingly compatible with our socio-environmental surroundings. We have set three medium-term objectives.

1. To be a benchmark in governance. Develop an internal coordination process that guarantees results.
2. To achieve a socio-environmental performance of excellence. Anticipate the challenges and new demands of society, evolving in a sustainable manner.
3. To be recognized leaders in ESG. Consolidate our ESG way to maintain the trust of our stakeholders and the company’s competitiveness.



Our commitment as a leader is to detect trends in the environment early enough and take the necessary steps to ensure the continuity and growth of our company. In an atmosphere of great challenges, at Peñoles we are strong, resilient, convinced of our mission and vision, and of our evolution toward sustainability.

I would like to thank our Chairman of the Board of Directors for his guidance and leadership, and to recognize the efforts of all our employees to conduct ourselves as a socially responsible company.

Rafael Rebollar
Chief Executive Officer



US\$ 5,971.8 M
in ordinary sales revenues in
2021 in Industrias Peñoles
(including its subsidiary Fresnillo plc).

Profile

Industrias Peñoles S.A.B de C.V is a mining-metallurgical-chemical group founded in 1887 as a mining company. It has integrated operations in smelting and refining non-ferrous metals such as zinc, lead, silver and gold, and produces inorganic chemicals—sodium sulfate, magnesium sulfate and magnesium oxide.

About Peñoles

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

Listed on the Mexican Stock Exchange since 1968 under the ticker symbol PE&OLES, the group is integrated by four main divisions: Exploration, Mines, Metals and Chemicals.

The Exploration Division is focused on detecting and developing polymetallic and copper 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.

102-10

The Mines Division has four underground mines in operation that produce zinc, lead and copper concentrates in Mexico: Velardeña,

in Durango; Sabinas, in Zacatecas; Capela, in Guerrero, and Tizapa, in the State of Mexico—which is 51% company-owned. Milpillas, Bismark and Madero are in transition for rehabilitation and closure.

The Metals Division comprises metallurgical operations that process concentrates from company-owned mines, subsidiaries and other mining remitters to produce refined metals of high quality and purity, certified in the international market. It includes Met-Mex, the metallurgical complex located in Torreón, Coahuila, which produces refined gold, silver, lead and zinc; Aleazin, a unit located in Ramos Arizpe, Coahuila that produces special zinc alloys; and Bermejillo, in Durango, where other subproducts are processed.

The Chemicals Division is integrated by Química del Rey, located in Laguna del Rey, in the municipality of Ocampo, Coahuila. Its main products 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.

Peñoles continues to be one of the world's leading producers of refined silver and the twelfth largest producer of refined zinc. In the Americas, Química del Rey's sodium sulfate plant has the largest production capacity,

Química del Rey's sodium sulfate plant has the largest production capacity in the Americas, with 780,000 metric tons per year.



with 780,000 metric tons per year. We also continue to be leaders in Latin America in primary lead and gold production and, in Mexico, Velardeña and Tizapa remained among the top three largest zinc mines, while in sodium sulfate and magnesium we maintain our leadership with a 79% and 56% share of the domestic market, respectively.

102-7-a.iii

In 2021, Industrias Peñoles (including Fresnillo plc subsidiary) reached a total of US\$ 5,971.8 million in ordinary sales revenues.



One of the world's
leading producers
of refined silver.

Products and markets

102-2, 102-6, 102-7-a.v

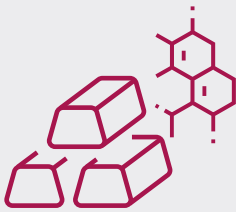
Peñoles supplies products to various industries in the world, primarily in construction, transportation, cleaning, chemicals and agriculture. We do not supply products that are subject to litigation, prohibition or controversy among our stakeholders.

In 2021, the Metals Division had 313 customers, and the Chemicals Division, 201. Our most important markets were the United States, Mexico, Canada, the United Kingdom, Japan, Switzerland, Brazil, Germany, Colombia, Turkey and China, among others.



Leaders
in Latin America in
primary lead and
gold production.

Our most important markets were the United States, Mexico, Canada, the United Kingdom, Japan, Switzerland, Brazil, Germany, Colombia, Turkey and China, among others.



Products Metals Division

GOLD

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

SILVER

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

ZINC

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

LEAD

Batteries, pigments, radioactive insulation, chemical products, ironwork

SULFURIC ACID

Batteries, pigments, radioactive insulation, chemical products, ironwork and fertilizers

BISMUTH

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

CADMIUM

Rechargeable batteries, pigments, fuses

SULFUR DIOXIDE

Ore beneficiation plants, neutralization of mining operation effluents

ZAMAK

Appliances, automotive, industrial

ANTIMONY TRIOXIDE

Flame retardant

ZINC SULFATE

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

COPPER SULFATE

Ore beneficiation plants, fertilizers, wastewater treatment

AMMONIUM BISULFITE

Ore beneficiation plants and cyanide destruction for controlling tailings dams

AMMONIUM SULFATE

Fertilizers, chemical industry, fire retardant dusts, panel and plywood manufacturing

SODIUM CHLORIDE

Ingredient in making livestock feed, wastewater treatment and various industrial processes



Products Chemicals Division

SODIUM SULFATE

Detergents glass, textiles, chemical products and other minor uses

MAGNESIUM HYDROXIDE

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

MAGNESIUM OXIDE

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

MAGNESIUM SULFATE

In agriculture: Crop fertilizer

In fish farming: Ingredient in making balanced feeds

In industry:

Chemicals: manufacture of magnesium sulfate monohydrate

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

Tanning: whitening process, soaps



In our commercial management system, we verify compliance with the company policies and procedures, along with internal controls, official regulations as applicable, and best market practices. All our operations are certified.

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

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

SARI: Comprehensive Responsibility Certification

Expires

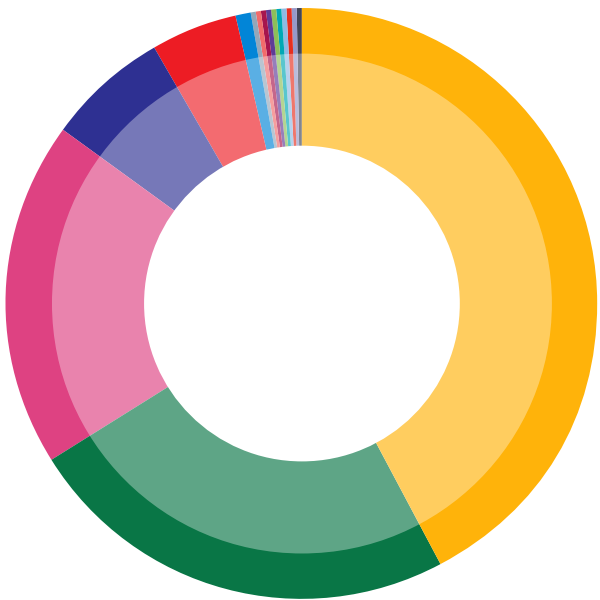
Fertirey	RCMX-036320-0921 21/9/23
Química del Rey	RCMX-041821-1006 06/10/24

ISO 45001:2018 Certification

Expires

Sabinas	02/10/22
Industrias Magnelec	24571 04/9/22

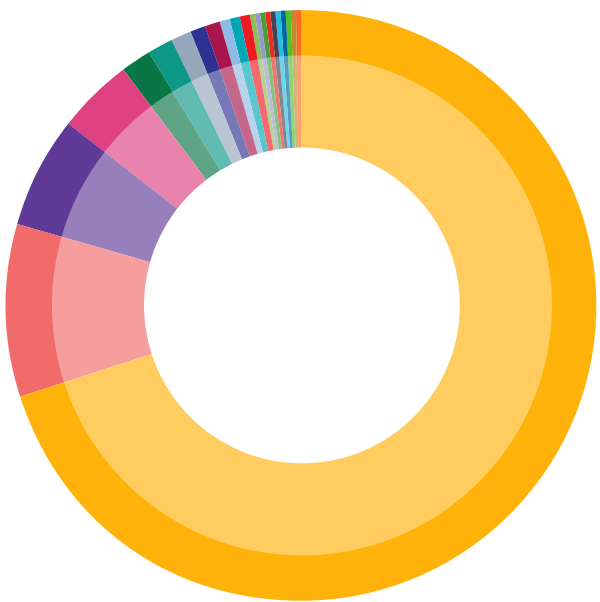
Consolidated sales by country - Metals



	%
United States	42.52
Mexico	23.89
Canada	18.87
United Kingdom	6.61
Japan	4.78
Brazil	0.65
Singapore	0.35
Germany	0.35
Switzerland	0.33

	%
Argentina	0.31
Others	0.30
Costa Rica	0.27
Belgium	0.19
Taiwan	0.19
Austria	0.19
Guatemala	0.19
Korea	0.10
TOTAL	100

Consolidated sales by country - Chemicals



	%
Mexico	70.28
United States	9.21
Germany	6.20
Colombia	4.07
Turkey	1.70
China	1.38
Australia	1.15
Japan	0.96
India	0.67
Spain	0.64
Russia	0.62
Italy	0.48
Slovakia	0.33
Haiti	0.29

	%
United Kingdom	0.25
Guatemala	0.25
Brazil	0.23
Peru	0.21
Netherlands	0.21
Canada	0.18
El Salvador	0.18
Sweden	0.16
Panama	0.14
Poland	0.11
France	0.03
Argentina	0.05
Costa Rica	0.02
TOTAL	100

Consolidated sales volume – Chemicals Division

t*

Sodium sulfate	797,235
Magnesium sulfate	64,418
Caustic MGO	20,707
Refractory MGO	28,029
Hidromag	18,954
Neutromag	7,931
Electric-grade MGO	6,366
Special MGO milling	4,503
TOTAL	948,142

* Excluding intercompany transfers.

EM-MM-000.A Consolidated sales volume – Metals Division

t*

Zinc	268,032
Ammonium sulfate	171,070
White sulfuric acid	242,590
Lead	123,238
Deprezinc	35,096
Copper cathode	3,178
Black sulfuric acid	14,816
Zinc sulfate	10,510
Copper sulfate	7,699
Ammonium bisulfite	5,748
Silver	2,298
Sulfur dioxide	537
Antimony trioxide	271
Gold	35
TOTAL	885,119

* Excluding intercompany transfers



268,032 t
zinc sales volume in 2021.

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

ISO 14001:2015 Certification	Expires
Exploration Mexico	12/11/23
Exploration Peru	06/6/23
Industrias Magnelec	04/9/22
Fertirey	MX02/0103 05/8/24
Aleazin	MX02/0103 05/8/24
Met-Mex-Smelter	MX02/0103 05/8/24
Met-Mex-Refinery	MX02/0103 05/8/24
Met-Mex-Zinc	MX02/0103 05/8/24
Bermejillo	MX02/0103 05/8/24
Madero	23/4/23
Sabinas	26/3/24
Tizapa	21/11/23

ISO 9001:2015 Certification	Expires
Fertirey	MX21.00136 08/10/24
Met-Mex-Smelter	MX21.00136 08/10/24
Met-Mex-Refinery	MX21.00136 08/10/24
Met-Mex-Zinc	MX21.00136 08/10/24
Ramos Arizpe Unit (Aleazin)	MX21.00136 08/10/24
Bermejillo	MX21.00136 08/10/24
Química del Rey	23460 28/6/24
Industrias Magnelec	95270 04/9/22

Location of operations

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

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



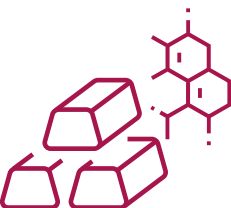
Mining operations

Base metals

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

Precious metals

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



Metallurgical operations

- 13 Metalúrgica Met-Mex
- 14 Bermejillo
- 15 Aleazin



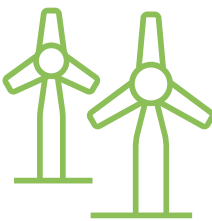
Chemical operations

- 16 Química del Rey/ Dolomite
- 17 Fertirey
- 18 Industrias Magnelec
- 19 Salinas del Rey



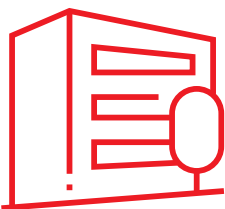
Mines in transition or project

- 20 Francisco I. Madero
- 21 Bismark
- 22 Milpillas
- 23 Naica*
- 24 La Industria



Infrastructure

- 25 Coahuila-Durango Railway
- 26 Termoeléctrica Peñoles
- 27 Termimar
- 28 Fuerza Eólica del Istmo
- 29 Eólica de Coahuila
- 30 Eólica Mesa La Paz



Offices

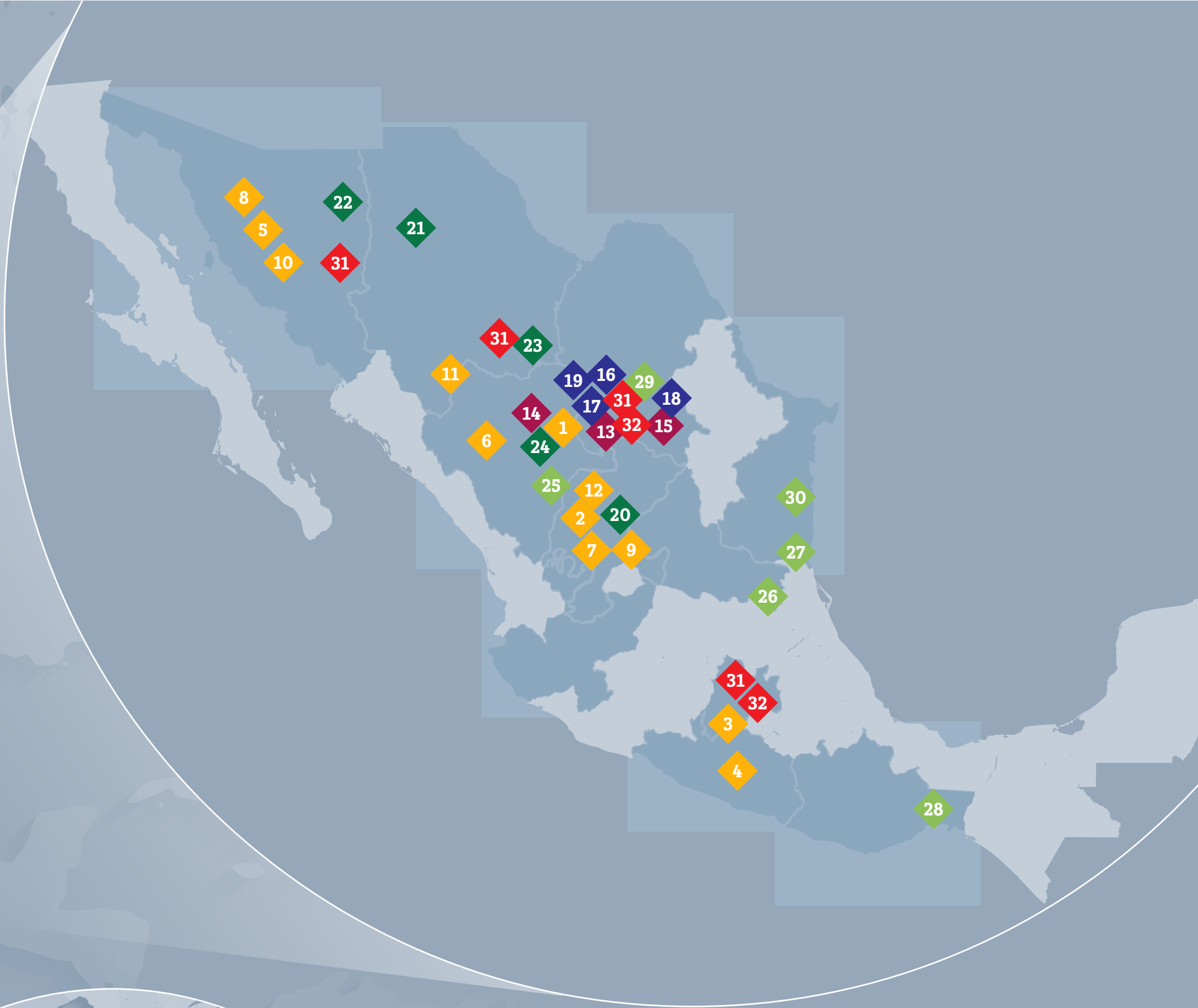
- 31 Exploration
- 32 Corporate headquarters



Commercial offices

- 33 Bal Holdings
- 34 Wideco
- 35 Quirey do Brasil

* Under special status, operations are suspended



13 decades
creating development
opportunities in the regions
where we operate.

Awards and recognitions



In 2021 we received or maintained the following awards:

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

- ▶ FTSE4Good Emerging Index of the London Stock Exchange
- ▶ Socially Responsible Company (ESR) for the 20th consecutive year, from the Mexican Center for Philanthropy (Cemefi)
- ▶ Fifth consecutive year in the Corporate Social Responsibility ranking by the Sonora Mining Cluster
- ▶ Sixteenth Communication on Progress of the United Nations Global Compact, of which we have been signing members since 2005

- ▶ Good Delivery conflict-free recertification for the entire precious metals supply chain from the London Bullion Market Association (LBMA)
- ▶ Exceptional Companies award, by the Institute for the Advancement of Quality (IFC) in recognition of the following practices:
 - Partnerships for sustainable recovery for the future
 - Commitment and solidarity for social welfare
 - Technology, a pillar for maintaining and strengthening the company's leadership in times of pandemic
 - Solidarity leadership and discipline to protect our people, Peñoles' commitment for the love of Mexico

In **environment**

- ▶ Recertification as Green Office to Peñoles' Environmental Health Unit and Industrias Magnelec by the Coahuila Ministry of the Environment

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

- ▶ Sanitary Safety distinction from the Mexican Social Security Institute, certifying that all our workplaces are safe sites and have protocols and trained personnel to avoid or mitigate contagion by coronavirus
- ▶ Safe Company certification by the Ministry of Labor and Social Planning to some of our plants
- ▶ Silver Helmet distinction by the Mexican Mining Chamber (Camimex) to Química del Rey

In **ethics**

- ▶ First place in the 500 Corporate Integrity Index (IC500) with a perfect score of 100. *Expansión* magazine and the Mexican Transparency and Mexicans Against Corruption and Impunity associations evaluate the 500 most important Mexican companies
- ▶ Ethics and Values in the Industry award for the 16th consecutive year, by the Confederation of Industrial Chambers (Concamin)
- ▶ Second consecutive year as one of the Most Ethical Companies 2021, according to AMITAI and *El Financiero*; tenth place in the ranking of the 30 best evaluated companies. We also stood out in the Ethical Business Philosophy category, obtaining fourth place.



Associations

102-13

Peñoles and subsidiaries are affiliated to the following associations
Related to products
International Zinc Association (IZA)
The Silver Institute
London Bullion Market Association
Latin American Association of Refractory Producers (Alafar)
Related to type of business and operation
Mexican Mining Chamber (Camimex)
National Association of the Chemical Industry (ANIQ)
National Manufacturing Industry Chamber (Canacintra)
Mexican Association of Private Transportation (ANTP)
Mexican Association of Shipping Agents (AMANAC)
Mexican Business Council for Foreign Trade (COMCE)
Coahuila Energy Cluster

Peñoles and subsidiaries are affiliated to the following associations
Related to sustainability
Mexican Chapter of the World Business Council for Sustainable Development belonging to the Business Coordinating Council (Cespedes)
Inter-American Network of Foundations and Business Actions for Grassroots Development (RedEAmérica)
United Way
United Nations Global Compact
Instituto Mexicano para la Excelencia Educativa Excelduc, A.C.
Fundación Educar Uno: Alianza Somos el Cambio, A.C.
Fundación ProEmpleo, A.C.
United Nations Children’s Emergency Fund (UNICEF)
UNAM Foundation (FUNAM)
Association of Applied Research and Technological Development (ADIAT)
World Environment Center (WEC)
Colorado Cleantech Challenge
Center for Leadership Ethics (University of Arizona)
Ethisphere’s Business Ethics Leadership Alliance (BELA)
Women in Mining (WIM)
For Inspiration and Recognition of Science and Technology (FIRST)
Club Santos Laguna, S.A. de C.V.

Peñoles and subsidiaries are affiliated to the following associations
Associations in which some of our employees participate
Business Coordinating Council (CCE)
Mexican Center for Philanthropy (Cemefi)
Confederation of Industrial Chambers (Concamin)
Confederation of Mexican Employers (Coparmex)
Mexican Chapter of the World Energy Council (WEC México)
Professional organizations
Mexican Wind Energy Association (AMDEE)
Association of Mining Engineers, Metallurgists and Geologists of Mexico (AIMMGM)
Mexican Institute of Financial Executives (IMEF)



In 2005
we signed our
commitment to the
UN Global Compact.



Governance

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

2030 Goals

We remain committed to reducing the negative impacts of our operations and contributing to the achievement of the goals.



The supreme body of corporate authority is the Shareholders' Meeting, which approves and ratifies all acts and operations of the company, and which meets with the frequency and under the terms required by applicable law and the company's bylaws.

Peñoles' governance structure consists of a Board of Directors, supporting committees, and a Chief Executive Officer who reports to the board and directs a group of executives who manage the company's key operations and functions.

The executive committee periodically reviews economic, operational, and environmental, social, and governance (ESG) issues, including related risks and opportunities.

For more information related to Peñoles' corporate governance, please refer to our Annual Report and our website: **www.penoles.com.mx**, "Corporate governance" section.

In support of its corporate governance structure, Peñoles has a Corporate Integrity Manual, which along with the Code of Conduct is available to the public at **www.penoles.com.mx**. This Corporate

Integrity Manual covers aspects such as prevention, compliance, oversight and accountability, for the purpose of avoiding acts stemming from administrative failures—e.g. collusion, conflicts of interest, influence-peddling and corruption. The Code of Conduct is a guide for employees in their business relationships with external stakeholders, especially entities and public servants, in accordance with Articles 24 and 25 of the General Law of Administrative Responsibilities and the best corporate practices applicable to Peñoles' operations.

The Corporate Integrity Manual also includes the vision, the mission and corporate values, general considerations about its organizational structure, its corporate leadership scheme, training and communication programs, as well as evaluation, verification and follow-up mechanisms for compliance with internal and external regulations applicable to the group's companies.



For more information related to Peñoles' corporate governance, please go to

www.penoles.com.mx



Sustainability management

101-1.2, 101-2.2, 101-2.5, 103-1, 103-2, 103-3

We consider sustainability as a pillar of our business strategy, through which we evolve to continue generating value and trust among our stakeholders.



Our Sustainable Development Policy establishes guidelines to guarantee continuous, productive and safe operations, as well as respect for the environment, communities and health in the context of our operations. This is based on a culture of protection and prevention, enriched through consultation and participation of employees and their representatives.

Our operations are managed through the Integrated Management System subject to continuous improvement, in accordance with institutional standards, which includes the elimination of hazards, risk reduction, as well as compliance with legal requirements, the commitments we make to our customers and other stakeholders.

102-12, 101-1.2, EM-MM-210a.3

We also adhere to other international principles and standards, such as those mentioned below:

- ▶ Management standards (ISO)
- ▶ Internal control according to the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- ▶ Practices developed by internationally recognized associations: Association of Anti-Money Laundering Specialists, Association of Certified Fraud Examiners, Ethisphere, Trace International
- ▶ United Nations Global Compact
- ▶ London Bullion Market Association (LBMA)
- ▶ Mining Association of Canada (MAC)
- ▶ Code of Best Corporate Practices of the Business Coordinating Council (CCE)
- ▶ Socially Responsible Company of the Mexican Center for Philanthropy (Cemefi)

Institutional actions regarding the most important issues

GOVERNANCE

Promote sustainability strategies and objectives (ESG), establishing commitments, accountability and developing a culture of sustainability that considers aspects such as the efficient use of natural resources, gender equity and diversity, respect for human rights, and communication and attention to the needs of stakeholders.

HUMAN RIGHTS

Respect and support for human rights, guaranteeing freedom of association and collective bargaining, equal opportunities, non-discrimination and the prohibition of forced labor and child labor within the organization and in our sphere of influence. We apply due diligence to identify risk situations, establishing mechanisms to address complaints and avoid complicity.

ENVIRONMENT

Prevent pollution, protect the environment and biodiversity. This is done by restoring ecosystems, establishing objectives, assessing potential environmental risks and impacts, mitigating adverse impacts, conducting periodic environmental monitoring and assessments, and reporting actions and their effectiveness to stakeholders.

INTEGRITY AND COMPLIANCE

To encourage a culture consistent with the company's vision, values and Code of Conduct, as well as strict compliance with applicable national and international legislation and the group's internal regulations.

LABOR RELATIONS AND HUMAN RESOURCES

Generate sources of decent, stable, secure and living-wage jobs that improve the quality of life of people and guarantee adequate social protection (old age, dismissal, disability, medical services, etc.).

HEALTH

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

SAFETY

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

COMMUNITY

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

The general guidelines to ensure sustainable development and compliance with the policy throughout the value chain are as follows:

- ▶ Adoption and practice of a sustainability strategy.
- ▶ Setting objectives, goals and performance indicators.
- ▶ Organized structure and clear definition of roles and responsibilities.
- ▶ Comprehensive approach and adoption of a sustainability culture that guarantees productive operations with high performance in ESG issues.
- ▶ Ethical and transparent behavior.
- ▶ Respect and compliance with applicable laws and regulations.
- ▶ Respect and consideration for the interests of our stakeholders.
- ▶ Respect for human rights.
- ▶ Permanent search for cutting-edge criteria, according to international standards and best practices.

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



MATERIAL ISSUES

102-47, 102-49

The purpose of this report is to communicate to our stakeholders our performance in each of the relevant ESG issues resulting from our materiality analysis. It also includes our Fifteenth Communication on Progress (CoP), in compliance with our commitments to the United Nations Global Compact.

The aspects considered material for Peñoles are shown below:

Aspects considered material for Peñoles

Priority issues for our stakeholders

- Respect for human rights
- Efficient use and consumption of energy
- Water
- Biodiversity
- GHG emissions
- Occupational safety and health
- Community development programs
- Prohibition of child or forced labor
- Participation in public policies and lobbying

Issues in order of influence or impact for the organization

- Efficient use and consumption of energy
- Water
- Labor relations
- Non-renewable materials
- Supplier environmental assessment
- Anti-corruption
- Taxes
- Occupational safety and health
- Community development programs

SUSTAINABLE DEVELOPMENT GOALS

Our products are indispensable for development and a good quality of life. That is why we remain committed, striving to reduce the negative impacts of our operations and contributing to the achievement of the goals of the 2030 Agenda.

While mining adheres to most of the SDG, Peñoles has identified priority targets based on a materiality analysis, which considers impact, risk, opportunity and stakeholder expectations.

The priority SDG for Peñoles are:



Our performance on ESG issues during the year and our contribution to sustainable development are described throughout this report. A table with the relationship between the material issues, GRI standards and SDG is presented in the “About this report” section.



RISK MANAGEMENT

102-11, 102-15

The growing complexity and dynamics of the context in which companies operate today has led to a constant exposure to situations that can affect more than one area and complicate business management

Peñoles recognizes that it is constantly exposed to short, medium and long-term risks given the contexts in which it operates. We are therefore committed to monitoring the main uncertainties or risks that may positively or negatively affect our strategic objectives, taking into account the impact on our stakeholders and exploring possible scenarios to capitalize on opportunities and/or face threats.

In order to follow up and establish a formal channel for risk management with the organization’s management team, Peñoles has a hierarchical line to report these risks through the Audit and Corporate Practices Committee, a committee where business risks and alternatives for their management are presented in order to address their various impacts. Through this committee, the Audit and Compliance functions supervise and report to the Board of Directors on the progress of various programs introduced in the organization, one of which is business risk management. The directors of Finance, Audit, Compliance and Legal, among other BAL Group executives, are part of this committee.

The area that manages business risks reports to the CEO as part of the strategic process structure. The risks faced by the organization are grouped by topic in a database, which are monitored and compared with external and internal reports.

The most relevant risks and opportunities for us are currently the following:

- ▶ Efficiency and consolidation of capital projects
- ▶ Economic factors: volatility in base metal prices
- ▶ Political uncertainty
- ▶ Safety
- ▶ Structuring growth in the project portfolio
- ▶ Operational efficiency
- ▶ Monitoring our social license
- ▶ Relations with labor unions
- ▶ Environmental factors and significant incidents
- ▶ Industrial safety

Peñoles defines emerging risks as a sudden manifestation of risk that could have significant short-term implications on the realization of the organization’s strategic plan.

Since the first months of 2020, Peñoles introduced strict health measures to protect employees and communities, adapting the work scheme to a significant number of people working from home. We also have mitigating actions such as controlling access of personnel to essential operations through constant medical examinations, which resulted in a relatively low number of sick persons and much lower number of

Examples of risks that occurred in 2020 and 2021



GLOBAL ECONOMY AND TRADE TENSIONS

The increase in the number of contagions of COVID-19 and its variants around the world called into question the economic recovery in the countries where we have operations, as well as in the countries of our trading partners. The IMF warned of high uncertainty about the speed and magnitude of the economic recovery and considers that there is “no connection between financial markets and evolution in the real economy,” which could pose an additional risk if the recovery is not V-shaped and investors’ “appetite for risk fades”.



CORONAVIRUS VARIANTS - INFECTIOUS DISEASES

There is a new stage of elevated contagion as variants of the virus with higher contagious potential emerged in 2021. Some changes may influence some of them, such as their ease of spread, the severity of the associated disease or the effectiveness of vaccines, treatment drugs, diagnostic tools or other public and social health measures.



deaths, so that the continuity of operations was not affected.

The actions to mitigate the emerging risk or external uncertainty are associated with the business risk management framework on internal risks. Some mitigating actions were an efficient hedging process, detailed industry monitoring for forecasting, compliance with group treasury policies and standards, project risk management and investment decisions, competitive assessment programs for vulnerable businesses, as well as strength, weakness, opportunity, and threat analysis (SWOT).

Stakeholders

101-1.1, 102-40, 102-42



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

The basis for identifying stakeholders is their influence on the company, as well as their dependence on it. We maintain with them relationship channels that strengthen trust and we endorse our commitment through transparency and dialogue.

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

In our external communication, during 2021 Peñoles implemented actions, adapted to the context of the pandemic, that reinforced relations with different audiences, especially with the communities near the units, in order to strengthen trust and promote operational continuity.

The health contingency brought about changes that affected Peñoles’ external initiatives, so the communication strategy was accompanied at all times by a protocol that reinforced the messages and highlighted the company’s qualities.

During this time we changed our focus; now we are closer to the people, which means communication that includes quality and news.

Implementing the following measures:

- ▶ Coordinated work with authorities from the three levels of government for the implementation and operation of the National Vaccination Strategy in Torreón, and making available the Community Center as a vaccination headquarters for the population of the region. It is worth mentioning that the population acknowledged the effort and dedication of the volunteers so that they could receive the required doses.
- ▶ Reinforcement of dissemination campaigns to publicize social programs, especially in the area of health to combat COVID-19 and protect all personnel; donation of personal protective equipment and sanitary kits for health institutions and the neighboring population.
- ▶ Design and production of graphic and interactive materials to publicize social and environmental responsibility actions. Special emphasis was placed on education programs.
- ▶ Implementation of new technologies to develop interactive infographics, as in the Municipal Museum of Teloloapan, in Guerrero.
- ▶ Implementation of the digital strategy and reinforcement of messages in institutional social networks.
- ▶ Liaison with the media and dissemination of newsletters and graphic material.
- ▶ Podcasts to announce company actions and emblematic programs, such as the case of the Velardeña ecological reserve.
- ▶ Generation of content for industry magazines to share Peñoles’ experiences, and preparation of the *Comunidad Peñoles* magazine, which is published three times a year in La Laguna.
- ▶ Strengthening alliances with strategic players in the sector.

In this new reality, we adopted new ways of working and took advantage of the digitalization of processes to create innovative materials, obtaining good results.






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

This evolution has allowed us to adapt to new communication needs. The challenge remains, but it is our commitment to respond in a timely manner and with reliable information to our stakeholders.



102-40, 102-42, 102-43

Stakeholder engagement

Stakeholder group	Goal	Mechanism	Interaction
<div>SHAREHOLDERS</div> <div></div>	Be the best investment option in the medium and long terms, by guaranteeing cost competitiveness, growth, profitability and the survival of the company.	Executive Committee meetings Shareholders' meetings Various committee meetings Executive meetings Annual reports: Financial and Sustainable Development Reports by the CEO	<ul style="list-style-type: none">▶ Provide accurate information that reflects the current status of operations and the business.▶ Guarantee proper handling of company resources and assets.▶ Report, eliminate and sanction any conduct that goes against good business practices, the free market, and fair business dealings.▶ Define strategies to achieve the company vision.
<div>EMPLOYEES</div> <div></div>	Be the best place to work, a company they can feel proud of which dignifies them by offering opportunities for development, respect and recognition in a safe environment and in a climate of teamwork.	Strategic and operational planning Code of Conduct Regular workteam meetings Talent Development, Evaluation and Performance System Communication mechanisms: intranet, video calls, dissemination campaigns, talks, etc. Materiality analysis Annual reports: Financial and Sustainable Development Línea Correcta hotline Training and development in administrative, human and technical competencies Workplace environment survey	<ul style="list-style-type: none">▶ Encourage a working environment that enables each person to develop their full potential and creativity.▶ Encourage collaboration and multidisciplinary teamwork so everyone can contribute to process improvements.▶ Provide competitive pay and benefits, based on results, avoiding any type of discrimination.▶ Provide opportunities for professional update and advancement with gender equity.▶ Precisely communicate plans, procedures, targets and indicators for evaluating performance and achieving goals, and ask for feedback regarding the above.▶ Grant recognition through established mechanisms.▶ Hire, train and retain the most capable people.▶ Investigate and provide substantiated, timely, clear and correct response to concerns and grievances from our personnel.▶ Promote and maintain safe and healthy workplaces and care for the facilities and the furniture.▶ Respect freedom of association.
<div>COMMUNITY</div> <div></div>	Be a socially responsible company, respectful of nature and supportive of the self-development of the communities where we operate.	Social Development System Media monitoring Grievance mechanisms External communication channels: social networks, dissemination campaigns, committees, interaction with social media Meetings with social leaders Annual reports: Financial and Sustainable Development Socioeconomic diagnosis Perception survey Materiality analysis Fostering self-development	<ul style="list-style-type: none">▶ Respect culture and customs in the communities where we operate, in keeping with the legal order, morals and good customs.▶ Help promote autonomous self-development of the communities where our business units are located.▶ Establish mutually beneficial relationships and keep communication channels open.▶ Maintain relations of respect, fair treatment and collaboration, impartial and independent of non-institutional interests.▶ Avoid any kind of discrimination.▶ Investigate and provide substantiated, timely, clear and correct response to concerns and grievances from our communities.
<div>CUSTOMERS</div> <div></div>	Be a strategic partner that offers comprehensive solutions and inspires the trust needed to do business over the long term.	Client Administration System Service and satisfaction surveys Technical visits Product catalogue Annual reports: Financial and Sustainable Development Process certifications	<ul style="list-style-type: none">▶ Supply the products and services requested with the highest quality and timeliness.▶ Conform to current Peñoles policies and procedures.▶ Maintain quality, confidence and process improvements.
<div>SUPPLIERS</div> <div></div>	Be a strategic partner, whose business relations are based on good commercial practices and ethical commitment, with whom you can establish mutually beneficial, long-term relationships.	Trusted supplier catalogue Visits and audits Due diligence evaluations Opinion surveys Annual reports: Financial and Sustainable Development Training workshops Training and assistance	<ul style="list-style-type: none">▶ Hire suppliers and contractors based on quality, profitability, service, technical capacity, competitiveness and experience criteria.▶ Keep all information received from suppliers and contractors strictly confidential during the entire process of accepting bids for the assignment of purchase orders and contracts.▶ Share ethical and socially responsible business practices, with strict adherence to the Code of Conduct and respect for human rights.

Integrity and compliance

We transformed our integrity practices into opportunities for growth and competitiveness adapted to the new environment.

2021 brought about transitions and challenges, particularly for the Integrity Program, due to the corporate reorganization to consolidate Baluarte Minero compliance structure. From a co-creation and collaboration approach, we undertook several initiatives aimed at protecting the group's value and innovations that transformed the way we align our corporate culture based on the Integrity and Compliance Strategy, modeling of expected standards of conduct, framework of compliance controls, prevention of consequences for regulatory non-compliance, strengthening of our regulatory framework, as well as a preventive cybersecurity base against the threats of a challenging technological environment.

CORPORATE INTEGRITY

101-2.2, 101-2.5, 103-1, 103-2, 103-3, 102-16, 205-1, 205-2, EM-MM-510a.1

Our commitment to go beyond national and international regulatory compliance means conducting our business with integrity. We act in accordance with solid values of trust, responsibility, integrity and loyalty, and aim to permeate our principles throughout the value chain.

Peñoles voluntarily complies with national and international principles, whose purpose is to avoid situations that affect the impartial and objective performance of our functions. Some of them are the General Law of Administrative Responsibilities or, indirectly (attraction clause), regulations such as the UK Bribery Act (United Kingdom) or the Foreign Corrupt Practices Act (United States). Peñoles requires that all its employees comply with the applicable anti-corruption regulations in order to ensure the trust of our stakeholders: community, employees, shareholders, customers, suppliers and governments.

Bribery and corruption affect free market and undermine public confidence in business and government. There is no doubt that negative publicity and perceptions associated with a company that engages in corrupt practices damage its reputation. Therefore, in keeping with our vision of ethical business conduct as a differentiating factor, Peñoles cooperates with the authorities that investigate alleged violations and issue the corresponding sanctions.



At Peñoles, we believe in the following principles:

- ▶ All personnel employed by companies and governments must perform their duties objectively and in accordance with the law.
- ▶ Everyone must maintain a zero-tolerance stance toward undesirable situations, including bribery and corruption, and must refrain from accepting or giving any gift or attention that could affect objectivity in their work.
- ▶ All personnel must act ethically to ensure that interactions with external stakeholders, whether business partners or public officials, continue to ensure a positive image of the company and maintain the trust and respect of its stakeholders.
- ▶ All group companies must strictly comply with the law and the corresponding obligations.

Peñoles has a corporate compliance structure, which coordinates strategies and initiatives from 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, have an anti-bribery and anti-corruption approach. These include, for example, comptrollers, areas of contact with external parties—supplies, raw materials, contracts—Treasury, Human Resources, Legal (second line of defense) and Internal Audit (third line of defense).

Basic guidelines associated with anti-corruption issues

- ▶ Code of Conduct
- ▶ Third-Party Code of Conduct
- ▶ Conflict of interest management procedure
- ▶ Anti-corruption and bribery procedure
- ▶ Corporate Integrity Manual
- ▶ Government relations procedure
- ▶ Donations, sponsorships, gifts, hospitality and entertainment guidelines



302
unionized employees
from the Mines Division
trained in the “I decide
CRIL” workshop.

201-4, 415-1
Peñoles does not receive financial assistance or governmental aid of any kind, nor does it make political contributions.

205-3-d, 206-1, 307-1, 419-1
In 2021, there were no pending legal actions related to monopolistic practices, anti-competitive practices or corruption cases. We had no significant fines (over US\$ 10,000) or sanctions for non-compliance with regulations.

406-1, 411-1, 412-1
Neither were there legal actions related to extortion, abuse, discrimination, forced or compulsory labor, unfair labor practices, indigenous rights, or any other human rights-related complaints.



Other relevant projects and initiatives

- ▶ Certification of our Code of Conduct
- ▶ Annual Conflict of Interest Statement
- ▶ Annual Integrity Disclosure Program (including anti-bribery and anti-corruption issues)
- ▶ Maintain participation in national corporate integrity and anti-corruption rankings (e.g. IC 500 Anti-Corruption and Most Ethical Companies).
- ▶ By 2022 we plan to participate in the international Most Ethical Companies ranking sponsored by BELA Ethisphere.
- ▶ Application of an integrity model based on employee perception, including anti-bribery and anti-corruption issues.
- ▶ Strengthening the due diligence practice with the implementation of a technological tool to achieve greater efficiency in the process and facilitate risk assessment (including corruption). Improvement of the practice for the analysis and evaluation of conflicts of interest.
- ▶ Assessment to determine the level of Peñoles’ anti-bribery-anti-corruption management, based on the ISO 37001 standard.

In the area of training, we continued to disseminate the editorial agenda of the Integrity and Compliance Program, which included the re-commitment to integrity, the Línea Correcta whistleblower hotline, procedures, cybersecurity culture and phase 3 of Standard 035.

The training program was also aimed at transmitting in an accessible manner the conceptual bases of the Integrity and Compliance Program, in addition to strengthening decision making based on our values of trust, responsibility, integrity and loyalty in our daily work.

Certification of our Code of Conduct and Annual Conflict of Interest Statement
We achieved certification of our Code of Conduct and Annual Conflict of Interest Statement for employees in Mexico, Chile and Peru on the Peñoles Virtual Campus.

As a best practice, this year we included a **digital signature** to certify the knowledge and commitment of **3,388 employees** and management personnel.

EM-MM-210a.3
Third-Party Code of Conduct
The Third-Party Code of Conduct was released during the first quarter of 2021, reaffirming Peñoles’ commitment to work closely with its business partners to build responsible supply chains. It includes issues that ensure that all interaction with external stakeholders is grounded firmly in corporate integrity, in strict compliance with current legislation and preventing situations of bribery, corruption, conflict of interest, fraud, money laundering and terrorism financing. The Code also includes items related to environmental protection, commitment to occupational health and safety, and respect for human and labor rights.

Employees from the Health
and Industrial Safety
Committee trained in the
NOM-035 standard.

153
engineers from the
Mines Division trained in the
integrity workshop.

During 2021 we improved our compliance with risk prevention, detection and mitigation mechanisms.



The Third-Party Code of Conduct, in addition to being based on Peñoles' internal regulations, was developed taking into account applicable regulatory compliance and adherence to internationally recognized standards, such as the United Nations Global Compact, the core conventions of the International Labor Organization (ILO), and the guidelines that promote corporate responsibility issued by the Organization for Economic Cooperation and Development (OECD) and the United Nations (UN).

The Code provides guidelines on the protection of assets, information and intellectual property. It also provides the mechanisms available to our external stakeholders to ensure their adherence to the Code, as well as to request guidance in case of doubts in its application. Knowledge of and adherence to the Code by our business partners are essential to begin and maintain business relationships with Peñoles.

Culture of legality in the company
We participated in the project called Culture of Legality in the Company, coordinated by the association Mexico United Against Crime, whose goal is to reduce illegal acts or corruption by promoting a culture of legality in companies, in order to strengthen institutional values, attitudes, and behaviors expected in the Code of Conduct and the competencies of our employees.

Integrity model
In order to reduce exposure to behavioral risks, align expected behaviors among our personnel and promote a solid culture of integrity supported by our values of trust, responsibility, integrity and loyalty, we

began the pilot phase of the integrity model, which consists of developing a diagnosis of our personnel's perception of the integrity environment in their work. It is based on the results of the re-commitment to integrity, as well as on in-depth activities, such as focus groups and the application of surveys that will allow us to have a greater level of detail on the behaviors in the work environment. This will allow for the periodic evaluation of the main behavioral risks and the timely determination of training actions.

Challenges for 2022

- ▶ Maintaining the standard of staff participation in the certification with our Code of Conduct and the Annual Conflict of Interest Statement.
- ▶ Maintaining the high level of positioning in the corporate integrity rankings sponsored by recognized national organizations.
- ▶ Rolling out the culture of legality campaign in the company.
- ▶ Begin implementing phase 2 of the Peñoles integrity model.
- ▶ Continue the standardization process for corporate integrity practices in Baluarte Minero- Peñoles- Fresnillo plc.

Third-party due diligence: Implementation of a technological platform and consolidation of due diligence practices with a risk-based approach.

COMPLIANCE CONTROL FRAMEWORK
205-1, EM-MM-510a.1
During 2021 we improved our compliance risk prevention, detection and mitigation mechanisms in order to strengthen their management considering the context and complexity related to the corporate reorganization of the group.

Third-party due diligence: Implementation of a technological platform and consolidation of due diligence practices with a risk-based approach.

Actions were taken to optimize the due diligence process considering the regulatory environment (outsourcing reform), the issuance of BAL Group's Third-Party Policy and the homologation of this process between Peñoles and Fresnillo plc.

With the "Due diligence automation" project, the process will be managed through a technological platform, promoting its optimization by:

- ▶ reducing response time to due diligence requests.
- ▶ assessing and defining the risk level of all external parties.
- ▶ increasing visibility and traceability of risk alerts, as well as defining standard calibration parameters for the proper quantification and assignment of risk to external parties.
- ▶ simplification of the process for users (internal staff/external parties).



Phase 2
Implementing
this phase of the Peñoles
integrity model is a
challenge for 2022.

Also in 2021, independent external companies were assessed to conduct on-site visits to remitters, in accordance with international standards (e.g., LBMA Responsible Sourcing Program).

In relation to the regulatory environment, the regulatory framework for external stakeholders' due diligence was updated to incorporate outsourcing provisions, defining specific criteria for service providers or specialized works.

Managing conflicts of interest

We refined our practice for managing conflicts of interest based on several actions.

- ▶ Adjustments to the conflict of interest questionnaire in order to obtain more accurate responses that, in turn, simplify the risk analysis process.
- ▶ Developing a standard format for issuing mitigation recommendations.
- ▶ Incorporating the letter of commitment to the Third-Party Code of Conduct to the due diligence procedure.
- ▶ Analysis of the information collected in the 2020 personnel conflict of interest statement as a pilot platform for further analysis.

Money laundering prevention

We strengthened our actions to comply with the regulations in force regarding operations with resources of illicit origin through the punctual follow-up of operations related to vulnerable activities. During the year we added operations related to intercompany loans, and we are in the process of self-regulating the provision of professional services. Given that specialized training is essential, the personnel in charge of coordinating compliance with the legislation participated in a certification process derived from an official call issued by the regulatory authority.

28 work centers
have local committees
to comply with
NOM-035 standard.

Challenges for 2022

- ▶ Implementing the due diligence technological platform.
- ▶ Designing the methodological framework for compliance risks and controls.
- ▶ Analyzing and consolidating best practices in the group's operating branches to achieve process standardization.
- ▶ Designing specifications to develop a technological tool to facilitate internal management of conflicts of interest and efficient implementation of remedial measures.
- ▶ Maintaining continuous monitoring of operations for vulnerable activities for Peñoles, as well as the adaptation to emerging regulatory changes.

REGULATORY MANAGEMENT

We strengthened our regulatory management strategy with a new risk-based approach as a consequence of regulatory non-compliance. We also defined several initiatives for mapping associated controls, such as policies, procedures, and compliance assessments.

We also established a solid foundation for due compliance with regulations that protect various rights of our personnel, such as the Federal Law for the Protection of Personal Data in Possession of Private Parties (LFPDPPP), NOM-035, as well as obligations regarding gender equality, non-discrimination, inclusion and diversity.



Regulatory Compliance System

- ▶ Based on the Regulatory Management System implemented the previous year, we designed the Regulatory Compliance System based on the three lines of defense approach.
- ▶ We reinforced the regulatory mapping with the support of the areas directly involved in the group's regulatory compliance and a recognized external firm.
- ▶ We strengthened our regulatory risk assessment methodology.
- ▶ We incorporated an evaluation of regulatory compliance controls to verify their effectiveness.
- ▶ We began negotiations to acquire a GRC tool tailored to Peñoles' regulatory compliance needs.

In 2021, independent external companies were assessed to conduct on-site visits to remitters, in accordance with international standards.



Personal data protection

- ▶ The work plan of the Personal Data Protection Committee was completed, which consisted of updating the corresponding internal regulations, and performing risk analyses of the sites and processes in which personal data is processed.
- ▶ Training on external and internal data protection regulations was provided to all human resources areas, and training on compliance with the Federal Law for the Protection of Personal Data in Possession of Private Parties (LFPDPPP) was provided to all Peñoles administrative personnel through the INAI platform, as part of the group's commitment to the INAI Allies program.
- ▶ Compliance evaluations were carried out by an external party, both documentary and on-site —through video calls— in all business units that will be subject to certification on the matter.

NOM-035

- ▶ Local committees in charge of compliance with the standard were set up in the group's 28 work centers.
- ▶ Action plans were drawn up based on the analysis of the diagnostic results.

Equality, non-discrimination, inclusion and diversity

- ▶ A workshop on "Diversity and corporate inclusion" was conducted by a consultant specialized in the subject.
- ▶ The "Procedure for labor equality, inclusion and non-discrimination" was drafted and is being reviewed by expert consultants.
- ▶ A work plan was drawn up for Peñoles' certification under the NMX-025, Labor Equality and Non-Discrimination standard.

A work plan was drawn up for Peñoles' certification under the NMX-025, Labor Equality and Non-Discrimination standard.

Challenges for 2022

- ▶ Implementing the GRC tool so that all areas can perform regulatory compliance evaluations in accordance with the new model of the Regulatory Compliance System.
- ▶ Having a regulatory compliance risk methodology applicable to all areas included in the aforementioned system.
- ▶ Obtaining group certification in the area of personal data protection.
- ▶ Complying with the obligations regarding labor equality, non-discrimination, diversity and inclusion, in order to seek group certification in the NXM-025 standard.



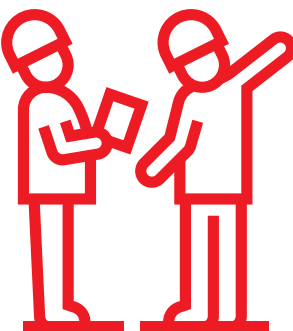


ORGANIZATIONAL COMPLIANCE

We strengthened the application of best practices in the internal regulatory documentation process and consolidated the corporate structure of organizational regulations.

Outstanding results

- ▶ Restructuring of the regulatory system based on the new documentary hierarchization pyramid, in order to have better control and management of internal regulations.
- ▶ Strengthening the culture of value creation and compliance with regulations through constant updates of corporate documents, focused on best practices.
- ▶ Updating and reinforcing internal guidelines related to new legal requirements on outsourcing issues.
- ▶ Documentation related to inclusion issues, such as the free, prior and informed consultation process, in order to have efficient processes to prevent social, legal and reputational conflicts.
- ▶ Instructing **169 engineers** in training on the company's internal regulations.
- ▶ In compliance with the guidelines established by the authorities, management of the COVID-19 Vault, a repository where the evidence corresponding to the sanitary measures implemented in all the group are stored.



169 engineers trained on the company's internal regulations.

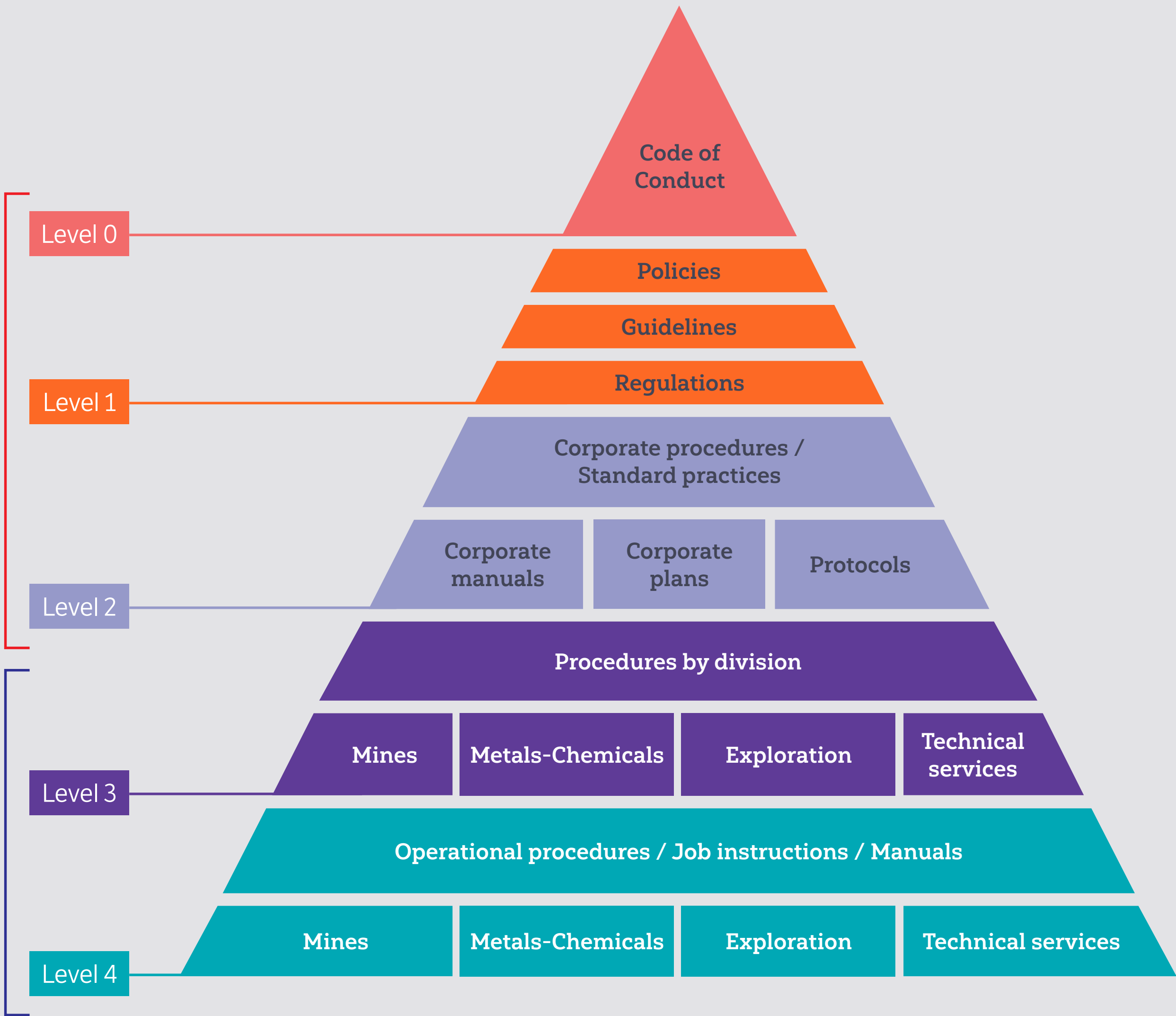
CORPORATE

Applies to Peñoles, Fresnillo plc and all business units

DIVISIONS

Applies specifically to a certain division and/or business unit

Documentary hierarchization pyramid



OPERATIONAL INTELLIGENCE

102-17, 205-3

In order to provide mechanisms for agile, independent and free reporting of conflicts of interest, situations and behaviors contrary to Peñoles' vision, institutional values, Code of Conduct or current regulations, we provide employees, outsourcers and external parties our Línea Correcta hotline.

In addition, we have permanent means of communication through our internal website or Peñoles' web page: **www.penoles.com.mx/ Línea Correcta** button.

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

We continue to improve our mechanisms for handling and investigating complaints. In 2021, the number of reports increased with respect to the previous year; the mechanisms for interaction with whistleblowers through the institutional whistleblower channel Línea Correcta were strengthened, and the criteria for making decisions on corroborated facts for the application of disciplinary measures were improved.

Complaints statistics

Of the 138 reports received in 2021, investigation of 101 was concluded: 59 did not proceed and were closed for insufficient evidence to begin an investigation; in 42 cases, the reported facts were corroborated and, consequently, the corresponding remedial or disciplinary measures were applied. 37 reports are in the process of being investigated, of which 25 belong to the Human Resources category and 12 to the Fraud, Compliance and Corruption categories.

Outstanding results

- Consolidation of the Operational Intelligence Department as part of the corporate compliance structure.
- Better identification processes associated with facts reported through our whistleblower channels.
- Timely follow-up on remedial actions or disciplinary measures (if any) established by the Ethics and Corporate Values Committee.
- Follow-up on action plans and areas of opportunity identified in the whistleblowing process in order to reduce/mitigate conducts contrary to the Code.
- Periodic dissemination of statistics on cases handled and remedial actions.

Reports received in 2021

STATUS	RESULTS	HUMAN RESOURCES	FRAUD	COMPLIANCE AND CORRUPTION	TOTAL
Corroborated	Closed	25	7	10	42
Could not be corroborated	Closed	26	5	28	59
Under investigation	In process	25	3	9	37
TOTAL:					138

Challenges for 2022

- Strengthening behaviors based on our values of trust, responsibility, integrity and loyalty, thus reducing unethical behavior by employees and external parties, through the dissemination and training of our Code of Conduct and our organizational regulations.
- Optimizing the process of cases received, according to the number of reports, complexity and location of the facts.
- Based on the research results obtained, designing models to prevent and mitigate unethical behavior.



Contact Línea Correcta by:



Toll-free telephone line:
800 002 8477



Website:
https://penoles.lineacorrecta.com



Online Chat



E-mail:
penoles@lineacorrecta.com



Instant messaging:
(55) 6538 55 04

We investigate cyberthreats worldwide to take early defense actions.



CYBERSECURITY

At Peñoles we recognize the value of information and we make everything possible to protect it. We have defined a Cybersecurity Governance Framework based on three lines of defense in order to coordinate and measure efforts related to protecting the privacy of the company's personnel and information, as well as strengthening the culture of prevention in the safe use of technology.

Having effective measures in place to deal with technological risks requires us to consider technology, processes and people, which is why we train all employees and disseminate the idea that cybersecurity is everyone's responsibility, and that by protecting our technology we contribute to making its benefits accessible to the entire organization.

A catalogue of services aligned with international best practices provides us with the necessary cybersecurity capabilities and processes to address the risks of technology use, in addition to ensuring compliance with applicable regulatory requirements.



Our cybersecurity program establishes the necessary initiatives to strengthen our cybersecurity capabilities, both technical and governance.

► GOVERNANCE STRATEGIES

Regulatory capabilities of processes through standards and regulations to protect information and technological assets of the business.

► TECHNICAL STRATEGIES

Technological capabilities and procedures for the secure operation of all business processes.

Based on the above strategies, cross-cutting processes have been established to support the security functions in the company, such as the following:

- **Cyber-risk management**, to support the organization in understanding the opportunities and risks associated with technology and finding a balance between the need for protection and the need to adopt new business models.
- **Architecture management**, which addresses the business need for a secure design of technology operations.
- **Cybersecurity process organization**, which allows us to unify, standardize and give visibility to the cybersecurity processes operated in the organization under the governance framework established by the Cybersecurity Office. We integrate indicators to measure the performance of our strategies.

Among the 2022 challenges is adding automation capabilities to cybersecurity threat monitoring and response.

Risk reduction prioritization scheme



REMEDIATION

All initiatives to restore any impact derived from a cybersecurity-related event.



DETECTION

Timely determination of any anomalous behavior in order to take the necessary actions to prevent a negative impact on the organization.



IDENTIFICATION

Identification, classification and management of the risks and technological components of the organization, in order to maintain the appropriate level of protection.



PREVENTION

Proactively work to reduce the probability of occurrence and impact of any adverse cybersecurity activity.

Outstanding results

- Consolidation of continuous and permanent cybersecurity monitoring; this allows us to strengthen the processes for detecting and reacting to threats in technological devices.
- Establishing a proactive research process in the global environment, in order to learn about cyberthreats in a timely manner and take early defense actions.
- Integrating the initiative for secure access to technological assets, generating visibility and controls over user identities, permissions and devices.
- Issuing architecture validation processes and recommendations for the secure deployment of new technologies and platforms.
- Developing a process to provide visibility of operational technologies to the different cybersecurity disciplines for monitoring and analysis.

Challenges for 2022

- Integrating cybersecurity culture into the cultural evolution strategy. This will strengthen cybersecurity awareness in the organization and include it as part of the organizational competencies.
- Identifying and correcting failures in technological assets in an effective and timely manner (vulnerability management).
- Ensuring that all technology deployments comply with an architecture and risk validation process to maintain the organization's level of defense.
- Adding automation capabilities to cybersecurity threat monitoring and response to make cyber defense processes more agile and efficient.
- Validating that all our technology providers maintain the required security levels through the Third-Party Risk Management process.





First place
in the IC500 Corporate
Integrity Index of
Mexico's most
important companies.

RECOGNITIONS

412-1

We maintained our Good Delivery certification as a conflict-free company for our entire precious metals supply chain, issued by the London Bullion Market Association (LBMA), certifying the high quality and purity of the gold and silver bars we produce.

The processing includes compliance with international standards on human rights, anti-money laundering and terrorism financing, and recognizes that we have a responsible supply chain that avoids sourcing products from areas at risk or in conflict.

EM-MM-510a.2

For the second year in a row, Industrias Peñoles received recognition for being one of the Most Ethical Companies 2021 by AMITAI and *El Financiero*, ranking tenth among the thirty best evaluated companies. It also stood out in the Ethical Business Philosophy dimension, obtaining fourth place.

Industrias Peñoles also ranked first for the first time in the IC500 Corporate Integrity Index of the 500 most important companies in Mexico, a study prepared by Mexican Transparency and Mexicans Against Corruption and Impunity associations, and Grupo Expansión.



Since 1991, we have maintained Good Delivery conflict-free certification for our precious metal supply chain.



For the second year in a row, Industrias Peñoles received recognition for being one of the Most Ethical Companies 2021 by AMITAI and *El Financiero*.

US\$ 3,211 M
value generated by the company
and its subsidiaries in 2021.

Economic performance

Committed to the generation
and distribution of economic value
for our stakeholders.



Economic performance

103-1, 103-2, 103-3, 201-1, 202-1, 203-1, 203-2

Technology, transportation, water, energy, information and communications infrastructure is necessary for the development of sustainable societies.

We seek the proper management of the company’s resources and assets, and we guarantee good practices, fair business dealings and market freedom. Our purpose in relation to our stakeholders is to be:

- ▶ the best investment option in the medium and long terms for our shareholders, with competitive costs, growth and profitability, thus guaranteeing the survival of the company.
- ▶ a strategic partner for our customers and suppliers whose business relationships are based on good business practices with a deep ethical commitment, and with whom we can establish long-term mutually beneficial relationships.
- ▶ the best place to work for our employees, offering them competitive and fair wages and benefits, as well as development opportunities in a safe environment.
- ▶ a socially responsible company for our communities, promoting development by generating direct and indirect employment, economic benefit and community development programs.

As technology, transportation, water, energy, information and communications infrastructure is necessary for the development of sustainable and resilient societies, and this need is present in many regions of the country, infrastructure development related to large mining projects becomes very relevant.

This provides governments with a unique opportunity to establish partnerships for the common good and to address weaknesses in the infrastructure sector, creating a win-win situation to leverage and optimize economic development. Infrastructure can be an important driver for mining communities by providing links that support economic activities at the local, state and national levels.

102-49, 207-1

All of the company’s activities are designed to contribute to its defined strategy, supported by responsible and solid business reasons, fully complying with legal and regulatory provisions, including those of a fiscal nature, always respecting the legal framework in force for each of its obligations and availing itself of the legal resources when there is a difference in criteria with the tax authority.

The company’s business strategy of sustainable development consists of contributing to the benefit of the country, the states and municipalities where the company operates, strictly observing the applicable legal framework and generating an important economic benefit for the governments and communities through the creation of infrastructure, the generation of well-paid jobs and the payment of applicable taxes.



Value generated (US\$ M)*	2020	%	2021	%
Net sales	4,673.3	100	5,971.8	100
Domestic costs and expenses	1,649.1	35	2,429.0	40.7
International costs and expenses	224.9	5	331.2	5.5
Total costs and expenses	1,873.9	40	2,760.3	46.2
Total value generated	2,799.4	60	3,211.6	53.8

Value distributed (US\$ M)*	2020	%	2021	%
Employees	383.8	13.7	425.5	13.2
Contractors	904.9	32.3	1,001.1	31.2
Government	243.6	8.7	322.2	10.0
Shareholders	33.8	1.2	149.5	4.7
Community and the environment	63.1	2.3	86.7	2.7
Reinvestment in the company	887.2	31.7	1,074.6	33.5
Interest	283.0	10.1	152.1	4.7
Total value distributed	2,799.4	100	3,211.6	100

* Includes operations by Peñoles and its subsidiaries.



Internal policies

Internal policies related to issues of interest:

1. The company is committed to the due payment of all the contributions to which it is subject in each and every one of the countries, states, municipalities and locations where it is present, complying with and strictly respecting the current legal tax framework.
2. The company is committed to not transferring intangible assets or any other asset of value that have been created in any of the countries where it is present, to low-tax jurisdictions. All of its valuable assets are located in each of the jurisdictions in which they have been created.
3. The company does not have and is committed not to have, or use, structures to avoid taxation.
4. The company is committed to complying with arm’s length principles in each and every transaction between related parties. It fully complies with its obligations in terms of obtaining and safeguarding documentation that proves that its operations comply with the transfer pricing principles, ensuring that related party transactions are conducted as if they are carried out as independent parties in free market transactions.
5. The company does not operate in any of the territories known as tax havens.

201-1-a, 102-7-a.iv, 102-45

Value generated by Peñoles and its subsidiary, Fresnillo plc in 2021 was **US\$ 3,211.6 million**.

203-1

Economic impact of investments is expressed in the distribution of value generated by our stakeholders. Outstanding are contributions to the community and the environment, which were as follows:

Contributions to the community and the environment (US\$ M)*	2020	2021
Community	8.0	8.2
Environment	7.0	9.3
Depreciation of social assets	56.1	53.2
Provision for ecological expense	-8.0	15.9
TOTAL	63.1	86.7

* Includes operations by Peñoles and its subsidiaries.

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

412-3

There were no investments in new projects subject to human rights screening, and Peñoles reiterates its permanent and unequivocal respect for human rights.

Our 2021 Annual Report presents the breakdown of our results and main financial figures for the fiscal year.



Indirect economic impact

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

Contributions of the mining industry have a transformative potential by attracting and stimulating trade, investment and business development, alleviating poverty, and maximizing the potential of other economic sectors.

The direct and indirect economic impacts, the generation of value and its distribution among stakeholders are a reflection of Peñoles’ social commitment.

Economic benefit in the states of Mexico where we operate was **US\$ 297 million per month**, total direct employment was **31,552** and the number of domestic suppliers, **7,737**.



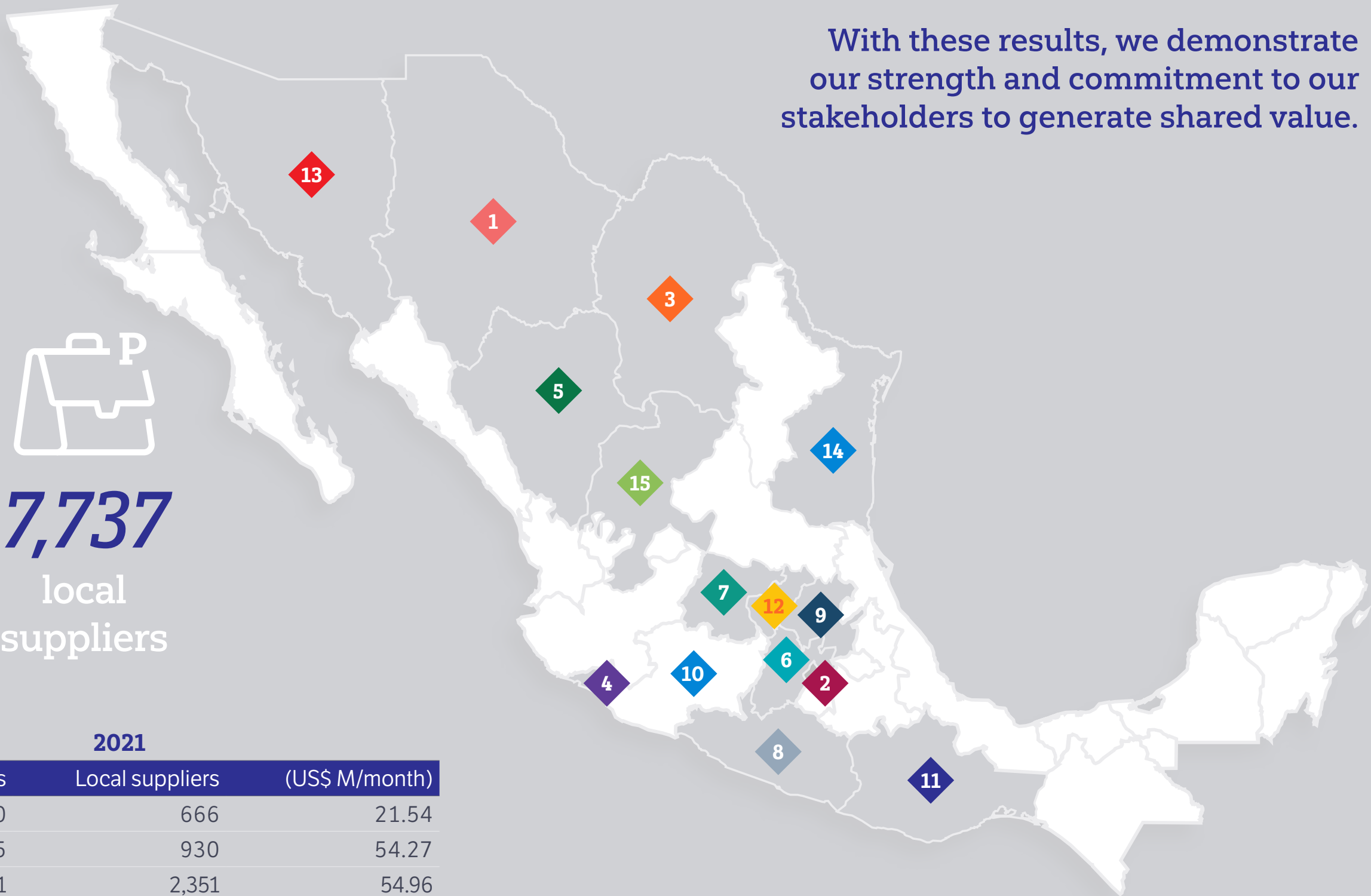
31,552
direct
jobs



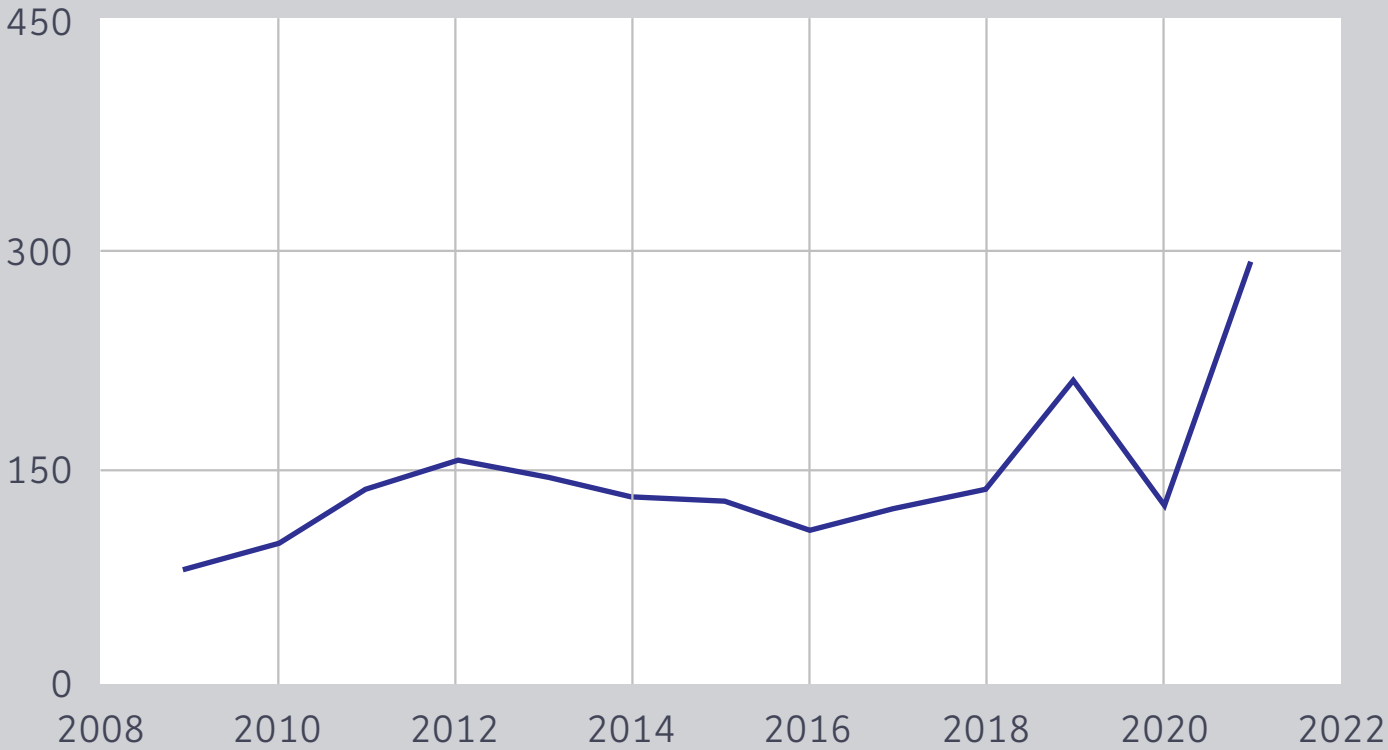
7,737
local
suppliers

Economic benefit		2021	
State	Direct jobs	Local suppliers	(US\$ M/month)
1. Chihuahua	3,320	666	21.54
2. Mexico City	285	930	54.27
3. Coahuila	6,741	2,351	54.96
4. Colima	–	42	0.74
5. Durango	3,397	981	31.86
6. State of Mexico	1,046	543	22.84
7. Guanajuato	–	165	8.26
8. Guerrero	1,119	99	13.64
9. Hidalgo	–	24	0.86
10. Michoacán	13	14	0.02
11. Oaxaca	97	37	0.21
12. Querétaro	–	61	0.87
13. Sonora	5,335	813	45.22
14. Tamaulipas	11	88	0.25
15. Zacatecas	10,188	923	41.88
TOTAL	31,552	7,737	297.42

Economic benefit = wages + salaries + local purchases + local taxes
Direct jobs = unionized workers + contractors



Historical economic benefit
(US\$ M/month)



Employment, wages and equity

101-2.2, 101-2.5, 103-1, 103-2, 103-3, 202-1, 405-2

At Peñoles we offer our employees competitive and fair salaries and benefits; we provide opportunities for professional updating and development; we make no distinctions among our employees, since compensation policies and procedures are based on the relative value of the position in the organization, and the performance of the person who holds it. The relationship between starting or base salary and compensation paid to men and women is 1 to 1, and is established based on a table of market salary indicators, the level of responsibility of the position and individual performance.

Peñoles joined Empresas por el Bienestar (<https://empresasporlbienestar.org/>), an initiative that promotes a measurable, time-bound public commitment to assess whether employees at our operations receive fair wages. The company uses multiple salary surveys to determine its competitiveness, while using the Korn-Ferry / HayGroup methodology to value jobs and determine tabulators. The company's lowest salaries are higher than both the "living wage" and the legal minimum wage.

For Peñoles, it is important to have an objective compensation system that, in addition to complying with current legislation, is based on employee performance; therefore,

geographic location, gender, religion, or other personal characteristics are not considered in calculating compensation. We promote and maintain safe, healthy and environmentally friendly workplaces; we also respect freedom of affiliation and eradicate any type of discrimination and harassment.

408-1-c

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

401-2

We offer our employees several benefits:

- ▶ Medical, disability and life insurance
- ▶ Pension fund and savings fund
- ▶ Economic complement for disability determined by the Mexican Social Security Institute.

201-3

In 1980, Peñoles created a defined-benefit retirement plan that complements the Mexican Social Security Institute benefits to which employees are automatically entitled. In 2007, Peñoles changed this to a defined contribution plan called Planlibre®, in which each employee contributes at least 8.125%



of their base salary. The plan is managed by a trust and is fully funded. There is no independent fund to cover the company's contributions; the reserve for covering this expense is created on a monthly basis. An external firm performs an annual review of the plan's obligations and, when necessary, adjustments are made.

While mining adheres to most of the SDG, Peñoles has identified priority targets based on a materiality analysis.



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

As of December 31, 2021, Peñoles had 8,290 employees, all full-time, classified as follows:

Employees by type of association, contract and gender*

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

	Total		Unionized 58%	Association Non-unionized 37%	Executives** 5%	Contract Permanent 92%	Temporary 8%
Men	7,254	87.5%	4,497	2,388	369	6,649	605
Women	1,036	12.5%	274	703	59	957	79
TOTAL	8,290	100%	4,771	3,091	428	7,606	684

* Includes only Peñoles operations.
** 90% of executives are Mexican.



401-1a, 401-1b

Peñoles hired 610 non-unionized employees, equivalent to a rate of 17%. A turnover rate for non-unionized personnel was 7.83% and the voluntary turnover rate, 4.64%. As for unionized personnel, the turnover rate was 6.74% (0.26% voluntary) and hiring was 13.66%, equivalent to 687 hires.

102-8-e, 102-8-f, 102-10

The data presented are obtained from the payroll computer systems available. The significant increase in hiring was due to personnel included in the payroll, as a result of the Outsourcing Reform.

401-3

A total of 336 employees were entitled to take paternity or maternity leave during the year: 54 women and 322 men. All of them took advantage of that right, and only one did not return to work.



Personnel by state (%)	2020	2021
102-8-b		
Coahuila	58.67	59.13
Durango	9.83	9.94
Zacatecas	9.02	8.71
State of Mexico	7.81	8.25
Guerrero	8.60	8.24
Mexico City	3.50	3.29
Sonora	1.78	1.54
Oaxaca	0.19	0.30
Chihuahua	0.32	0.29
Tamaulipas	0.08	0.13
Nuevo León	0.13	0.12
Colima	0.06	0.05

* Includes only Peñoles operations.

Personnel by generation group*

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

Generation	Executives	Non-unionized	Unionized	TOTAL
Traditionalist	1	-	-	1
Baby Boomer	125	141	178	444
Generation X	208	798	1,364	2,370
Milennial	94	2,149	3,066	5,309
Generation Z	-	3	163	166
TOTAL	428	3,091	4,771	8,290

* Includes only Peñoles operations.

*Note: Information in this section only includes operations by Peñoles; does not include Fresnillo plc.

Suppliers

101-2.2, 101-2.5, 102-9, 103-1, 103-2, 103-3

In managing our sourcing, we try to ensure a reliable supply of raw materials, key inputs and services, according to the needs of our business; this is a strategy for achieving excellence and operating continuity in all our processes. Additionally, all our suppliers must read and commit to follow the guidelines established in the Third-Party Code of Conduct related to a supply chain free of labor, tax, health and environmental conflicts, always in harmony with the communities in which they operate.

We focus our strategies on critical goods for our productive operations, in order to support



the sustainability of the business and local, regional and national economic development.

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

In our interactions, we seek to:

- ▶ engage suppliers and contractors through uniform, transparent processes that ensure equitable participation.

- ▶ choose suppliers and contractors based on criteria of quality, profitability, technical competence and due diligence, that consider ethical and social responsibility principles.
- ▶ offer and receive fair and honest dealings in every transaction.
- ▶ give priority to local/regional/national suppliers, under equal conditions.
- ▶ guarantee confidentiality in the information received from suppliers and contractors.

We consider critical suppliers those which supply goods:

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

308-1, 308-2, 414-1 414-2

The third-party due diligence process established in Peñoles considers a comprehensive assessment for qualifying the risk of raw material remitters, as well as assuring a responsible supply chain, aligned with the London Bullion Market Association (LBMA) Responsible Sourcing Program. We also identify suppliers that are currently unique in the supply of critical goods, for the purpose of searching for other potential suppliers, comparing



specifications and conducting tests to eventually authorize them.

As part of the due diligence process and in order to establish a business relationship, our business partners are required to comply with the best practices and standards of business integrity contained in the Peñoles Third-Party Code of Conduct. In addition to the above, they are asked to fill out questionnaires in which they provide information about their operations and their commitment to the care and preservation of the environment, occupational health and safety, and their impact on communities. This information is evaluated for the objective assignment of



31.2 %
of economic value
distributed was paid
to contractors.



risks. Likewise, in order to complement their profile, visits may be made to the remitters’ facilities.

We identify opportunities and obstacles in our vendor sourcing based on a catalogue that includes both domestic and foreign suppliers that ensure compliance with customs, tax and labor laws and regulations on all transactions. Our strategy also promotes direct acquisition from goods manufacturers anywhere in the world, and our data system is multi-country and multi-currency. Proposals are mostly solicited electronically, through our ERP platforms.

Every year, we prepare an operating plan that defines strategies for every category of goods, which encompasses our research into potential suppliers both locally and abroad. Procurement plans consider consumption and short-, medium- and long-term forecasts. Within this plan we define projects that would enable a more thorough systematization and automation of procurement processes.

We make a monthly review of our progress against that plan to detect discrepancies and take action to ensure compliance through strategic management and operational indicators. A regular report is drawn up on purchases from our suppliers, broken down by category of goods and operating unit. We have also implemented analytical data management tools for the timely monitoring of the execution of strategies and plans.

To verify procurement performance, a continuous review of supply indicators is carried out, such as time from purchase cycle to payment, execution of the investment budget, level of satisfaction with the inventory of materials and spare parts, compliance with supply contracts, availability of critical goods and customs clearance time, among others.

The supplier certification and performance follow-up process is applied in accordance with the supplier stratification method for suppliers of critical goods, under agreement or indicated by the applicant to comply with management system requirements. Once a year, and based on the results of the evaluation and analysis of the information in the items matrix, the suppliers that will participate in the development process are selected. The evaluation team applies the supplier evaluation questionnaire, ensuring that all responses are supported by documentary evidence (reports, charts, policies, procedures, etc.) and identifies strengths and areas of opportunity in the supplier’s organizational structure.

Due diligence procedure for remitters of raw material was aligned to the LBMA Responsible Sourcing Program.



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

As a matter of policy, Peñoles is committed to high ethical standards, in keeping with our essential values of trust, responsibility, integrity and loyalty, internal regulations and the laws that apply to us. We promote respect for human rights and endeavor to maintain a supply chain free of ethical and legal conflict. We therefore avoid relations with third-parties that do not share these values and standards.

In order to comply with OECD and United Nations standards, we maintain a zero-tolerance stance on money-laundering, fraud, bribery and corruption. We do not do business with third-parties that may participate in such activities, and we cancel any existing contracts with those who do.

We do not do business with partners in high-risk countries or conflict zones that are not respectful of the environment, life, health and ecosystems, in harmony with the

community and sustainable development. Neither do we engage with third-parties related to the mining industry that benefit from, contribute to, aid or facilitate forced labor, child labor, armed groups, human rights violations, or labor discrimination; have dealings with subversive organizations; offer unsafe work conditions; fail to respect political religious and sexual preferences or are involved in any form of torture, cruelty, inhuman treatment, war crimes or other serious violations of international humanitarian standards.

We will collaborate with the authorities to contribute to the elimination of any type of fraud related to the extraction, trade, handling, transport or export of any ore.

Peñoles pays taxes, fees, and royalties related to the extraction, trade, and export of ore in strict compliance with applicable laws in our areas of operation.

In compliance with the above, Peñoles:

- ▶ provides its personnel with the necessary resources to ensure adherence to this policy and related procedures.
- ▶ performs and monitors its operations in compliance with the established objectives; in addition, the responsible areas keep their records up to date.
- ▶ trains personnel involved in the supply chain to ensure effective implementation of this policy.
- ▶ ensures that this policy is accessible and disseminated to all stakeholders.
- ▶ promotes among personnel of external parties the reporting line for any indication of suspicious dealings or operations.

At Peñoles, the General Management, in coordination with the Compliance Officer and the corresponding committees, implement best practices. In this regard, we ratified the certificate of registration of our trademarks and shared the results of the LBMA audits.

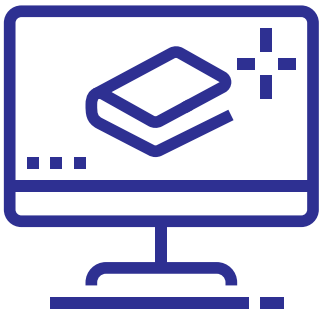
Below, we report the main actions we carried out with our suppliers during 2021.

THIRD-PARTY CODE OF CONDUCT

The Third-Party Code of Conduct, published during the first quarter of 2021, reaffirmed Peñoles' commitment to work closely with its business partners to build responsible supply chains. The code establishes guidelines regarding the behavior expected from our external parties in order to ensure that all commercial interaction is carried out with a solid foundation of integrity, awareness of the care and preservation of the

environment, commitment to occupational health and safety, maintaining a harmonious relationship with the community, as well as respecting human and labor rights.

In order to promote the socialization of the Third-Party Code of Conduct, a virtual dissemination and training plan was developed for employees who, due to their functions within Peñoles, interact with business partners or are involved in administrative or control and auditing processes. The training benefited **732** employees, which meant the participation of **94%** of the personnel involved. Training was also provided to management personnel. For 2022, the challenge is to reinforce knowledge of the document with our business partners.



In 2021
we published the
Third-Party Code of Conduct.



RAW MATERIAL SUPPLIERS:
REMITTERS

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

308-1, 308-2, 414-1 414-2

In keeping with our policies and Code of Conduct, all our active remitters are subject to a process of due diligence to determine their degree of risk. In 2021 we conducted 23 evaluations of potential and current

remitters, in addition to four reviews currently in process. In addition, 58 evaluations of remitters were conducted during the year to assess the quality, quantity and timeliness of their deliveries. Each key remitter is sent a report detailing the criteria that affected their compliance rating, so that they can take the pertinent preventive and corrective measures.

SERVICE SUPPLIERS: CONTRACTORS

308-1, 308-2, 414-1, 414-2

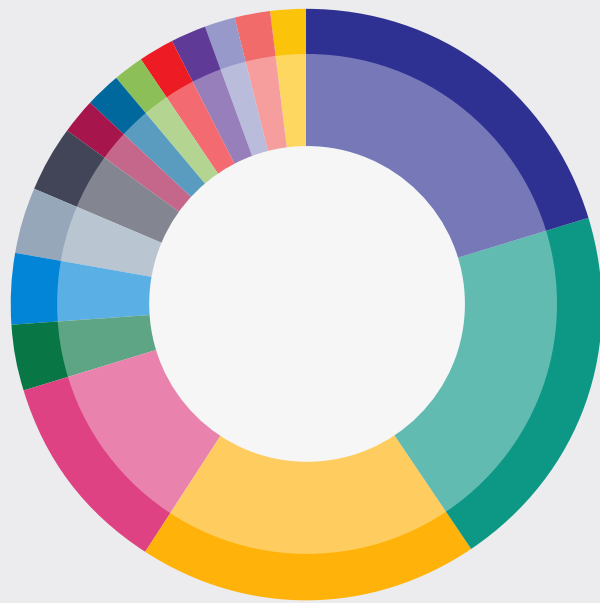
In order to maximize the return on our business, we consider the hiring of external contractors and services to be the most efficient use of our own resources. All of our divisions hire contractors for work relating to engineering services and projects, construction and services for operational projects,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

From the total amount paid in 2021 for outsourcing services, 50% went to development and works, 26% to maintenance, 9% to miscellaneous professional fees, 8% to major repairs and 7% to other services. *

* Data include operations of Industrias Peñoles and subsidiaries.

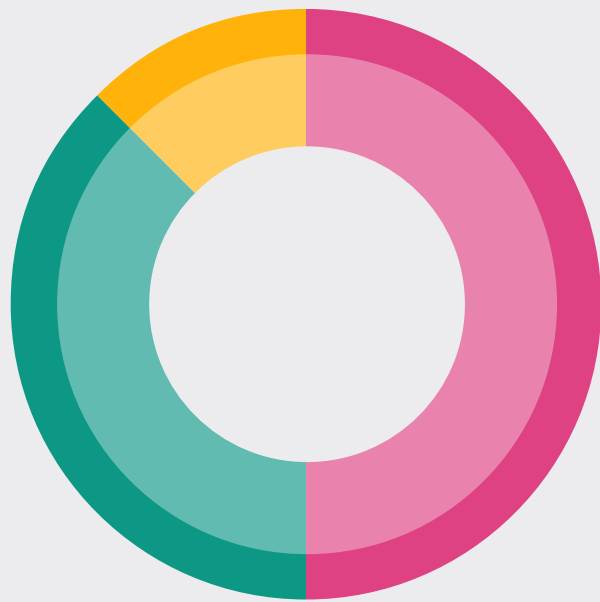
We recommend contractors who supply services in remote locations that, to the extent possible and in keeping with the established requirements, they provide job opportunities to people in local communities.

Domestic remitters by state



State	Remitters	% Total
Chihuahua	11	20
Durango	11	20
Zacatecas	10	19
Sonora	6	11
State of Mexico	2	4
Guerrero	2	4
Oaxaca	2	4
San Luis Potosí	2	4
Aguascalientes	1	2
Baja California	1	2
Mexico City	1	2
Coahuila	1	2
Hidalgo	1	2
Michoacán	1	2
Nayarit	1	2
Sinaloa	1	2
TOTAL	54	100

International remitters by country



Country	Remitters	% Total
Peru	4	50
United States	3	38
Honduras	1	12
TOTAL	8	100

In 2021 we worked with 62 remitters:
54 domestic and 8 international.



zero
incapacitating accidents
among 72 contractors of
the Metals Division.

Mines Division

This division holds annual meetings to recognize contractors’ safety performance, while encouraging them to create ways to reward their own employees for their performance. During 2021, this meeting was held on line.

In mining work contracts, we promote our contractor’s productivity by establishing a recognition-penalty system for firing efficiency, whose objective is to improve the efficiency in the use of explosives in the units. The user of each evaluates the contractor’s service performance.

In maintenance contracts for equipment on diesel engines, an indicator of physical availability of the equipment was established, in order to measure the efficiency of the contractor’s service. In diamond drilling (BDD) contracts, measurement indicators were

established to control the deviation of drill holes and core recovery.

Given the nature of mining work, we strive to determine the best conditions to our contractors—better camps, services, recreation, and more. Due to the pandemic, it was not possible to hold work tables for brainstorming, agreements and change analysis, in order to reduce staff turnover.

All new contractor personnel receive a five-day safety induction. They also participate in specific courses, such as rock mechanics, firefighting, search and rescue, first aid, and evacuation, and are required to undergo medical examinations, which are updated annually.

Due to the pandemic, precautions were taken and permanent inspections were carried out to prevent the spread of COVID-19.

Entrepreneurs in the Capela unit have matured and currently provide the contracted services with less support and advice from the unit.

Metals Division

In the Metals Division, as we do every year, we recognized companies that attained Reliable Supplier level: a total of 50 companies. We also recognized suppliers that have registered zero incapacitating accidents for one to 18 consecutive years: 72 companies earned this distinction.



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

The crisis committee against COVID in contractors, which began in 2020, continues to operate to ensure compliance

with the requested hygiene and health measures: daily monitoring of hygiene measures in plant accesses, bathrooms, dressing and dining rooms to ensure the use of masks, hand cleaning, and safe distancing measures.

Onboarding courses were adapted to hybrid format in order to continue training new contractor personnel.

During the year, we provided vaccination to 93% of contractor personnel.





21
coordinators
benefited from virtual
meetings on 45 issues.

Química del Rey

At Química del Rey, the largest unit in the Chemicals Division, we have a collective bargaining agreement with the National Union of Workers of Companies providing Services for Industries and Companies of the Mexican Republic, which includes a salary tabulator established by category. The contract includes benefits and salaries that are higher than those established by the Federal Labor Law, and even considering the definition of the minimum wage in border areas, no category falls below that level.

A total of five due diligence reviews were applied to the same number of contractors, and due diligence was renewed for seven of them applying the new Third-Party Acceptance and Continuity Form.

Due to the health contingency, a program of virtual meetings with MASS contractor coordinators was implemented. During the year, 45 issues were scheduled in the areas of safety, health and ecology, with an average attendance of 21 coordinators.

During the year, 23 companies that work at Química del Rey on an ongoing basis, most of which are local companies, were evaluated. In addition, safety, health and environmental controls were established for contractors and are monitored on a monthly basis. The annual compliance level was 80% for safety, 63% for health, and 71% for the environment.

Although in 2020 there were no disabling accidents among contractor personnel, in 2021, due to the health contingency, they were not given the corresponding recognition. On the other hand, during 2021, there were three lost-time accidents among contractors.

For hoisting maneuvers within the plant, we have twelve cranes with verification certificates of operating conditions, issued by companies recognized by the Mexican Accreditation Entity (EMA) as verification units. These cranes are operated by skilled, certified personnel.

Before entering the plant, all contractor employees must show their entry credential, obtained after completing the course “Recommendations for a safe return to work during COVID-19”, available on the IMSS platform at <https://climss.imss.gob.mx/>,



Customer safety

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

Peñoles is a strategic partner to its customers, offering them comprehensive solutions and earning their trust in long-term business relationships.

Our commercial operations are conducted according to the highest ethical standards, consistent with our institutional values of trust, responsibility, integrity and loyalty. We abide by the law, promote respect for human rights in our value chains, and avoid doing business with countries and external partners who do not meet these standards. In the commercial management system, we verify compliance with the company's policies and procedures, the internal control framework, applicable official regulations and best market practices. All operations of finished products are certified

under international and domestic management systems standards.

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

We operate our portfolio efficiently, and we have a supply chain free of ethical and legal conflicts, which operates in full respect for human rights. We remain abreast of trends in the world, the markets, and among our

customers, so that we can maximize our profit margins. We seek out and continually evaluate opportunities for growth with new customers, markets and applications that strengthen the company's competitive position.

Our product quality, technical service, customer attention and on-time delivery has earned us a growing presence in the U.S., European and South American markets, and we continue to be the best option for our domestic customers.

416-1

We have safety data sheets for our products, whose content complies with the applicable regulations in Mexico and in each country to which our products are exported. These cover aspects such as handling, storage, shipping and transportation of the product, how to dispose of waste without environmental impact, as well as restrictions and considerations in the event of an emergency.

Most of Peñoles' chemical product shipments are packed on wooden pallets that comply with phytosanitary standards. For exports to Europe, Asia, Latin America, and the



United States, the wood used for pallets receives special treatment and is covered by a fumigation certificate. In the case of the Chemicals Division's products, there was no need to mitigate any environmental impact. Packaging materials are not recycled.

Fertilizer products are registered with the Inter-Secretarial Commission for Process Control and Use of Pesticide, Fertilizers and Toxic Substances (Cicoplafest), which guarantees that these products meet international quality standards.



348

remote assistance
sessions to customers of
agro-industrial products.

417-1

In exports to the United States, a label is attached with information on transportation and CAS (American Chemical Society) registry number, with a warning about the risks in handling the material and the health reactions that could result from contact. For exports to Europe, we comply with the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation of the European Chemicals Agency (ECHA).

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

To guarantee that our technical support and consultancy service is a strength and a differentiating factor for the organization, we advise our customers on the products we supply and our technical team conducts scheduled visits to evaluate service

performance and benefits. In 2021, due to the sanitary contingency, on-site visits to customers were not carried out regularly, as usual. However, remote assistance was provided to **106** customers of industrial metals, **29** of mining products and **348** of agro-industrial products.

Every two years, we apply customer satisfaction surveys, following procedures based on the ISO 9001:2015 standard. During 2021, no survey was conducted. The 2020 result remained in force, for the Metals Division a rating of 4.03 on the Likert scale (good and very good), and, for the Chemicals Division, a rating of 3.9.

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

During the year, there were no incidents or fines for the supply and use of products or for non-compliance with regulations and voluntary codes related to information, labeling, marketing communications, or health and safety impacts of products during

their life cycle. There were no complaints related to privacy or leakage of customer personal data.

TRANSPORT

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

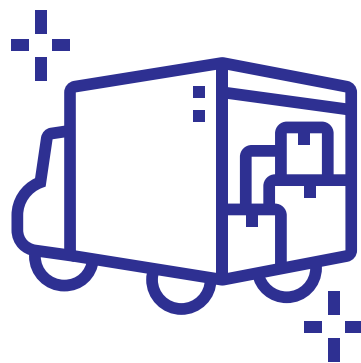
Peñoles complies with all domestic regulations applicable to our products, as well as with those of the countries to which we export. To do so, all the areas involved in the process—loading, transportation, labeling and packaging—work together.

Whenever a transportation vehicle enters any of our plants, it undergoes a check of the physical and mechanical conditions included in a format, and verifies its compliance with standard SCT-012 y SCT-068. We also adhere to clean transportation standards.

In the case of hazardous materials and waste, in addition to the review of physical and mechanical conditions, all loading and

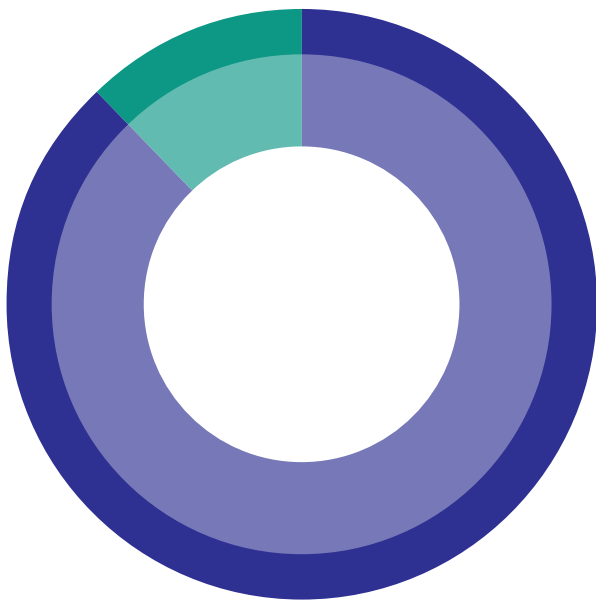
unloading specifications of the Hazardous Materials and Waste Regulations are reviewed. Also, as has been the practice for more than ten years, drivers undergo a medical checkup before loading hazardous materials—sulfuric acid, sulfur dioxide, deprezinc (zinc liquor), oleum, and ammonium bisulfite. All of Peñoles’ units have certified scales to weigh the trucks on entry and exit and determine their net and gross weights; no truck exceeds the weight limits allowed by the standard.

In the case of exports, we meet the guidelines of the International Maritime Organization’s International Convention for the Prevention of Pollution from Ships (MARPOL) of the International Maritime Organization (IMO), guaranteeing that the concentrates we transport do not pollute the seas; we also comply with the Safety of Life at Sea (SOLAS) regulation, which consists of weighing the containers to verify that they meet permitted weight standards.



5,205
foreign trade
operations in 2021.

International
trade operations



	Operations	%
◆ Exports	4,559	88
◆ Imports	646	12
TOTAL	5,205	100

Operations by division

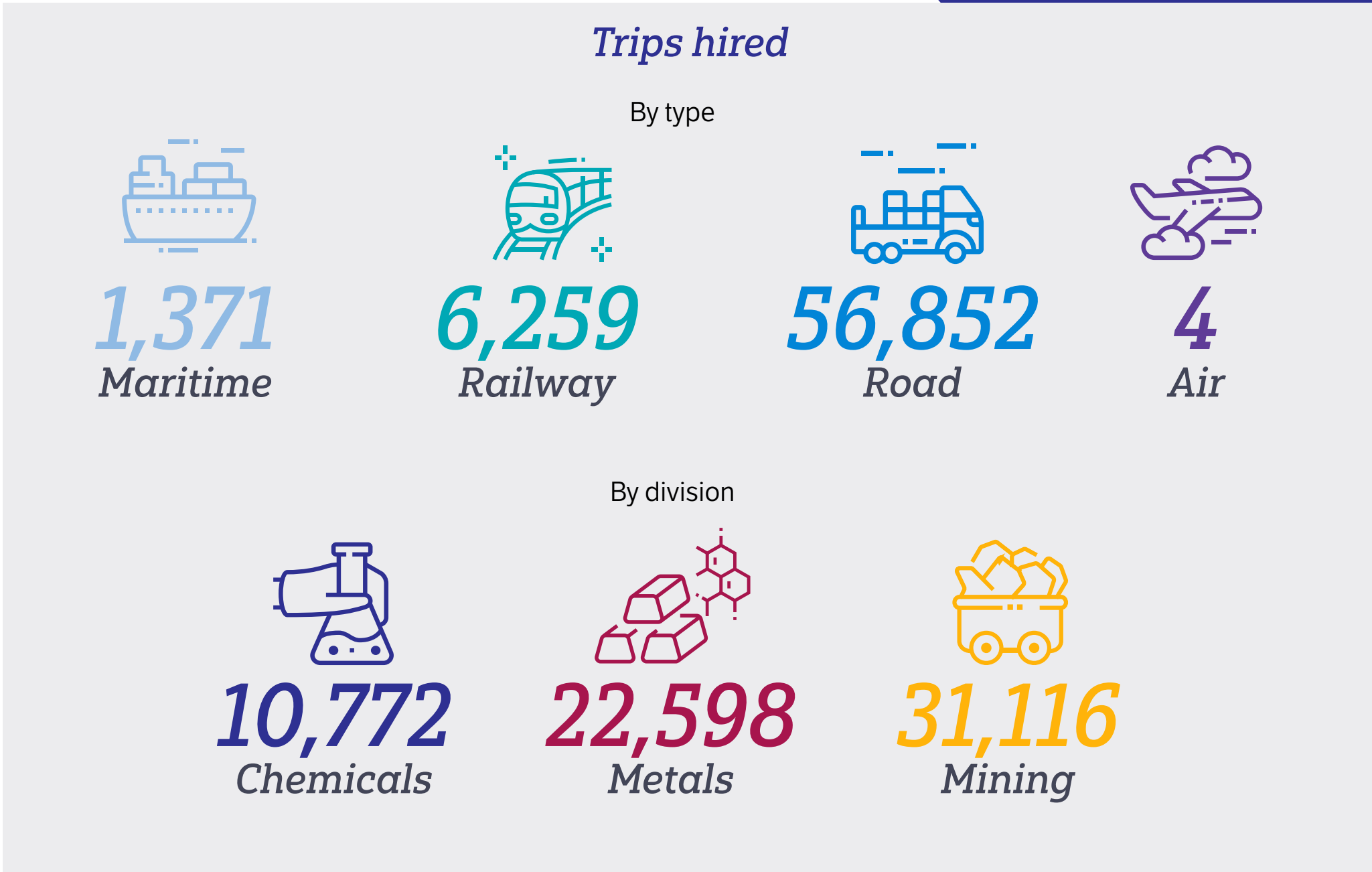


	Operations	%
◆ Metals	3,445	66.2
◆ Chemicals	1,409	27.1
◆ Mining	351	6.7
TOTAL	5,205	100

We also manage bismuth export permits before the Ministry of Energy’s National Commission for Nuclear Safety and Safeguards, as it is used in the early stages of nuclear product manufacture, and also obtain export permits from the Federal Commission on Sanitary Risk Protection for exports of sulfuric acid.

We have the support of Grupo Nacional Provincial (GNP) for the evaluation of transport suppliers and warehouses, and to provide training seminars for transport suppliers.

During the year, 64,486 trips of different types were hired—an average of 206 per day—for the transportation of our products and materials.



During the year, 64,486 trips of different types were hired, an average of 206 per day.

Environmental performance

Preventive care of the environment to which our Sustainable Development Policy commits us is fundamental to achieve the goal of zero significant environmental impacts.

378,120 tCO₂
emissions into the environment
were avoided through the use
of renewable energies.



Environmental performance

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

Preventive care of the environment to which our Sustainable Development Policy commits us is fundamental to achieve the goal of **zero significant environmental impacts**, that is, impacts that do not cause significant deterioration to the environment. Peñoles has an Environmental Management System based on the ISO 14001 International Standard, which identifies key environmental aspects, including environmental obligations derived from the current regulatory framework and the conditions established when authorizations are granted. Based on this, we define the operating controls and programs that allow us to operate the processes in an efficient and responsible manner, subject to continuous improvement.

In addition, we have several standard practices such as:

- a. Identifying, tracking, evaluating and complying with regulations.
- b. Determining objectives, key parameters, goals, indicators and programs.
- c. Ensuring competence and awareness.
- d. Preventing emergencies and be prepared to handle them.
- e. Attending incidents and non-conformities.
- f. Conducting internal audits of comprehensive management systems.
- g. Having environmental management guidelines.
- h. Having formal grievance mechanisms in accordance with our codes of ethics.

Mining is an activity with significant potential environmental impacts and, therefore, we submit all our projects to an environmental impact assessment in compliance with the current regulatory framework. Environmental impacts are identified throughout the life cycle of projects from exploration, construction, operation and closure.

Our actions to avoid environmental impacts



Compliance

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



Climate change

Minimizing emissions of greenhouse gases and compounds, and managing physical and transitional risks related to climate change.



Atmospheric emissions

Minimizing emissions of other gases and particulates in compliance with applicable regulations.



Water

Reducing consumption of primary use water, as well as the discharge of wastewater, complying with permissible limits.



Waste

Reducing waste, manage and dispose of it properly, and seek alternatives to recover it.



Tailings deposits

Achieve zero harm to people and the environment by implementing best practices in the governance of tailings storage facilities.



Biodiversity

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



Environmental incidents

Preventing environmental damage and be prepared to address emergencies that they may cause.

Environmental compliance

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

Regulatory compliance is the basis of our environmental strategy and key to our social responsibility. To comply with this, we have a proprietary computer program called the Regulatory Compliance System, which monitors compliance with the requirements applicable to each mining exploration project, mining unit, metallurgical plant, chemical plant, and service area of the company. In addition, we conduct periodic compliance reviews and internal audits at least once a year. In the event that non-compliances are found, remedial actions are scheduled and carried out, and checked for effectiveness.

In the area of environmental protection, various laws and regulations apply to all economic activities and, therefore, to the mining-metallurgical industry:

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

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

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

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



In addition, the mining-metallurgical industry is subject to a specific set of environmental laws. They were developed at the suggestion of the Mexican Mining Chamber, by a taskforce made up of representatives from the government, private companies and academe, organized by the Ministry of the Environment and Natural Resources.

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

In other words, the mining and metallurgical sector is the most regulated in Mexico and has broadly defined conditions and limits under which it can carry out its activities, with the purpose of minimizing its negative impact on the environment.



In 2021

we had no significant fines or sanctions for non-compliance with regulations.

Climate change

In 2021, renewable generation in contracts by Peñoles —including Fresnillo plc— amounted to 47.8% as a proportion of the company’s consumption.

ENERGY

103-1, 103-2, 103-3, 302-1

Mining is an energy-intensive industry, so we make efficient use of it. However, it is important to consider that energy intensity of mining operations necessarily depends on the stage of the project, which generally increases as mining progresses.

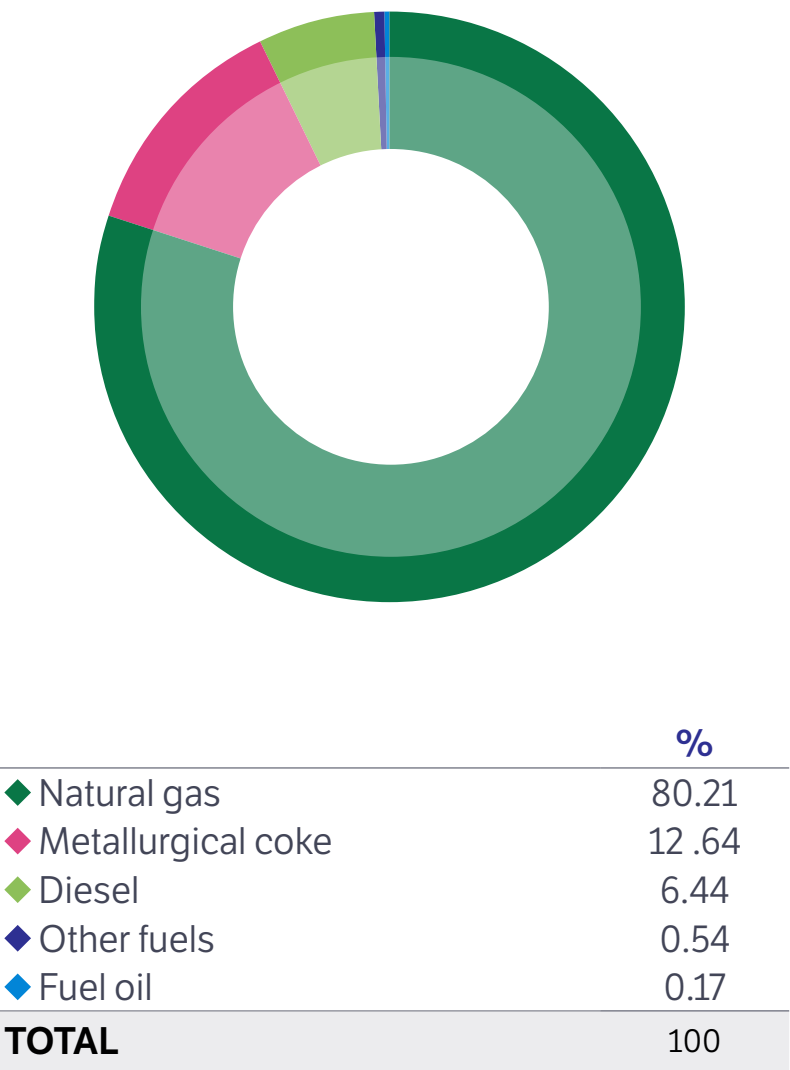
On-site fuel burning contributes to the industry’s direct GHG emissions (scope 1). Although we continue to consume energy from fossil fuels, which are indispensable for the process technology used, it is among the best available at present. Most comes from natural gas (80%), the least polluting hydrocarbon available, and a smaller part comes from metallurgical coke (12%) used to obtain lead; and diesel (6%) used in ore transportation equipment and emergency plants for electric power generation.


* Note: Percentages are calculated in gigajoules (GJ); see table Energy consumption by source.

Energy consumption by source (GJ)				
Fuel	2019	2020	2021	% Total
Natural gas	7,093,362.51	6,672,829.43	7,847,835.21	80.21
Diesel	1,101,163.78	769,933.88	630,574.26	6.44
Fuel oil	200,800.70	3.42	16,192.29	0.17
Metallurgical coke	1,272,728.36	1,195,506.23	1,237,176.93	12.64
Other fuels	80,317.87	54,960.94	52,493.53	0.54
TOTAL	9,748,373.22	8,693,233.90	9,784,272.21	100



Energy consumption by source





100%

of the electricity consumed
will come from renewable
sources by 2028.

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

Total consumption of energy and energy resources was **17.36 million GJ**.

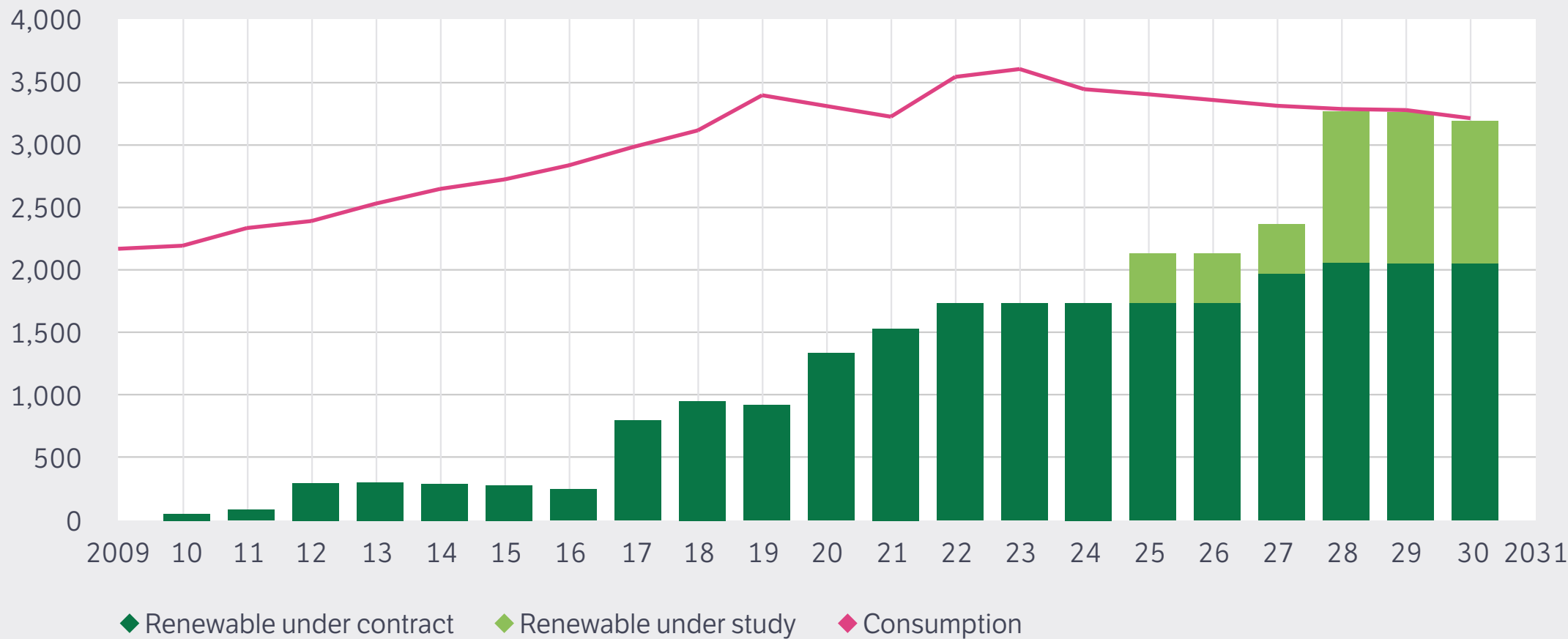
The consumption of electrical energy from the national distribution network may involve indirect GHG emissions (scope 2), depending on the type of generation source. This is why we continue to increase the proportion of renewable sources and self-supply. In 2021, renewable generation in contracts by Peñoles—including Fresnillo plc—amounted to **47.8%**, as a proportion of the company’s consumption, which was produced by Eólica Mesa La Paz in Tamaulipas, Fuerza Eólica del Istmo, in Oaxaca, and Eólica de Coahuila. However, the consumption of clean energy legally

assigned to Peñoles only reached 27.7%, and the rest was sold on the wholesale electrical market. The “missing” energy was acquired commercially from the Federal Electricity Commission. We continue with the procedures before the Energy Regulatory Commission so that all the clean energy we generate can be assigned to us.

Progress shown with respect to previous years evidence the group’s effort and commitment to achieve an increasingly sustainable operation. **Our goal for 2028 is for 100% of the electricity we consume to come from clean sources**, although we may have to revise this goal in light of the Mexican government’s initiative to change the legal framework for the electricity sector.

Forecast of renewable electrical energy supply

(GWh/year)

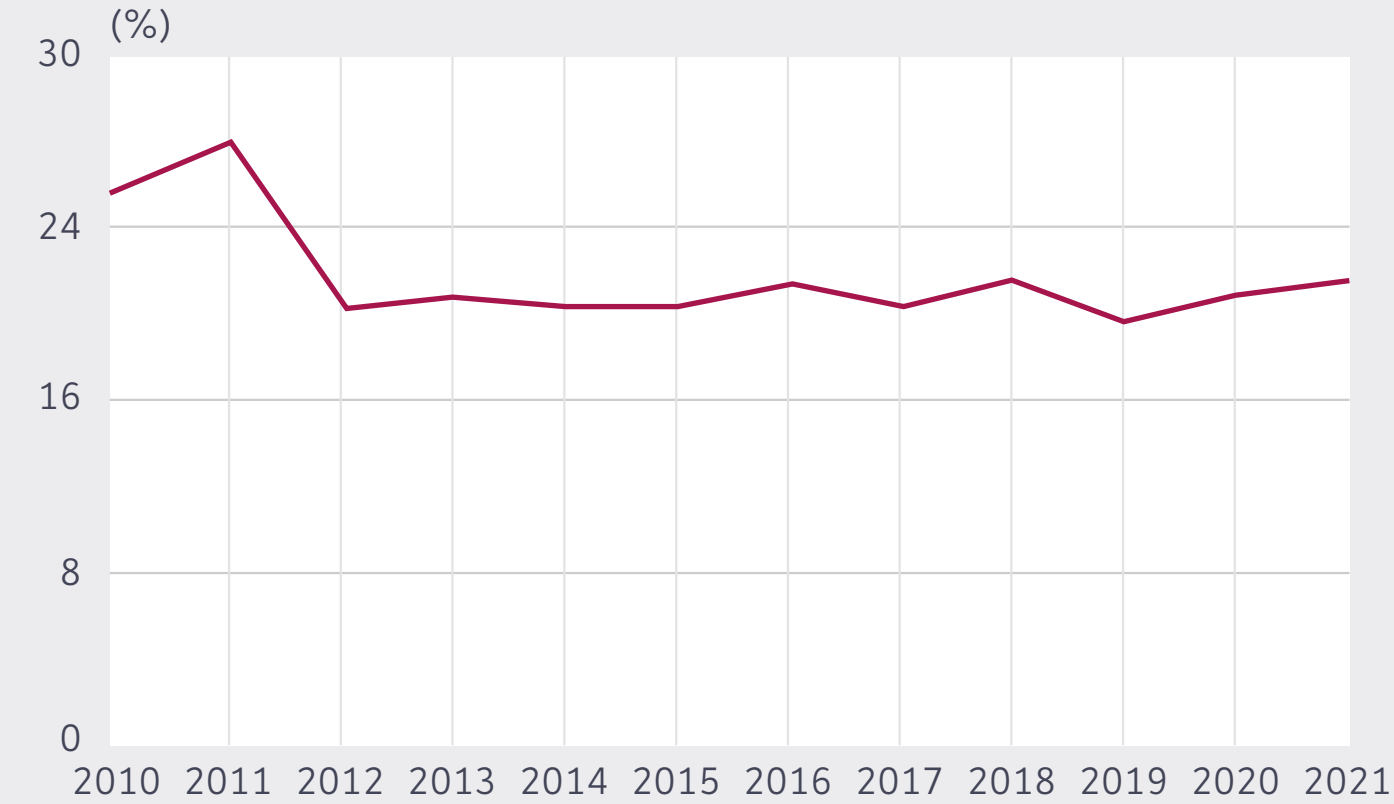


Energy consumption by source (GJ)

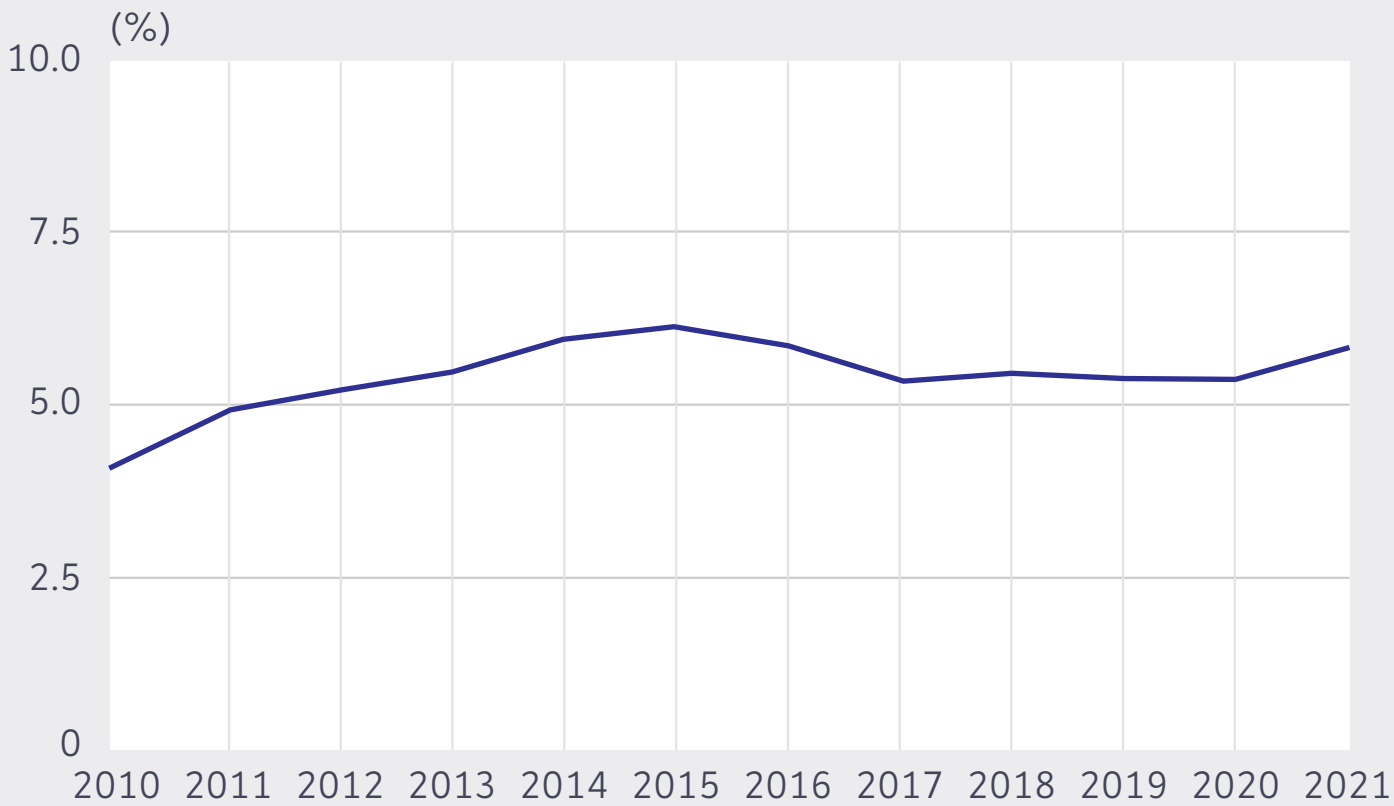
Division	Source	2019	%	2020	%	2021	%
Mining	Non-renewable electrical energy	1,866,954	57	1,444,002	55	698,788	37
	Renewable electrical energy	393,359	12	496,759	19	669,086	35
	Non-renewable fuel	1,008,283	31	693,280	26	532,676	28
Metals	Non-renewable electrical energy	4,806,963	56	4,924,590	57	4,766,249	54
	Renewable electrical energy	741,626	9	617,446	7	577,047	7
	Non-renewable fuel	3,096,665	36	3,103,603	36	3,382,567	39
Chemicals	Non-renewable electrical energy	543,395	46	564,012	10	614,873	10
	Renewable electrical energy	77,313	7	0	0	0	0
	Non-renewable fuel	559,041	47	4,889,853	90	5,852,169	90



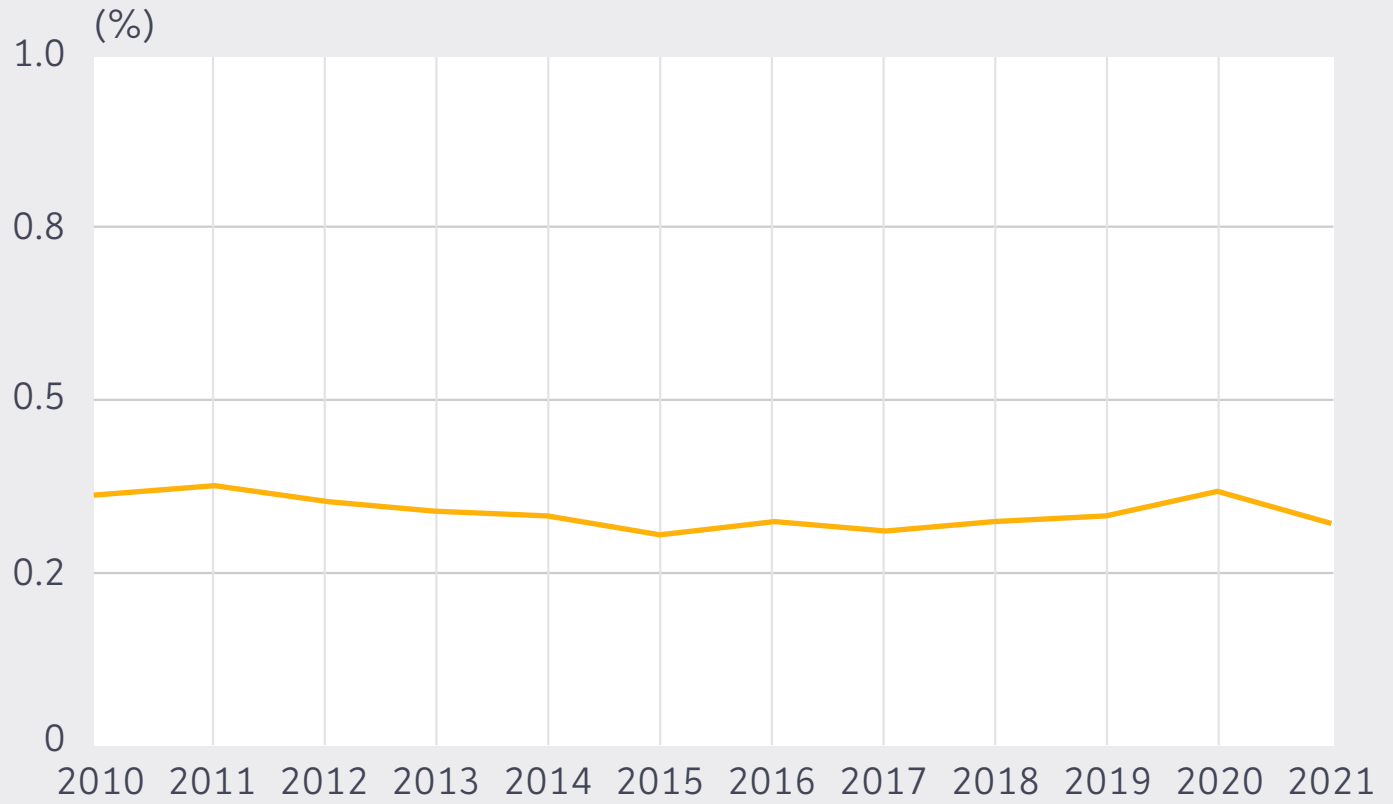
Eco-efficiency index in energy consumption (GJ/t)
METALS



Eco-efficiency index in energy consumption (GJ/t)
CHEMICALS



Eco-efficiency index in energy consumption (GJ/t)
MINING



Eco-efficiency index in energy consumption (GJ /t)

Year	Mines	Metals	Chemicals
2010	0.3581	25.54	3.7754
2011	0.3643	27.36	4.0314
2012	0.3562	19.43	4.6297
2013	0.3525	19.99	4.9900
2014	0.3508	19.77	5.4398
2015	0.2972	20.18	5.6717
2016	0.3116	21.58	5.2702
2017	0.2993	20.89	4.7666
2018	0.3106	21.44	4.9249
2019	0.3215	19.14	4.8300
2020	0.3501	22.13	4.8277
2021	0.3023	22.28	5.1302

Data includes information only from Peñoles operations; information for Fresnillo plc is not included.



Annual energy consumption by Peñoles, including Fresnillo plc, totaled de 3,221.9 GWh, 893.9 of which came from renewable sources. This is equivalent to avoiding the emission of 378,120 metric tons of CO₂e into the atmosphere* which corresponds to the emissions of 401,000 people consuming electrical energy in Mexico.**

*Emission factor from the National Electrical System 2021, 0.423 tCO₂e /MWh

**Average electrical energy consumption per inhabitant 2228.1 kWh in 2018, data from the Ministry of Energy.

This was determined based on the energy balances reported by CFE, derived from transmission agreements and contracts, as well as utility bills paid. They are verified

internally by metering systems which transmit data to the Shared Energy Services Center, the area of CFE in charge of this procedure. To calculate gigajoules from fuel consumption we used the calorific power provided by the supplier.

302-3, 302-4, 302-5
Our eco-efficiency indicators for energy consumption showed the following behavior by division.

The above calculation factors in the sum of energy consumption (electric power and fuel) in gigajoules, divided by the sum of metric tons of the main products of each division (Metals and Chemicals), except for the Mining Division, where it is divided by the metric tons of milled ore.

GHG EMISSIONS

103-1, 103-2, 103-3, 305-1, EM-MM-110a.2
In the mining sector, most GHG emissions are directly related to energy consumption. Emissions are produced primarily through the burning of fossil fuels to power the extraction and beneficiation process, as well as the transportation of minerals.

As the world experiences increasing effects related to climate change, such as changes in precipitation, increased frequency of extreme events, rising temperatures and rise in the sea level, investors and stakeholders are asking mining companies to identify and disclose climate-related risks and impacts.

Regulatory efforts to reduce GHG emissions in response to the risks posed by climate change can result in additional compliance costs and risks for companies due to climate change mitigation policies, in addition to the risk mitigation and adaptation costs that climate change itself represents for companies.

Our strategy to reduce GHG emissions is based on using primarily natural gas and the self-supply of electricity from clean sources. In addition, there are currently certain emerging technologies such as the electrification of mining equipment, battery storage and green hydrogen production that could be applied to achieve the goal of **CO₂ neutrality by 2050**.

EM-MM-110a.1
The two Peñoles plants that participate in the Mexican Emissions Trading System Test Program for emitting more than 100,000 tCO₂e are Met-Mex Smelting—Metals Division—and Química del Rey—Chemicals Division—which accounted for 82.3% of Peñoles’ direct emissions during the year.

Scope 1 GHG emissions caused by the burning of fuel and process emissions, and scope 2 GHG emissions derived from energy consumption during the year are shown in the following table:



82%
of Peñoles’ direct
emissions participate
in the Mexican Emissions
Trading System
Test Program.



305-1, 305-2, EM-MM-110a.1 GHG emissions

Division	Scope	Concept	2019	2020	2021			
			tCO ₂ e	tCO ₂ e	tCO ₂ e	tCO ₂	tCH ₄	tN ₂ O
Mining	Scope 1	Fuel consumption	76,724.47	53,482.56	43,129.19	42,515.30	2.23	2.08
	Scope 2	Electrical energy consumption	435,858.92	306,536.48	134,683.75	134,439.03	3.02	0.60
Metals	Scope 1	Fuel consumption	241,053.20	237,509.81	255,536.07	254,470.62	16.00	2.33
	Scope 1	Process	31,177.14	32,751.48	30,656.03	30,646.95	0.11	0.02
	Scope 2	Electrical energy consumption	1,106,611.75	1,119,533.63	1,086,574.93	1,084,124.04	30.26	6.05
	Scope 1	Fuel consumption	319,432.68	275,328.74	329,847.87	329,412.86	6.06	1.00
Chemicals	Scope 1	Process	128,926.52	94,962.48	122,569.54	122,569.54	-	-
	Scope 2	Electrical energy consumption	126,031.87	125,771.77	130,684.06	130,412.06	3.36	0.67

They include emissions of CO₂, CH₄ and N₂O, expressed in metric tons of carbon dioxide equivalent (tCO₂e).

We continue to implement good practices on the efficient use of energy and fuel.

EM-MM-110a.1
The methodologies used were established by the Greenhouse Gas Protocol in its document *A Corporate Accounting and Reporting Standard* published by the World Business Council for Sustainable Development (WBCSD), and the World Resources Institute (WRI). It also incorporates information published by the Intergovernmental Panel on Climate Change (IPCC) and Mexican regulations issued on

the matter. CO₂e emissions were calculated considering CO₂, CH₄, and N₂O.

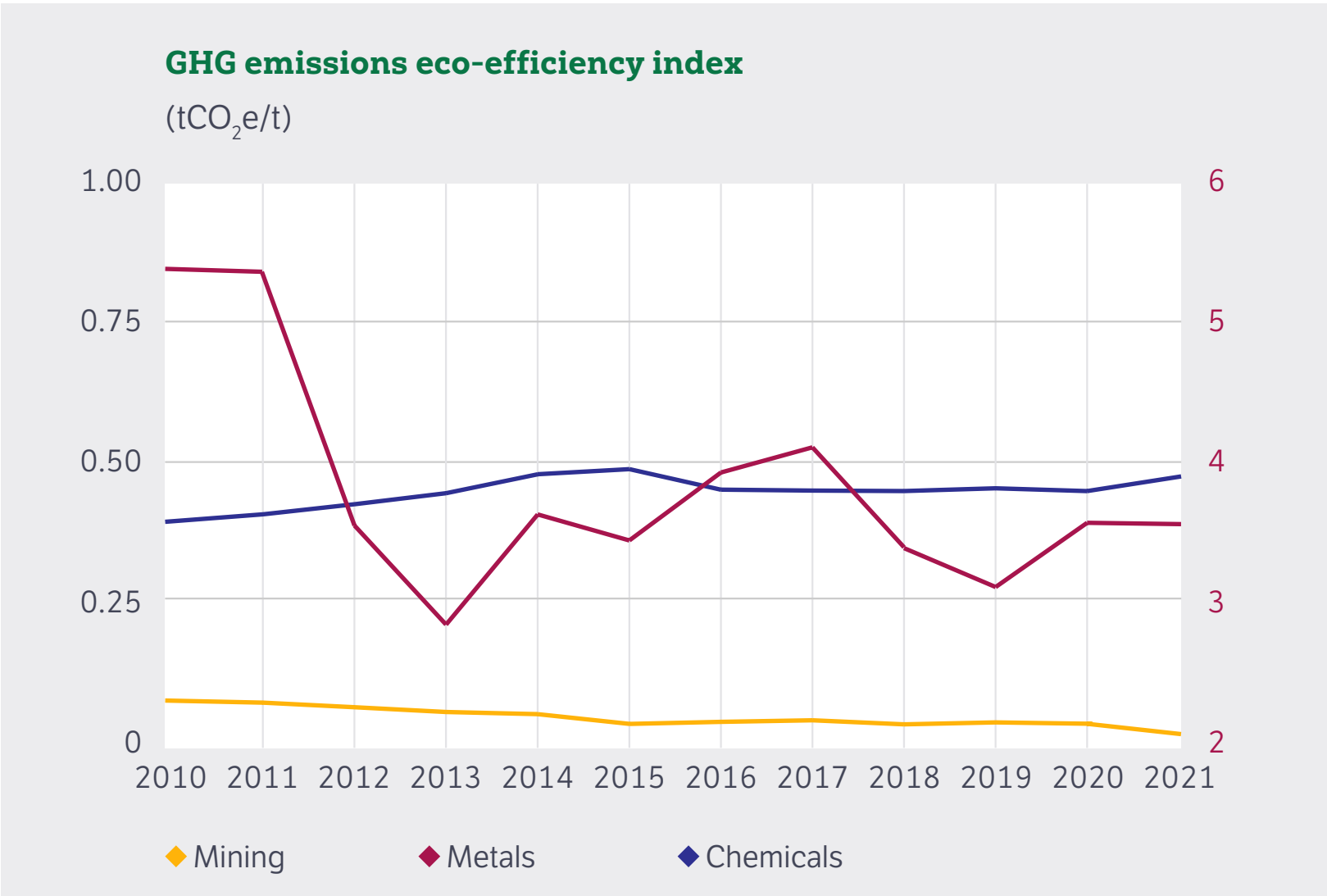
In the case of CO₂e emissions from dolomite calcination—emissions from the process in the Chemicals Division—we used the IPCC emission factor, chapter 2, “Mineral industry emissions,” an average estimate of the purity of the material and mineral losses in the chemical reaction. To calculate the GHG emission factor of Termoeléctrica Peñoles,

we used the emission factor supplied by this facility.

305-6
Note that Peñoles does not emit substances that deplete the ozone layer.

305-4, 305-5, EM-MM-110a.2
We continue to implement good practices on the efficient use of energy and fuel. We have an indicator for the generation of GHG emissions relating to metric tons of our leading products in the Metals and Chemicals Divisions. In the case of the Mines Division, they are related to tons of ore milled. We are using 2010 as the base year.

EM-MM-110a.2
Provided that the country’s energy reform allows us to do so, we will continue increasing the volume of electricity consumed from renewable sources until we reach 100% by 2028, thereby eliminating our scope 2 emissions. In addition, we will also seek reduction alternatives for our scope 1 emissions, such as emerging technologies or cleaner energy.



GHG emissions eco-efficiency index	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Mining	0.0909	0.0870	0.0785	0.0714	0.0684	0.0476	0.0533	0.0543	0.0468	0.0504	0.0478	0.0277
Metals	5.4112	5.3920	3.3946	2.7723	3.5151	3.4808	3.8160	4.0097	3.3388	3.0398	3.5329	3.4866
Chemicals	0.3641	0.3824	0.4061	0.4326	0.4801	0.4934	0.4426	0.4405	0.4392	0.4460	0.4391	0.4624

We are using 2010 as the base year.

Other atmospheric emissions



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

305-7, EM-MM-120a.1

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

Lead concentrations in ambient air remained under 1.5 $\mu\text{g}/\text{m}^3$ in a three-month average, which is the limit established by current public health regulations.

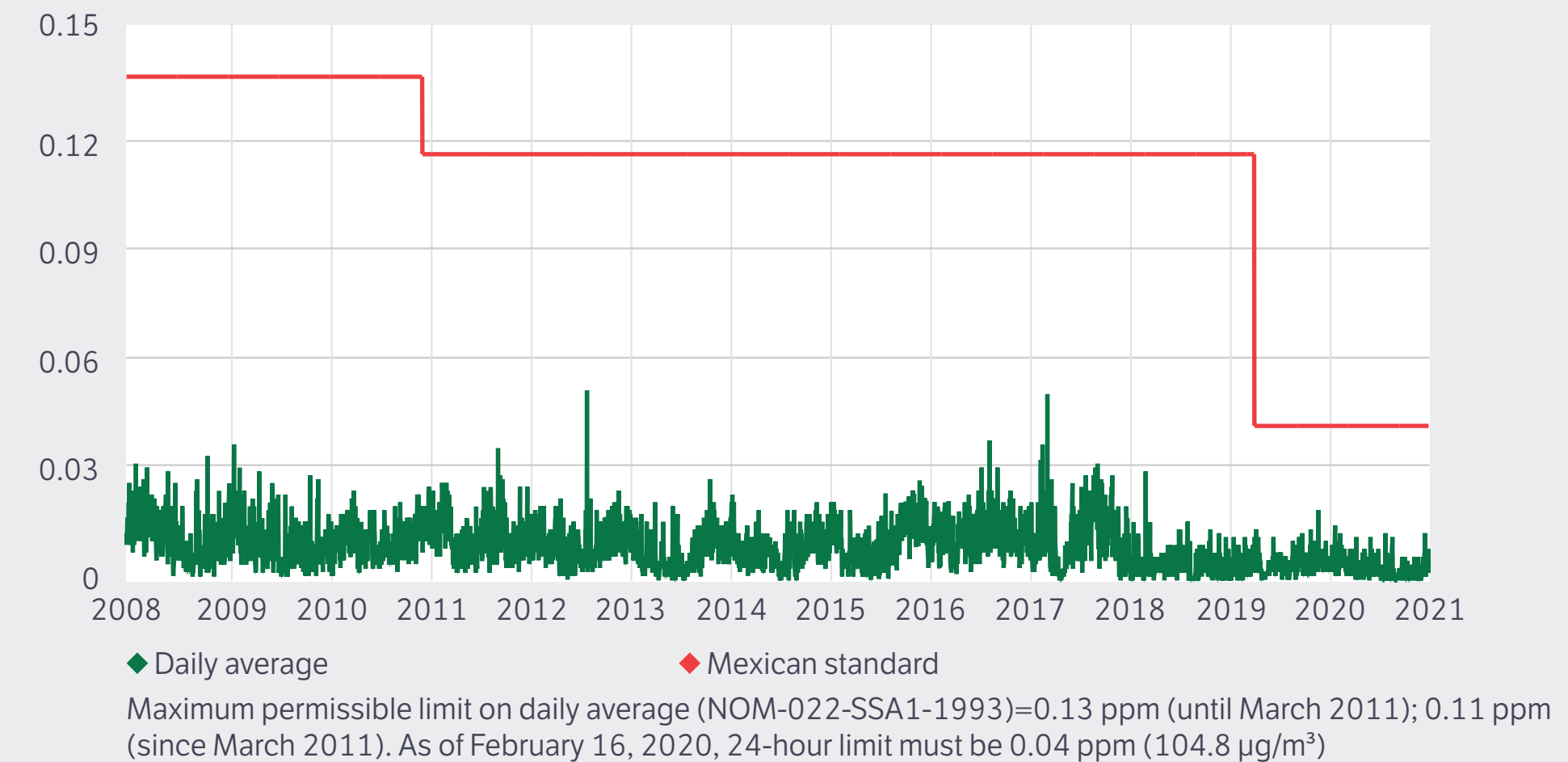
The concentration of sulfur dioxide (SO_2) emissions per stack complies with the internal criteria established by the company itself, which are stricter than the limits ordered by the Federal Environmental Protection Agency (Profepa). In fact, the air quality in the area surrounding the company is well below the maximum allowable ambient air quality limits for this pollutant.

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

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

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

Average daily concentration of SO_2 (ppm) in ambient air at Metalúrgica Met-Mex 2008-2021



90-day moving average lead concentration in ambient air ($\mu\text{g}/\text{m}^3$) Metalúrgica Met-Mex 2010-2021



Water

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



Water is a key issue for sustainable development and the growth of economies. It is essential for survival and long-term food security, and is intertwined with the development of energy infrastructure. In addition to being a human right, clean water supports healthier and more productive populations and ecosystems.

Water is also a key issue for the global mining industry. Access to a stable water supply is critical to any mining operation, but securing access can be a challenge. At Peñoles we recognize the importance of water and value it as a shared resource. We realize that effective water management is based on positive and transparent engagement with stakeholders. Ongoing dialogue helps communities understand the mine’s water needs and helps us understand community water use requirements, as well as stakeholder needs, expectations and priorities related to its use and protection.

Implementing good water management practices can reduce operating costs, environmental fines and speed up permitting processes, facilitate mine expansions, ensure access to resources—water, ore, land—and preserve or enhance the company’s reputation.

At Peñoles we recognize the importance of water and value it as a shared resource.

In order to maximize efficiency in the proper use of water and avoid discharges, Peñoles has made progress in developing closed circuits and strictly controlling consumption.

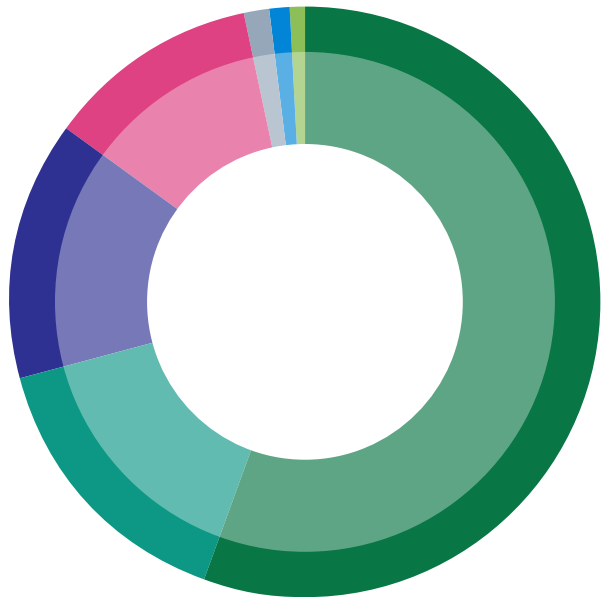
Water is primarily used to process minerals, in chemical reactions, the cooling of industrial equipment, control and prevention of emissions, and by our personnel, for drinking and washing.

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

303-3, 303-5
In 2021, the total amount of water extracted from natural sources—ground water, municipal water systems and pit water—for all our operations totaled **8.87** million cubic meters. **4.89** million cubic meters of municipal wastewater were treated and reused in our production processes.

In addition, we have process water recirculation systems in the mines. Recirculated water at our facilities was equivalent to **18.19** million cubic meters. The increase in the amount of this type of recirculated water compared to the previous year (14.83 million) was due to the stabilization in the operation of the new Capela mine.

Water consumption by type



Type	%
◆ Recirculated	56
◆ Municipal	15
◆ Ground	14
◆ Mine	12
◆ Municipal wastewater	1
◆ Internal sanitary services network	1
◆ Spring water	1
TOTAL	100

This information was updated on August 1st, 2022.

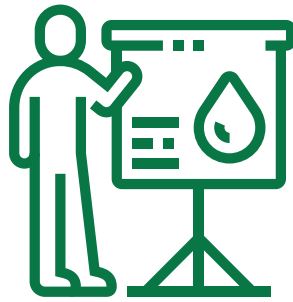
At Peñoles, we have made progress in developing closed circuits and strictly controlling water consumption.



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

Facility	Unit	Primary-use water				Treated wastewater	Internally recirculated		Water stress classification
		Spring water	Ground	Municipal	Mine	Municipal wastewater	Internal sanitary services network	Recirculated	
Tizapa	m³	232,458.00			522,890.56		-	2,109,619.00	Extremely high (>80%)
Sabinas	m³		351,693.25		471,123.00			2,621,379.01	Extremely high (>80%)
Velardeña	m³		252,009.00		1,748,870.00		18,520.00	6,610,765.63	High (40-80%)
Capela	m³		25,419.05		393,992.00		89,618.11	5,865,635.44	Low - Medium (10-20%)
Madero	m³					257,100.22			Extremely high (>80%)
Bismark	m³				75,177.30				Extremely high (>80%)
Milpillas	m³				389,586.00			613,766.00	Extremely high (>80%)
Naica	m³		34,378.00		50,403.40				Extremely high (>80%)
Exploration projects	m³			15,204.00	14,256.00				Extremely high (>80%)
Exploration offices	m³			2,091.00					High (40-80%)
Bermejillo	m³		38,720.54						High (40-80%)
Fertirey	m³			20,574.00		22,859.00			High (40-80%)
Smelter	m³			140,519.00		1,026,969.00			High (40-80%)
Refinery	m³			123,605.00		121,607.00			High (40-80%)
Zinc	m³			153,966.00		3,465,577.00			High (40-80%)
Aleazin	m³		19,491.40				683.50		High (40-80%)
Dolomite	m³		458.00						High (40-80%)
Química del Rey	m³		3,799,913.00				260,430.65		High (40-80%)
Industrias Magnelec	m³		1,745.00						High (40-80%)
Salinas del Rey	m³		1,200.00						High (40-80%)
Química Magna	m³		187.00						High (40-80%)
Subtotal by type	m³	232,458.00	4,525,214.23	455,959.00	3,666,298.26	4,894,112.23	369,252.26	17,821,165.08	
Subtotal	%	0.73%	14.16%	1.43%	11.47%	15.31%	1.16%	55.75%	
	%		16.31%		11.47%	15.31%	56.91%		
	%				100%				

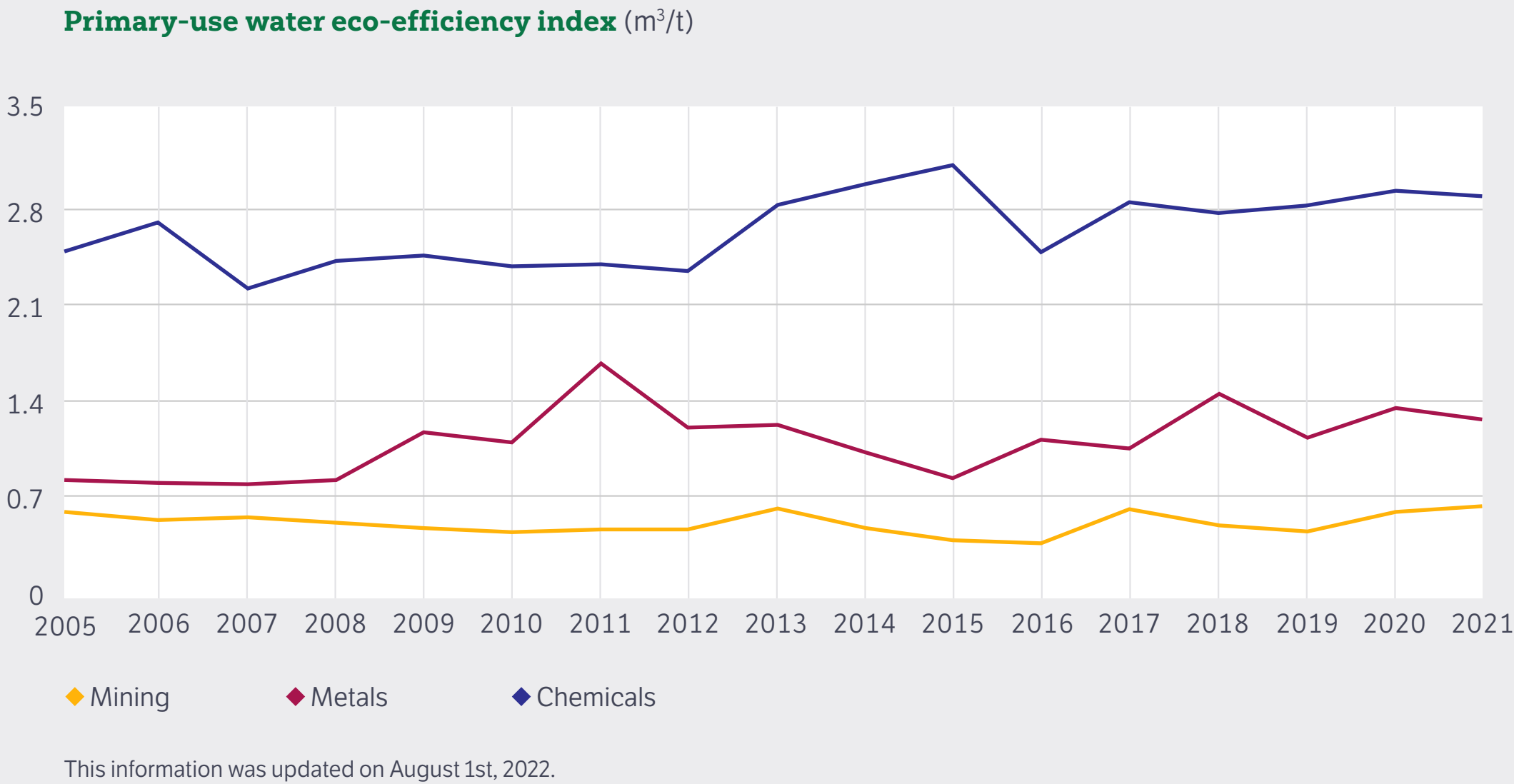
Source for classifying water stress: WRI *Aqueduct Water Risk Atlas*.
This information was updated on August 1st, 2022.



4.89 Mm³
of municipal
wastewater were
treated and reused.

Some 3.66 million cubic meters of primary-use water is pit water and given the depth at which it is found, may not be considered accessible for human consumption, unless it is extracted in mining operations. Nevertheless, pit water is considered in calculating our eco-efficiency index (m³ water/t of ore milled).

The eco-efficiency index trends for each division are shown below. It is important to note that the water used to calculate the index is only primary-use water, since using treated or recirculated water generates a positive impact.



Primary-use water eco-efficiency index (m³/t)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Mining	0.542	0.487	0.524	0.474	0.433	0.400	0.422	0.427	0.576	0.428	0.336	0.323	0.570	0.445	0.406	0.551	0.624
Metals	0.800	0.786	0.774	0.792	1.167	1.082	1.708	1.203	1.225	1.022	0.812	1.109	1.044	1.453	1.133	1.344	1.262
Chemicals	2.552	2.785	2.291	2.476	2.540	2.453	2.463	2.412	2.900	3.063	3.213	2.551	2.934	2.856	2.908	3.027	3.016

This information was updated on August 1st, 2022.

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

Our business units do not discharge industrial wastewater into water bodies. Only in certain cases do they discharge water from sanitary services, whose quality is within the limits established by applicable regulations. Systems for treating and reusing municipal wastewater enable us to take advantage of this resource while avoiding environmental pollution. In 2021, the total volume of water from municipal waste, sanitary services and recirculation was 22.47 million cubic meters.



18.19 Mm³
recirculated water
at our facilities.

Waste

301-1

The operation of our processes and the manufacture of our products require various raw materials and inputs, most of which are non-renewable—metallic ores—due to the nature of our business and the needs of global society. With this in mind we try to optimize their use.



Peñoles handles and disposes of its waste appropriately and responsibly, working to reduce and recycle it.

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

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

G4-MM3

Most of the waste generated is impurities from the minerals extracted: tailings from the concentration of metallic minerals; grease from furnaces, sludge, and jarosite from metallurgical processes; and dolomite powder, quicklime, lime ash and gypsum from chemical processes. All of this waste is handled in accordance with applicable regulations and authorized handling plans.

After looking for internal recovery options, we look for external recycling options. Materials that cannot be used are confined in a safe and controlled manner.



Materials by weight and volume

Type of materials	Origin:	Source:	2019	2020	2021	Unit
	Internal /External	Renewable/Non-renewable				
Raw materials*	I	NR	10,474,260.31	7,743,790.68	6,729,626.93	t
Raw materials	I	NR	4,715,712.71	4,939,064.64	4,978,287.39	m³
Raw materials	I	R	154,840.00	174,340.00	167,630.00	m³
Raw materials	I	R	15,290.88	23,895.00	28,020.92	t
Semi-manufactured	E	NR	183,028.71	399,088.58	–	t
Semi-manufactured	E	NR	0.52	286.21	–	m³
Semi-manufactured	E	R	82,335,748.61	81,902,906.46	82,331,062.65	m³
Associated materials*	E	NR	8,545.43	15,290.96	9,944.01	m³
Associated materials*	E	NR	1,013,828.36	301,726.18	–	t
Associated materials	E	NR	1,335,066.00	938,898.83	854,575.50	m
Associated materials	E	NR	8,734,624.00	4,299,970.00	3,363,280.50	pieces
Associated materials	E	R	8,930.83	9,122.67	9,159.83	t
Packaging	E	NR	22.33	8.47	7.89	t
Packaging	E	R	327.31	247.44	310.38	t

*Information on materials is obtained by direct metering.



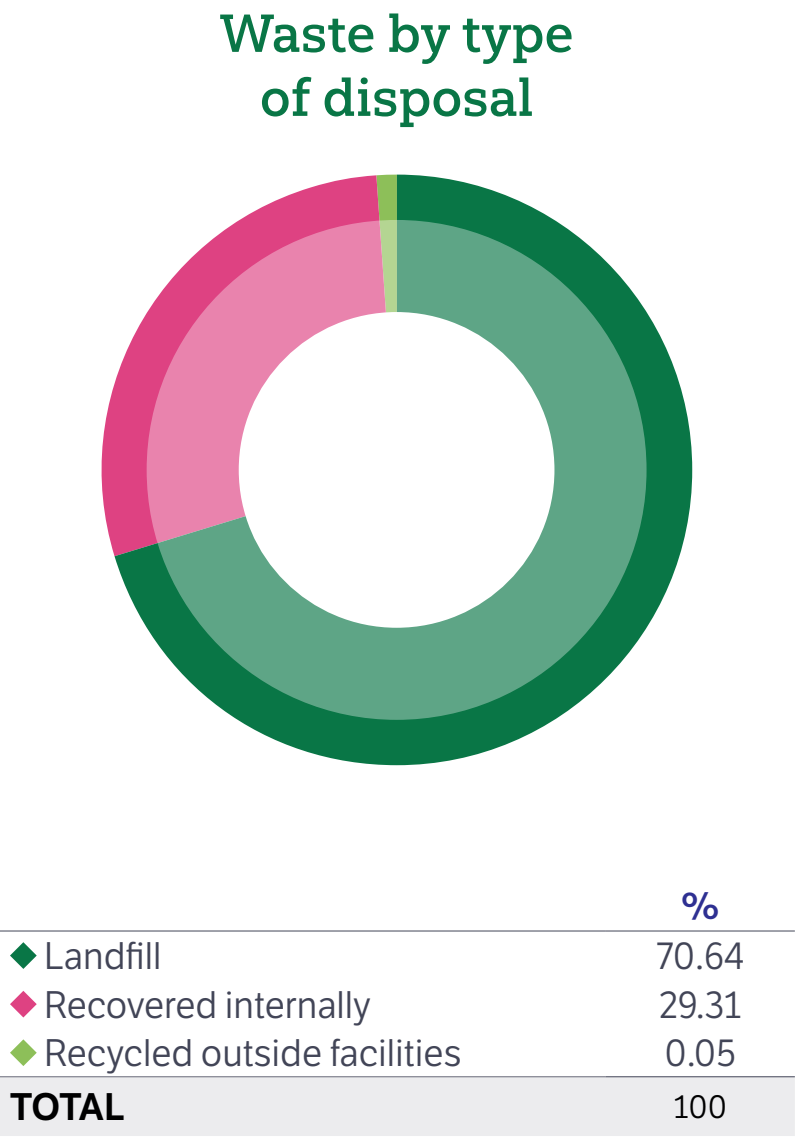
EM-MM-150a.1, 306-3

In 2021, Metalúrgica Met-Mex generated **1.52** million metric tons of mining-metallurgical waste, while the Mining Division generated **5.85** million metric tons of tailings; **2.13** million metric tons of tailings generated in other years were recycled, equivalent to **36.4%** of what was generated during the year.

306-4

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

The total amount of waste generated in the operating units in 2021 was **10.89** million metric tons, broken down as shown in the following chart.



306-4 **Recovered materials** (t and % with respect to generation)

Materials recovered internally	2019		2020		2021	
	t	%	t	%	t	%
Scrap	18.62	100.0	8.75	100.0	133.37	100.0
Tailings	1,279,654.93	15.1	2,223,377.56	26*	2,133,153.00	26.7
Wood	80.50	0.8	98.43	21.7*	74.23	9.5
TOTAL	1,279,754.05		2,223,484.74		2,133,360.60	
Waste recycled by outside facilities						
Spent oils	624.77	98.3	429.81	98.0	480.64	98.2
Batteries	29.67	84.6	22.18*	68.4*	36.33	98.9
Cardboard and paper	41.77	98.1	62.24	98.7	49.34	98.6
Scrap	4017.7	100.0	3263.76	100.0	3836.00	100.0
Materials impregnated with hydrocarbons	212.11	57.7	105.05	31.6*	83.17	28.1
Wood	8714.02	95.3	166.14	36.6	165.28	21.2
PET	62.52	99.6	41.76	99.5	100.22	99.9
Used tires	52.57	50.8	73.29	94.1	232.31	96.7
Materials with paint	1.89	9.8	1.98	3.8	0.37	1.8
Electronic waste	26.24	91.6	18.57	89.8	16.08	100.0
Miscellaneous	0.09	100.0	5.04	80.2	2.78	100.0
TOTAL	13,783.35		4,189.82		5,054.57	

102-48 Values from 2020 with * were updated.

306-3, 306-5 **Waste by type of disposal** (t)

Division	Type of disposal	2020	2021	% Total
Mining	Landfill	6,330,409	5,854,681	64.68
	Recycled outside facilities	2,553	2,828	0.03
	Recovered internally	2,223,378	3,194,340	35.29
Metals	Landfill	1,369,564	1,546,361	99.87
	Recycled outside facilities	1,402	1,786	0.12
	Recovered internally	107	208	0.01
Chemicals	Landfill	207,188	295,198	99.88
	Recycled outside facilities	235	358	0.12
Total Peñoles	Landfill	7,907,161	7,696,240	70.64
	Recycled outside facilities	4,190	5,023	0.05
	Recovered internally	2,223,485	3,194,548	29.31
TOTAL		10,134,835	10,897,009	100

Waste by disposal and classification (t)

Division	Classification	Final disposal	Recycled	% Recycled
Mining	Hazardous	391	379	49.3
	Mining - metallurgical	5,854,010	3,194,340	35.3
	Special handling	278	2,447	89.8
Metals	Hazardous	17,032	77	0.5
	Mining - metallurgical	1,520,524	-	0
	Special handling	10001	1968	16.4
Chemicals	Hazardous	83	112	57.5
	Special handling	295,114	245	0.1
Total Peñoles	Hazardous	17,507	569	3.1
	Mining - metallurgical	7,374,536	3,194,340	30.2
	Special handling	305,395	4,661	1.5
TOTAL		7,697,438	3,199,570	

EM-MM-150a.2

Our ore processing operations generated **1.54** million metric tons of waste, **1,993** metric tons of which were recycled.

There were no spills of hazardous materials or waste in 2021.

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



2.13 Mt
of recycled tailings.



We make best use of our raw materials by recovering some waste.

Tailings & mineral waste management

Our goal is to protect local communities and the environment by managing mineral waste responsibly.

EM-MM-150a.3, G4 MM3

Safe tailings management is a key consideration in the design, construction, operation, closure and post-closure of our mining operations. Recent tailings accidents in the industry have served as a reminder of the complex nature of these structures. We are working towards our goal of zero harm to the people and the environment, implementing the best practices in engineering and governance of tailings storage facilities. There were no tailings-related failures at our operations in 2021.

What tailings are and how they are produced

Tailings are a by-product of mineral processing. The ore is reduced in size by crushing and milling to obtain sand and silt-sized particles. The milled rock is then mixed with water and moved as a slurry for further processing to separate the valuable minerals from the milled rock. The remaining slurry of milled rock is known as tailings. Tailings are transported and stored in engineered structures known as tailings storage facilities or combined with cement to be reused as paste backfilling in underground workings.



4

tailings deposits
passed from the
construction phase
to the operational phase.



Key components of our framework

- **Site management** - Mine managers are the risk owners responsible for operating tailings storage facilities in accordance with our guidelines. The regional tailings manager and a qualified engineer of record provide the technical expertise to ensure the facility is managed safely and complies with the appropriate governance and best practice. We are developing the implementation of a formal change management process to address changes in risk owners.
- **Tailings management and stewardship team** - This group of subject matter experts develops and administers the corporate governance and appropriate controls, including the implementation of verifications and external reviews. Baluarte's Technical Services CEO leads the team with the support of the Assistant Vicepresident of Infrastructure, corporate tailings specialists and managers.
- **External reviews** - Our governance framework is supported by independent experts, inspectors, reviewers and auditors to confirm compliance with our governance and engineering best practice requirements. Our third-party review process includes an Independent Tailings Review Panel, Dam safety inspections and Dam safety reviews.
- **Group-level oversight** - Oversight of the overall governance and operations is provided by the Tailings Storage Facilities Review Executive Committee. The committee, comprising senior executives, relies on independent expert advice and assessment for the continuous review of operation, governance, inspection, review and audit reports. Fresnillo plc CEO is the Accountable Executive for operations and Baluarte Technical Services CEO is the Accountable Executive for governance matters.

GOVERNANCE

Our governance framework establishes the roles, responsibilities and accountability of the groups involved in the design, construction, operation, maintenance and surveillance of tailings storage facilities. In 2021, this framework was implemented in all our operations. The key components of our framework are:

The Board's Health, Safety, Environment and Community Relations Committee is informed of compliance status, as well as any relevant issues or risks and recommends appropriate actions.



Governance of tailings storage facilities

Site
management

- Mine Manager
- Regional Tailings Manager
- Engineer of Record

Tailings management
and stewardship team

- Accountable Executive
- Corporate Tailings Specialist
- Corporate Tailings Manager

External reviews

- Independent Tailings Review Panel
- Dam safety inspections
- Dam safety reviews

Group-level
oversight

- Tailings Storage Facilities Review Executive Committee

Waste rock			
Facility	2019	2020	2021
Sabinas	928,116	687,551	969,834
Tizapa	579,185	526,500	560,010
Velardeña	6,607	323,588	16,920
Capela	-	184,444	1,061,187
Milpillas	903,751	699,643	-

Tailings			
Facility	2019	2020	2021
Sabinas	1,235,513	1,180,345	1,216,892
Tizapa	826,739	802,590	859,141
Velardeña	2,252,090	2,493,352	2,474,424
Capela	-	874,588	1,303,554

Heap leaching			
Facility	2019	2020	2021
Milpillas	2,473,965	694,219	-

RISK MANAGEMENT

Maintaining the high standards of safety and environmental protection of tailings storage facilities is an ongoing process that requires continuous evaluation through the lifecycle of each facility. Design, construction, surveillance, maintenance and external reviews follow the best practice guides of the Mining Association of Canada (MAC), the Canadian Dam Association (CDA), the International Commission of Large Dams (ICOLD) and the International Council of Mining and Metals (ICMM).

Design and construction

We design our new tailings dams in accordance with international best practices (i.e. ICMM, ICOLD, CDA and MAC) with the support of qualified engineering firms. We have formalised our approach to site options studies, construction methods and technology selection. At an early stage of a project, we identify opportunities for paste backfilling and filtered tailings.

We have conducted an extensive campaign of geotechnical investigation to update the geotechnical models of our tailings storage facilities. We implement quality assurance and controls for the construction or expansion (lifts) in the operating phase. Their design and construction are also managed by the Tailings Management Organization using dedicated internal and external resources.

Operation

Mine managers operate the facility in accordance with our guidelines through a combination of shared services from the tailings management and stewardship team, and internal resources organized to report directly to them, independently of other operating roles. Mine managers are supported by a qualified regional tailings manager and a qualified engineer of record. Master services agreements have been signed with several recognised consultancies and, through them, named Engineers of Record.

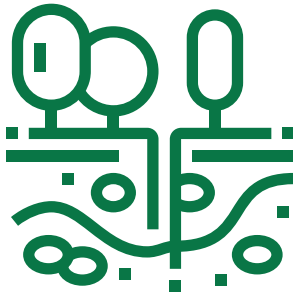
Surveillance and maintenance

Routine surveillance is conducted by trained operators and expert technical staff from the tailings management and stewardship team. Condition and critical control monitoring have been enhanced by the installation of improved instrumentation and monitoring equipment. With the support of our consultants, we are currently formalizing and implementing the operation, maintenance and surveillance manuals following the guidelines of the Mining Association of Canada (MAC). Our routine surveillance practices have improved as an outcome of this initiative. We have increased the use of InSar Satellite monitoring, improved telemetry and data analytics to facilitate near real-time management of critical controls, improved condition reporting and response times.

External reviews

The Independent Tailings Review Panel comprises subject matter specialists of international renown who meet several times per year to conduct an independent review of the design, operation and integrity of our tailings storage facilities. Due to travel restrictions derived from the COVID-19 pandemic, the independent panel reviewed operating sites virtually.

We conduct dam safety inspection) and dam safety reviews to evaluate our compliance with international best practices and applicable regulatory requirements. Our tailings management and stewardship team appoints qualified consultants to conduct formal safety inspections and periodic reviews of tailings storage facilities.



2 on-site visits and 4 virtual visits carried on by the Independent Tailings Storage Review Panel every year.



STRATEGY

Our strategy for responsible tailings management aims to adopt the best practices of engineering and management principles of the Mining Association of Canada (MAC), the Canadian Dam Association (CDA), the International Commission of Large Dams (ICOLD) and the International Council of Mining and Metals (ICMM). We are maturing our implementation of Tailings Management Systems, a center of excellence that provides shared services, formal planning and resourcing, training and a disciplined approach to investment in tailings technologies.

We recognize the importance and relevance of the Global Industry Standard on Tailings Management and have followed its development and progress. As a company we support this standard and we will review and asses the impact and challenges of its implementation. We feel confident that the compliane with these international guidelines is a strong baseline that will lead the global industry compliance.



Tailings Management System

Our focus is now moving from initial implementation of our governance framework to the formal documentation and implementation of our enhanced operation, maintenance and surveillance manuals and emergency preparedness and response plan. A training workshop was held to prepare the documents following the tailings guide of the Mining Association of Canada (MAC).

Tailings management and stewardship team

This group comprises subject matter experts, implements the governance framework and controls and provides shared services. In our journey to become a center of excellence, we presented our first paper at the Tailings and Mine Waste 2021 event in Banff, Canada where we shared our best practices on the design and construction of tailings storage facilities.

Planning and resourcing

We conduct a formal process to budget i) construction of current facilities; ii) siting, design and construction of new facilities; iii) improvement in instrumentation and monitoring; and iv) technical services

Training

A Tailings Governance Workshop was held in June with a range of respected speakers. Training on tailings management and technical workshops were organized throughout the year. Our experts from the Tailings Management Organization participated at national and international conferences.



New technologies

Our approach to new technologies takes into consideration the strategic priority and the maturity of technologies:

- **1st horizon:** Surveillance, monitoring and alerting technology (i.e. inSar, drones, data analytics, etc.)
- **2nd horizon:** Downstream processing technology (i.e. paste tailings and filtered tailings)
- **3rd horizon:** Upstream processing technology (i.e. selective processing, water and energy reduction, etc.)

In addition, we evaluate the contribution that new technologies can make to: i) safety improvements; ii) the efficiency of our operations; and iii) the reduction of our environmental footprint and risks.

We explore strategic opportunities to venture into the development and research of new technologies applied in tailings and water management. Working with Ausenco and FL Smidth, we began evaluating the feasibility of improving tailings deposition by using a colossal filter.

WASTE ROCK

Mining operations remove waste rock to access the ore. Most mining waste is transported and deposited in waste piles for permanent storage, though some waste rock is used in underground cut and fill operations. Most of the company's mineral waste is generated by the open pit operations at Penmont and deposited in waste rock piles.

HEAPS

Part of the disseminated ore deposits of Milpillas are processed using heap leaching. Contingency ponds are hydraulically designed to handle flood flows caused by extreme rainfall events. We proactively monitor conditions both up and downstream to detect changes in water quality. Once extraction of ore from the mine is complete, the piles are rinsed and allowed to drain down to protect the environment.



Biodiversity

We are applying the “mitigation hierarchy” to manage biodiversity risks.



103-1, 103-2, 103-3, 304-1, 304-2, EM-MM-160a.1
Biodiversity is a material issue for mining activities because, like other economic activities and society, they depend on natural resources and the services they provide. All these activities have the potential to cause environmental impacts.

Mining is normally carried out in rural areas where wild flora and fauna live, and are generally characterized by the absence of infrastructure for the provision of basic resources: roads, water, electricity. As a result, mining, like other economic and social activities, can have both positive and negative impacts on the environment.

For some time now, modern mining has become aware of the possibility of causing negative impacts on biodiversity, which has led the company to carry out the necessary assessments to manage the corresponding risks, prioritizing their elimination

or, if this is not possible, minimizing them, restoring the impacted environment and/or, as a last resort, making the corresponding compensation.

While impact mitigation is an interactive process throughout the life cycle of the project, the opportunities to avoid impacts can be detected during the planning phase of mine development. Therefore, before undertaking any new project or expansion of existing facilities, and in accordance with Mexican regulations, we carry out the environmental impact assessment to determine the potential effects, as well as measures to mitigate and/or offset them. With this assessment, the corresponding permits from the environmental authority can be obtained for the construction, operation, and closure stages. This process is intended to avoid negative environmental impacts.

The methodology and the procedure to identify and evaluate environmental impacts are carried out with an interdisciplinary approach. A group of specialists analyze the interactions of the works and activities in the context of the current conditions of the natural environment where the new project and its eventual modifications will be located. Impacts to biodiversity, water, soil, air quality, landscape and topography are assessed.

304-1, EM-MM-160a.3
All Peñoles operating units are located outside protected natural areas or areas of great value for biodiversity, so there is no impact on flora and fauna included in any special protection category. However, we operate two wildlife management facilities where species are managed intensively: one at Minera Roble (Velardeña unit) for animals, and another at Metalúrgica Met-Mex Peñoles for plants. At the latter we help conserve an endemic species in danger of extinction, the Noa agave, which we reproduce in our nursery and plant in its natural environment.

MINING PROJECTS

G4-MM1, G4-MM2
In any mining project or expansion of an operating unit, before occupying the site, we carry out rescue and relocation activities to preserve wildlife and local fauna included in any NOM-059-SEMARNAT-2010 protection category. We have techniques and procedures to drive away, capture and release wildlife into natural woodlands; plant species are extracted from the project area and relocated to nearby areas, ensuring their conservation. We carry out soil conservation and water infiltration works—arranging the material following the curve of the land—and nursery-grown plants are planted to compensate erosion.



67,896

trees and bushes
planted in adjoining
areas and in our various
operating units.



Progressive restoration during the mine life cycle



All of Peñoles’ mines have a conceptual closure plan.

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

CURRENT OPERATIONS

Every year, all operating units carry out reforestation programs with flora native to the regions where we operate both in our facilities and in neighboring communities.

In 2021 we donated **40,359 individuals** of trees, bushes and various plants from Metalúrgica Met-Mex Peñoles nursery to the communities, and we planted **67,896 individuals** in adjoining areas and in our various operating units.

PROGRESSIVE RESTORATION AND CLOSURE OF MINING OPERATIONS

103-1, 103-2, 103-3, G4-MM10, EM-MM-160a.1 The closure of operations is an integral phase in the lifecycle of a mine, so planning it must be incorporated into every phase of its productive life-cycle. In keeping with our guidelines, our philosophy and sustainability policy, during the various phases of the mining operation, planning work is done for restoration and progressive rehabilitation, in order to ensure the functional regeneration of biodiversity in areas that are no longer subject to mining operations.

The purpose of a closure program is to return, to the extent possible, all areas affected by mining operations to physically

and chemically stable and safe conditions, according to local uses and customs of the land and its geographic characteristics. With this we guarantee that our operations affect neither the environment nor neighboring communities.

All of Peñoles’ mines have a conceptual closure plan that includes dismantling, demolition, remediation and site care once the infrastructure has been removed. The closure programs are dynamic processes that are updated every year in order to have the monetary reserve for their timely execution.

In the closed units at Cuale, Sultepec, Monte and Minita, maintenance and safeguarding activities were carried out, thus helping the ecological succession stages for the development of habitats in the sites that were intervened by the mining activity.

Since 2020, we systematically carried out closure activities at the Bismark unit, beginning with organization and cleanup activities, equipment recovery and the dismantling of infrastructure for further characterization, remediation, and reforestation of these areas.

Social performance

We strive to achieve social development, harmonizing and recognizing the guiding and managing role of the state, and the co-responsible action of the community in the construction of social welfare.

200,000

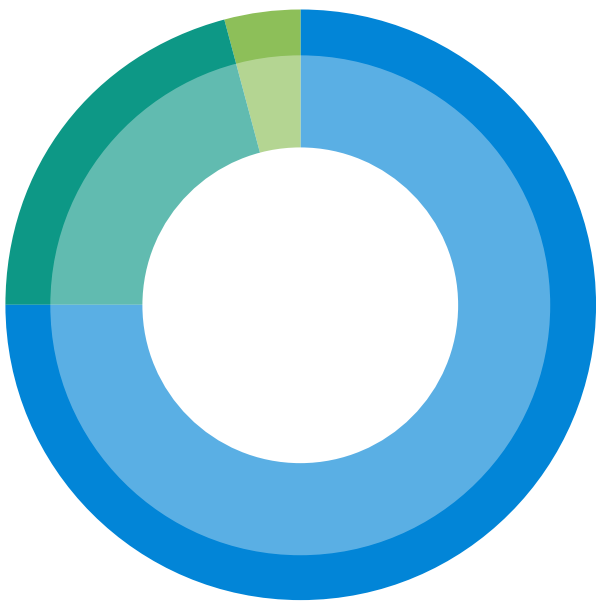
beneficiaries of donations
during the pandemic.

Human resources

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

The Engineers-in-Training Program aims to support the strategy of incorporating employees trained in behaviors and skills.

Performance notes



	%
◆ Good performance	75
◆ For follow-up	21
◆ Unsatisfactory performance	4
TOTAL	100

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

We offer competitive and fair compensation and benefits. We hire, train and retain the most competent people, to whom we offer recognition and opportunities to update their professional development. Raises and promotions are based on capacity, performance and merit, and we promote and maintain safe and healthy workplaces, free of any type of discrimination or harassment, with respect for freedom of association.

TALENT DEVELOPMENT

Talent integration

Peñoles has a recruitment and hiring process whose purpose is to make sure we bring in talent—unionized and non-unionized—whose know-how and skills contribute to the organization’s challenges and needs, demonstrating an ethical conduct in keeping with our institutional values. Key to this process is seeking candidates first among our workforce, which also helps to build a culture of growth and advancement in the company.

Our Engineers-in-Training Program supports the strategy of employee incorporation, after being trained in behaviors and skills that en-

sure optimum development of key business operations. Since 2003, **2,121** engineers have joined the program, primarily in the fields of Mining, Geology, Electrical, Civil, Metallurgical, Mechanical, Chemical and Industrial Engineering, as well as Accounting and Administration. This represents a total of **90** generations of engineers trained in the program. In 2021, Peñoles hired **65** engineers-in-training.

Performance evaluations

404-3a

Aware of the importance of conducting a formal exercise of target setting and performance evaluation, we have carried out this process uninterruptedly since 2009. In 2021 this exercise involved **100%** of our non-unionized employees. One of the main purposes of this evaluation is to have a clear and measurable alignment of priority strategic goals for each year with specific goals and operating targets for each area and employee. The results of this important process are a key component in determining raises and in deciding on employee training, development and retention plans.

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



2,121

engineers have been integrated since 2003, through the Engineers-in-Training Program.



Employee skill formation and advancement

404-1, 412-2

One of Peñoles’ fundamental interests is the advancement and training of its personnel. We have internal and external training programs, aimed at detecting needs based on the annual performance evaluation. These programs allow us to face current and future challenges in technical, administrative and human competencies, and to obtain better indicators that distinguish us in productivity, quality and competitiveness.

404-2

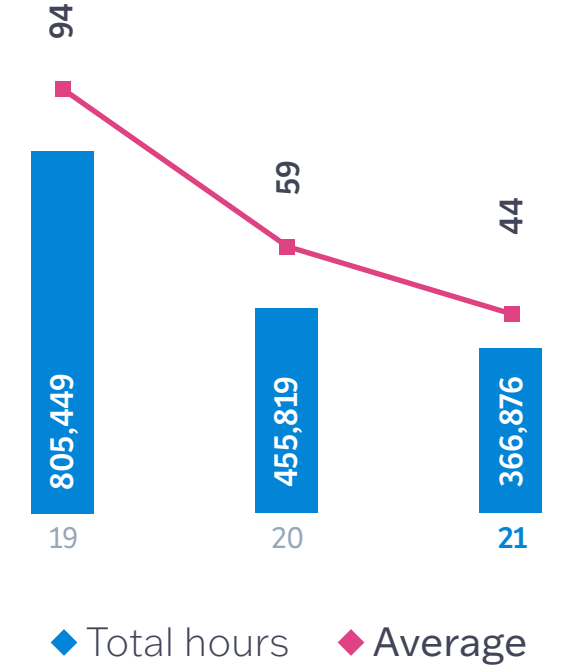
Management skills development programs were offered at ITAM, aimed at different levels of responsibility in the organization. Since its inception, this program has covered more than 350 employees, 19.5% of them women. In the different generations, 71% of executives, 44% of managers and 45% of leaders have participated. In 2021, 78 participants were registered.

Aware of the importance of leaders’ performance in achieving extraordinary results, we have the training program School

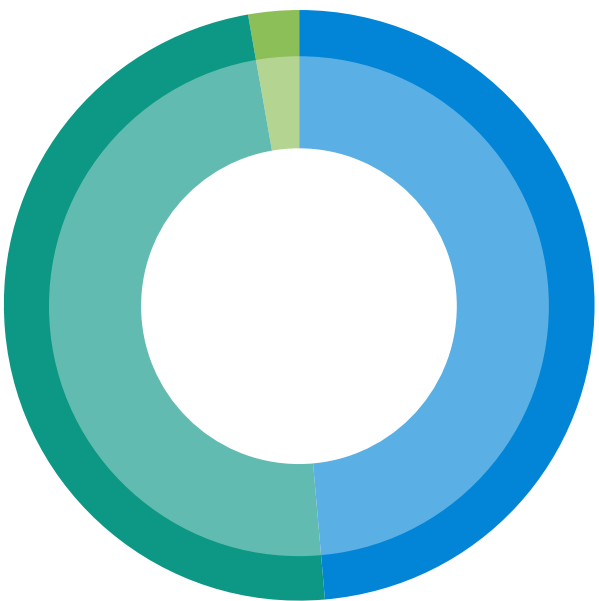
for Leaders, based on the Peñoles Leadership Model, which promotes and develops behaviors aligned with the four essential characteristics of the model: inspire, facilitate, motivate and recognize. The program continued in 2021 with 31 participants.

Also committed to the professional development of our employees, during the year, 39 of them received scholarships for secondary, higher and postgraduate studies.

Total hours of training



Scholarships for academic studies



	%
Diplomas/Certifications	49
Postgraduate	49
Undergraduate	2
TOTAL	100

In 2021, a total of 366,876 hours of training were given, equivalent to an average of 44.3 hours per employee, 44.7 of them men, and 41.0 women.

Retention and development plans

Peñoles has established a system for recognizing our employees, among them the following:

- Academic achievement bonus, for employees who satisfactorily completed their studies with high grades; 52 bonuses were given during the year.

Identifying positions that are critical for the operating continuity of the business is a high-impact, highly relevant strategic human resource action. Because of this, since 2012, we have been identifying key

positions and preparing succession and career plans that guarantee the timely preparation of people that will occupy vacant positions. In 2021, 402 key positions were logged, and succession plans were developed and updated for 96% of these, corresponding to 386 positions. We expect that in the next five years, some 121 key positions will open up due to retirement, and are therefore preparing 280 candidates with leadership training and technical knowledge, an average of two candidates for each position.

Recognitions for academic achievement

Level	2019	2020	2021
Diploma	72	59	34
Undergraduate	11	3	3
Postgraduate	20	20	14
High School	–	–	1
TOTAL	103	82	52



280

candidates prepared in leadership training.

LABOR RELATIONS

103-1, 103-2, 103-3, 402-1, 407-1

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

Peñoles maintains a constant dialogue with union representatives at the local and national levels, which allows interaction between the company and the unions. We share the values of safety and labor competitiveness that distinguish us and we favor a permanent commitment to open dialogue and continuous improvement of all our processes. Our labor relations are based on trust, a permanent focus on ethical conduct, and the constant pursuit of mutual benefit. Each of the collective bargaining contracts signed with our national unions incorporates the rights and obligations of both parties, and a shared commitment to safety, productivity, and quality of life on the job.

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

EM-MM-310a.1, 102-41

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



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

Due to our good working relationship, the contractual, salary and external party agreement reviews were carried out without any setbacks; that is, without strikes or work stoppages.

402-1

Our constant and ongoing dialogue with union representatives enables us to provide timely notice of any significant operational changes, share business information in a transparent manner, and fulfill our commitments to this stakeholder group.

At the same time, our systems of continuous improvement, evaluation and incentives for results in productivity, costs, safety and environmental protection favor the achievement of our company’s goals and objectives.

Safety

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

Safety management covers all 37 work centers and all risks inherent to our operations.



Peñoles maintains a culture of prevention focused on the safety of our people and on business continuity. Our safety philosophy is based on the design, maintenance and safe operation of our processes toward a zero-disabling accident rate, based on a strategy that guarantees efficient, safe and clean operations within an ethical framework. Safety management covers all 37 work centers and all risks inherent to our operations.

403-1, 403-8

Our management system is grounded in a culture of prevention and responsibility toward our workers, which is set within our Sustainable Development Policy.

Historically, the management system has been carried out through the 12 best health and safety management practices and the 14 elements of Process Safety Management. In 2021, all safety efforts were integrated to evolve towards a comprehensive risk management strategy considering its main prioritization focus: critical risks—high potential—and catastrophic risks. Progress has been made in the implementation of the critical risk management strategy and its controls in 13 work centers in Peñoles, with the participation of workers at all organizational levels.

CERTIFICATIONS AND RECOGNITIONS

Our units work to establish preventive measures in accordance with the Occupational Safety and Health Self-Management Program promoted by the Ministry of Labor and Social Welfare. This contributed to achieving recognition as a Safe Company.

In 2021, Química del Rey obtained the Jorge Rangel Zamorano Silver Helmet recognition in the category of More than 500 Workers. This award recognizes the safety performance of companies that are members of the Mexican Mining Chamber (Camimex).

Sabinas and Industrias Magnelec maintained certification in the ISO 45001:2018 standard for their Occupational Health and Safety Management System.



Workers covered by Management System

Work and/or workplace controlled by the company			Covered by Management System		Internally audited		Certified independently audited	
Employees	Contractors	Total workers	Number	%	Number	%	Number	%
8,290	5,872	14,162	14,162	100	4722	33	1918	14

*Due to the public health contingency, only five work centers were audited: Velardeña, Capela, Tizapa, Sabinas and Met-Mex smelter, through critical control verification tools.

Química del Rey and Fertirey continued to be certified in the Comprehensive Responsibility Management System by the National Association of the Chemical Industry.

SAFETY ORGANIZATION

403-4
Peñoles' management structure is modeled on a high-performance team and committees. The leadership team is responsible for providing resources, facilitating and ensuring follow-up, and improving safety and management processes in the business units.

At all levels of the organization, our workers have specific roles and responsibilities

to comply with safety guidelines, hazard identification processes, risk assessment and the establishment of controls. There are different models of collaborative work, participation and consultation, such as committees, work teams, health and safety committees, emergency brigades, mixed training and education committees, company-union relations, among others, whose programs include safety-related activities, dissemination of results and relevant information, as well as risk management.

All business units have safety specialists responsible for training and advising workers, as well as emergency brigades trained in mining rescue operations, firefighting, first

aid, and handling of hazardous material emergencies and evacuation.

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

STRENGTHENING SAFETY CULTURE
We promote a culture of prevention regarding our employees' safety, according to our Sustainable Development Policy, whose framework is based on our Code of Conduct and on the organizational values of trust, responsibility, integrity and loyalty.

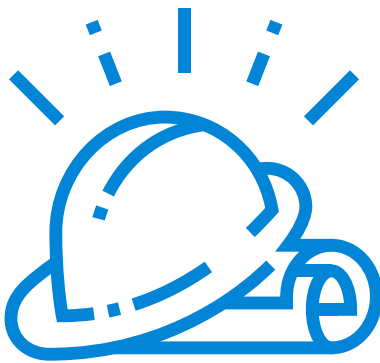
403-7
We also promote this culture with our business partners through our Third-Party Code of Conduct. The Code establishes guidelines regarding the behavior expected from external parties, ensuring that all business interactions are conducted with a solid foundation of integrity, awareness of environmental care and preservation, and a commitment to occupational health and safety.

The organizational safety culture is lived through the visible and demonstrated leadership and commitment of our CEO, division heads, management and the alignment of all business units.

Since 2020, we have faced the challenge of keeping our lines of action active in the face of the health contingency with all the physical and administrative measures necessary to guarantee safe practices in the work centers, making use of IT resources to continue with the dissemination, training and coaching activities, as well as counseling, support and performance follow-up.

For eleven years, we have been working to build a positive safety culture based on the synergy between employers and union. The main results have been the professionalization of the health and safety committees through the certification and recertification of their members, the certification of jobs—forklift operators in metallurgical plants, and operators of specialized equipment for work in mines such as trucks and low-profile loaders, and drilling equipment.

An interdivisional team was formed to follow up on agreements and commitments with the National Mining and Metallurgical Union FRENTE to strengthen the safety culture through human skills development, standardization of practices, training, leadership workshops for local committee members, new members and prospects, and behavior-based safety reinforcement. We carry out tours that include the company, the union, and health and safety committees to verify the safety conditions of the facilities, and we have followed up on the synergy between each local executive committee and the leaders of the work centers.



In 2021,
Química del Rey obtained
the Silver Helmet
recognition in the
category of More than
500 Workers.



182,279
hours of training
in the area of safety.



The high-potential risk management strategy includes a line of action focused on leadership and behavior management, which promotes cultural transformation through leadership practices in the field and communication processes that promote human, face-to-face and proactive leadership to solve situations in a timely and preventive manner.

Based on the framework of the high-potential risk management strategy the preventive culture is encouraged through the reporting of near accidents with the participation of workers at all levels of the organization, identifying and reporting preventive or failed controls. This process began in 2021 and aims to ensure the involvement of workers in an early warning mechanism that allows us to know the safety environment of the operating areas and to take timely action.

TRAINING

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

In the area of safety, **182,279** hours of training were provided in 2021. Some of the topics were safety induction; fire prevention and firefighting; search, rescue and evacuation brigade; high potential management; critical control verification tools; Bow Tie software; hazard identification and risk analysis; contingency training program; defensive driving; safety at work system through preventive observation (STOP); emergency and evacuation; safety in the handling of tools, machinery and equipment; safe handling and storage of chemicals; personal protective equipment; exposure to physical agents—noise, lighting, vibrations, temperatures; applied



ergonomics; prevention of musculoskeletal disorders; safety induction for contractors; legal compliance; zero tolerance rules; card padlock, clearance and testing; emergency care—electrocution; accident/incident investigation; fire prevention and protection in workplaces NOM-002-STPS-2010 standard; safety and hygiene colors and signs NOM-026-STPS-2008 standard; requirements to constitute, integrate and organize the operation of safety and hygiene committees in NOM-019-STPS-2011 standard; among many other regulatory issues.

Members of the health and safety committees and other workers receive training in competency standard EC0391.01 “Verification of the safety and hygiene standards in work centers.” However, the evaluation process was stopped to reduce employee exposure.

RISK EXPOSURE

403-2

For the transition and implementation process of the high potential risk management strategy, intense work was carried out throughout the organization in 2021 for identification, prevention-mitigation, leadership and reporting processes with general managers, operational managers, work center leaders and all personnel, in a co-creation process—workshops in the units. A Bow Tie critical risk identification analysis and deep dive reviews were developed for the main risks; a cross-cutting line of action was established with teams of specialists; incident analysis and investigation were carried out using specific methods for high potential; the implementation of leadership and communications practices was introduced, as well as the preventive reporting tool—

During 2021, there were no fatal accidents nor injuries with major consequences due to accidents.

flash report—and a reporting process with weekly and monthly cuts, which allows analysis, decision making and allocation of resources in a timely manner, favoring prevention.

The elements of the current and transition strategy are aligned with the internal regulatory framework, comply with national and international standards and include internal verification processes, which can also be externally verified.



Workers are trained and participate in hazard identification and risk assessment processes for both routine and non-routine work. They have mechanisms to report any work-related hazard and the authority to stop any activity that may put their own life or those of their coworkers at risk.

We guarantee the families of our personnel that our operational processes are designed and operated to safeguard their health and physical integrity.

In the event of any accident, a report is drawn up and investigation and analysis are conducted. The information is entered into the Safety and Health System, in order to follow up on recommendations and avoid the recurrence of the accident. This information is also used in the reporting and analysis process.

403-9a, 403-9b, EM-MM-320a.1
With the risk management strategy that began in 2021, we can identify, report and classify high potential incidents and prioritize their attention and management. During the year, 345 high potential accidents occurred across the group, broken down by divisions as follows: 132 in the Metals Division, 158 in the Mines Division, 10 in the Chemicals Division, 37 in Projects and 8 in Explorations.

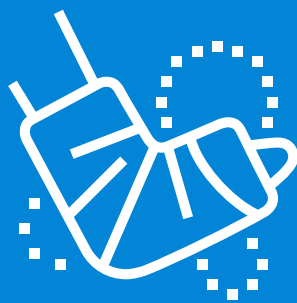
In the past three years, the Accident Index (AI) has gone from 1.66 to 1.59, the Days Lost Index (DLI) went from 0.70 to 0.47, and the Accident Rate (AR), from 0.93 to 0.60, a marked downward trend in all cases.

We celebrate this result, which demonstrates Peñoles’ commitment, from the Board of Directors to all organizational levels, to guarantee zero fatalities in our operations, not as part of a business strategy but as a moral commitment, our commitment to life.

Direct employee safety indicators*	2019	2020	2021
Number of A accidents (without lost time)	362	338	334
Number of C, D, and E accidents (with lost time)	148	110	142
Number of F accidents (fatal)	2	2	0
Lost day index (LDI)	0.74	0.81	0.53
Accident index (AI)	1.71	1.37	1.78
Accident rate (AR)	1.01	0.86	0.76
Fatality frequency rate (FFR)	0.09	0.1	0
Total recordable injury frequency rate (TRIFR)	23.4	21.6	23.94
Lost time injury frequency rate (LTIFR)	6.76	5.28	7.14

Indirect employee safety indicators*	2019	2020	2021
Number of A accidents (without lost time)	279	160	157
Number of C, D, and E accidents (with lost time)	127	88	78
Number of F accidents (fatal)	0	4	0
Lost day index (LDI)	0.66	1.26	0.39
Accident index (AI)	1.6	1.62	1.33
Accident rate (AR)	0.85	1.58	0.42
Fatality frequency rate (FFR)	0	0.28	0
Total recordable injury frequency rate (TRIFR)	20.47	17.44	16.03
Lost time injury frequency rate (LTIFR)	6.4	6.09	5.32

* Data include information only from Peñoles operations. Total hours worked for the year were 19,880,640 for direct employees and 34,527,168 for indirect employees. The rates were calculated based on one million hours worked. To calculate the number of employees, the annual average of 7,963 was used.



zero fatalities and disabling accidents: our goal

Health

101-2.2, 101-2.5, 103-1, 103-2, 103-3, 403-3, 403-6, 403-7



An essential part of our sustainability policy and strategic objectives is our annual plans and programs aimed at preventing occupational accidents and illnesses; these plans are an integral part of our management systems. The occupational health programs include activities and resources aimed at guaranteeing the employees' individual and group health, and are developed in a comprehensive and interdisciplinary manner in the respective work centers. We seek to protect personnel from occupational illnesses and promote a culture of self-care and prevention of general illnesses, as well as their optimal physical and mental state.

The health contingency that began in 2020 forced us to introduce substantial changes in the epidemiological monitoring of our personnel's health. Based on the experience of the first year of the pandemic, during 2021 we maintained the governmental protocols and strengthened the internal protocols of sanitary measures, as well as the instruments for surveillance and follow-up of personnel exposed to the disease. Vaccination campaigns with different types of immunization allowed us to have a more encouraging outlook, guaranteeing the operation of our work centers.

EMPLOYEES' HEALTH MONITORING
According to the International Labor Organization, mental health problems are currently one of the main incapacitating causes, together with cardiovascular diseases and musculoskeletal disorders, as are also anxiety and stress. One out of every four sick leaves of the working population in our country is caused by stress, being the second reason after muscular and bone ailments.

Monitoring the health of employees is crucial to prevent, reduce or control the risks that historically have meant an exposure in the workplace, with serious consequences for health.

Due to the continuity of the COVID health contingency, the preventive measure of suspending medical exams—including periodic and executive check ups—was maintained during 2021. They were only carried out in workplaces where pandemic conditions permitted. Entrance exams were conducted as requested, and routine monitoring activities continued to ensure the comprehensive health of employees.

Gynecological exams were resumed in July according to the established protocol, after ensuring that the assigned hospitals complied with safety measures to minimize the risk of contagion. The response from female personnel was good; out of a total of 120 women scheduled for the exam, 110 attended, or 93%.

Occupational diseases are often related to various risk factors, including lifestyle, habits and individual susceptibility. Currently, diseases that are considered work-related have a complicated etiology that can be elucidated only through adequate epidemiological studies, through which guidance can be provided for the early detection and control of such diseases.

403-10
The main occupational diseases that have been recorded in the company are hypoacusis—hearing loss—and silicosis—respiratory disease—which are monitored and treated, as well as musculoskeletal disorders and work-related accidents after-effects.



In 2021,
we maintained and strengthened sanitary measures during the contingency.

403-10 **Cases of work-related illnesses**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hypoacusis	9	18	6	18	12	6	25	26	28	15	11	9
Silicosis	1	24	5	6	11	1	11	23	11	4	9	0
Accident after-effects	9	1	0	5	4	7	1	4	8	3	0	0
Musculoskeletal disorders*	-	-	-	-	-	-	-	-	-	2	6	1
Total	19	43	11	29	27	14	37	53	47	24	26	10

*Musculoskeletal disorders were registered as of 2019.

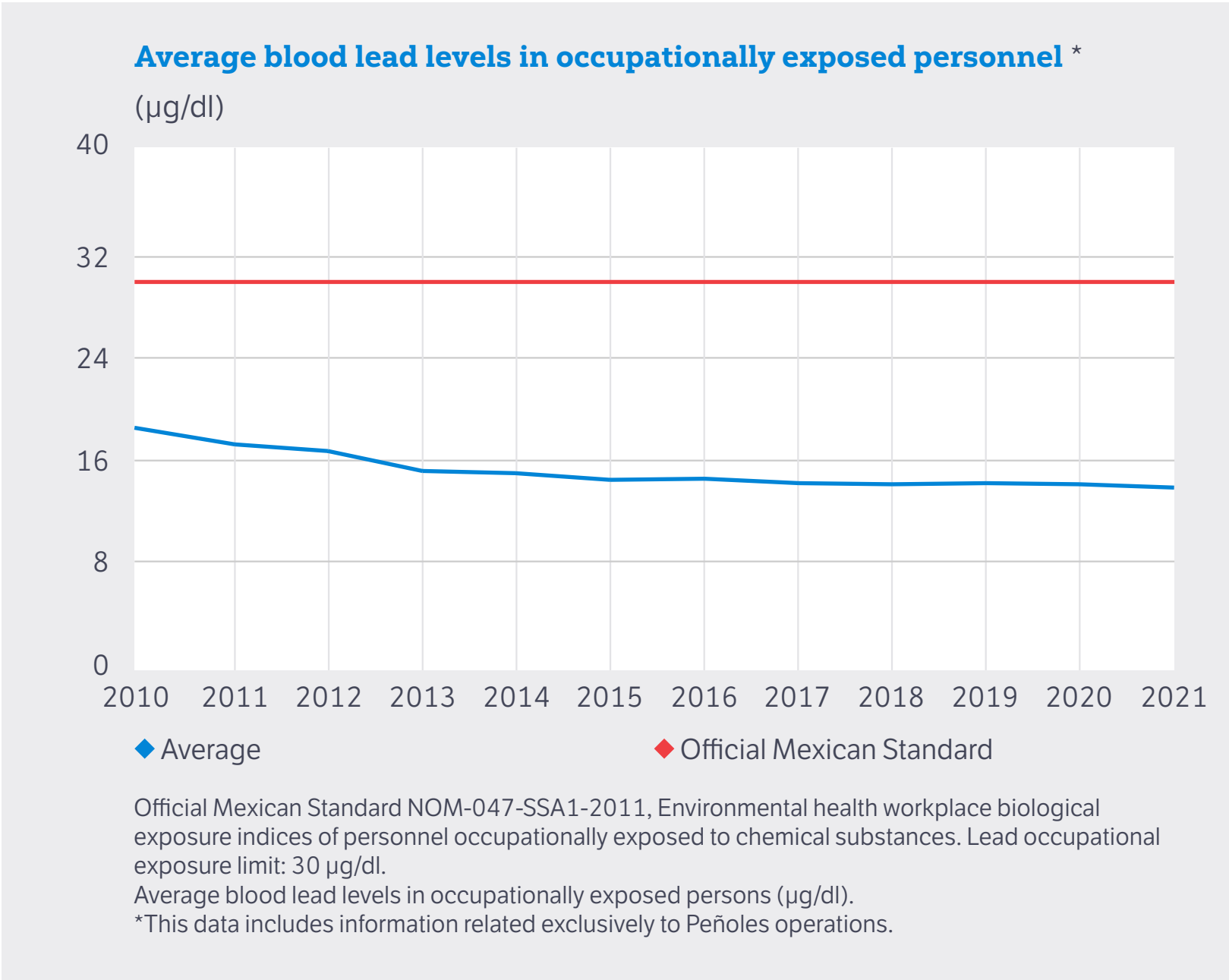
During the year, 39,122 diagnostic tests were performed at the work centers.

The objective of health surveillance is to prevent and reduce workplace hazards that have health consequences.



Delta

was the outstanding variant during the year, so procedures were reinforced for all personnel.



Another factor that we watch is the biological monitoring of blood lead levels in occupationally exposed personnel.

EPIDEMIOLOGICAL HEALTH MONITORING

The health contingency continued during the year and the number of contagions was exacerbated by the different mutations of the virus, among them the Delta variable. We continued to apply government health protocols, reinforced procedures for personnel who had to travel to other work centers, maintained the home-office mode for administrative personnel, increased the number of diagnostic tests, and updated the electronic platform for registering and monitoring cases.

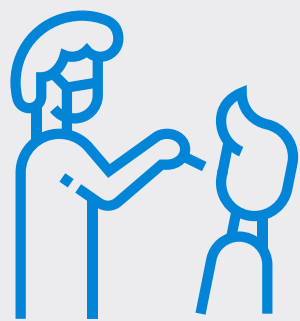
Various diagnostic testing schemes were offered to personnel by accredited outsourced laboratories to detect symptoms in the sanitary filters, find out if anyone was in contact with positive cases, or if they had symptoms while working from home, and followed up on infected persons and travel protocols, as well as random campaigns for asymptomatic personnel indicated by the head of medical services at the work center.



Blood lead levels in occupationally exposed personnel

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Blood lead levels (number of cases over 50 µg/dl)	3	1	0	0	0	0	1	0	0	0	0	0
Workers occupationally exposed	1,114	1,102	1,090	1,155	1,149	1,163	1,170	1,198	1,155	1,180	1,155	1,140
Disabilities because of blood lead levels >50µg/dl	3	0	0	0	0	0	1	0	0	0	0	0
Number of disability days	166	0	0	0	0	0	21	0	0	0	0	0
Average blood lead levels in occupationally exposed personnel (µg/dl)	19.4	17.9	17.3	15.5	15.3	14.7	14.8	14.4	14.3	14.4	14.3	14.0

Diagnostic tests



26,969 PCR positive
6,343 antigen positive
5,810 antibody positive

Diagnostic tests

The first diagnostic option was PCR testing; this was performed either at the respective work center or in laboratories close to the facilities. The second option was antigen testing, which was performed directly at the work center by trained personnel, understanding its limitations for asymptomatic personnel.

During the year, 39,122 tests—PCR and antigen—were performed at the work centers; antibody tests were also performed to corroborate the number of contagions or to follow up on infected persons.

During the first quarter of the year, the federal government instituted a nationwide vaccination program to contain the pandemic. Aware of the need to have vaccinated personnel, Peñoles conducted awareness campaigns and offered the Torreón Community Center as a vaccination headquarters.



Vaccination

The National Vaccination Program includes the application of two immunizations to each person and, at the end of the year, a booster dose. Pfizer and Astra Zeneca vaccines were mainly applied.

The following table shows the results of the company’s vaccination program recorded in the platform at the end of 2021.

Contagions

During the year, 1,617 infections were recorded, 35 with hospitalization, and ten unfortunate cases of death. Due to the necessary days of isolation, a total of 13,939 days were lost.

- Of the total number of infected persons,
- ▶ 35.06% (567) had received at least one dose at the time of infection.
 - ▶ 54.97% (889) had not been vaccinated.
 - ▶ 9.95% (161) cases occurred before February 1, when the vaccine was not yet available in our country.

These results contributed to generating a climate of trust among employees, in addition to maintaining the company’s operations.

Vaccination program

Doses	Unionized	Non-unionized
Fully vaccinated	4,175	3,265
One dose	497	221
No information	140	68
Total	4,812	3,554



We also implemented the Psychological Anti-Stress and Relaxation Orientation Program, which helps measure stress levels and detect signs of depression and anxiety.

PSYCHOLOGY

Psychosocial risks are emerging risks in the field of labor relations. They are so defined because, unlike physical or biological risks, their inclusion in preventive regulations was practically non-existent until very recently. The impact on health due to an inadequate psychosocial situation can affect various levels of health: physiological alterations—cardiovascular diseases, gastrointestinal disorders, skin conditions, musculoskeletal disorders—psychological—alterations in behavior, cognitive abilities—or emotional. They can occur directly or can be related to a situation of stress or to the interaction with other factors, for example, the physical environment.

Derived from the above, on October 23, 2018, the Ministry of Labor and Social Welfare published the Mexican Official Standard NOM-035-STPS-2018, “Psychosocial risk factors at work - Identification, analysis and prevention” in the Official Gazette of the Federation, which established provisions to be adopted in workplaces, in order to identify and prevent psychosocial risk factors, as well as to promote a favorable organizational environment.

In accordance with the standard, Peñoles created a monitoring committee which came into effect one year after its publication in 2020; in its first stage, it has carried out the following actions:

1. Implemented the psychosocial risk prevention policy and procedures that guarantee employees’ wellbeing at work.
2. Carried out, in the months of October and November, the second stage, which consisted in the application of the reference guides (questionnaires I, II and III).
3. Prepared and implemented the work plan to address psychosocial risk factors, with the purpose of fostering a favorable organizational environment and preventing acts of workplace violence.

We also implemented the Psychological Anti-Stress and Relaxation Orientation Program, which helps measure stress levels, signs of depression, anxiety and suicide risk, starting from the first interview.

The program addressed various aspects, such as individual psychological sessions via remote communication for people infected with COVID, who lost a family member due to this disease, or who were suffering from stress, anxiety or depression due to their confinement.

Conferences on anti-stress first aid and mental health were also given to liaison offices, as well as a preventive workshop on emotional health risks in five group sessions.

- Main actions carried out*
- a. Formal constitution of a local committee in each work center, in charge of verifying compliance with NOM-035 standard, and of implementing a program to address psychosocial risk factors.
 - b. Information on the diagnostic results obtained from reference guides I, II and III in each work center.
 - c. Design measures to prevent and control the risk factors identified in the results of the reference guides.
 - d. Identify employees who have suffered severe traumatic events in order to provide them with psychological care.
 - e. Build awareness and train personnel on:
 - ▶ existing policies and procedures for the prevention of risk of psychosocial factors.
 - ▶ mechanisms to combat poor labor practices and acts of violence in the work environment.
 - ▶ health conditions that occur due to frequent exposure to psychosocial risk factors.
 - ▶ clear records of analyses, results, measurements and evaluations.
 - f. Develop standard practices for health care derived from exposure to psychosocial risk factors and severe traumatic events.

Due to the continuity of the health contingency, psychological care was provided in various remote forms:

- ▶ Individual psychological counseling by video call.
- ▶ Individual and group anti-stress workshop via Webex.
- ▶ Group workshop on emotional health risks via Webex.
- ▶ Emotional support to patients with anxiety or depression due to COVID after-effects.

Also, videos were prepared dealing with issues like anxiety, consequences and lessons of COVID-19, advice on how to teach children about the pandemic, phases of grief, bad habits resulting from the pandemic, and coming out of confinement These were shared with the community over social media.



Psychological support

	2021
New patients	94
Sessions	634
Patients that attended up to five sessions	93
Patients that reduced risk factors	81

We published the Diabetes Manual and the guide “Nutrition is easy if you know how”, a health and wellness guide that includes topics on activation and physical exercise, healthy eating and nutrition.



403-6
PREVENTIVE HEALTH: HEALTHY LIFESTYLES

Wellbeing Always

The Bien Estar Siempre (Wellbeing Always) program promotes self-care for the health and wellness of our employees and thus contributes to their development and productivity, and to the competitiveness of the company from a spiritual, emotional, intellectual and physical approach. The tools of this program enabled us to objectively measure aspects that currently pose a risk to health. The operating actions of the program established in the 2021 work plan had to be put on hold because of the pandemic. However, the lessons we learned from it helped us to restructure the program in order to adapt to and meet the new needs arising from COVID.

Nutrition

The nutritional counseling consultations were carried out remotely by means of video calls, thus achieving personalized follow-up of the nutrition plans. New schemes for recording and monitoring anthropometric data were used and two options were considered: the commitment and responsibility of each patient to register their weight and anthropometric measurements from home or the attendance of patients to the doctors’ offices located in the company’s corporate offices, taking care of all the sanitary protocols.

As a result of the program, 113 employees attended 597 consultations. Age ranges were divided into five categories between 21 and 61 years of age. The largest population was found in the 31 to 40-year age range with 60 patients, followed by the 41 to 50-year age range with 21. By weight, they were categorized in six levels according to their body mass index (BMI), with the overweight category having the highest number of patients (47), followed by the normal weight category, with 27.

The intensity of physical activity is closely related to the BMI levels of each person: the lower the BMI, the more intense the physical activity practiced, while the higher the BMI, the greater the sedentary lifestyle and increase in abdominal perimeter. These two variables contribute to the development of metabolic syndrome. Regarding weight, a marginal decrease in weight was achieved at all BMI levels.

The results show progress in the patients who attended nutritional follow-ups. We know that the pandemic was a strong challenge in all senses and the confinement brought about problems of weight gain, sedentary lifestyle and psychological alterations in our personnel, for which reason we must continue to promote programs aimed at achieving their wellbeing.

During 2021, the Comprehensive Health Program was designed and implemented as a pilot project, whose objective is to be a health model that supports and optimizes the physical and emotional health of employees.

The program, which included several activities, is coordinated by the Nutrition Department of the Corporate Occupational Health Department and involves the areas of Psychology and, on an outsourced basis, Physical Training.

- ▶ Design of a nutritional plan and its follow-up, according to physical objectives and health variables, linking the plan to their training progress.
- ▶ Creation of a personalized physical training plan by a professional instructor, evaluating the intensity and degree of effort made during the sessions.
- ▶ Individual and group psychological support, with social skills tools to face work and personal stress situations.

In this first stage, which lasted six months, participation and adherence to the program were evaluated, as well as the usefulness of video calls as a central axis. The results were encouraging, and we plan to strengthen and increase the participation of different areas for the next stage.

Prevention

In order to raise awareness among employees on prevention, timely detection and follow-up of diabetes, we published the Diabetes Manual and the guide “Nutrirse es fácil si sabes cómo” (Nutrition is easy if you know how), the latter a health and wellness guide that includes topics on activation and physical exercise, healthy eating and nutrition. The manuals were promoted among all Peñoles personnel on the internal communication website.



Dining rooms

As the pandemic continued, the measures already established in the protocols issued by the health and labor authorities for using the dining rooms were reinforced and maintained, thus preventing the risk of contagion.

As part of the 2021 Healthy Dining Room Program, the heads of medical services carried out monthly internal evaluations in the work centers that have outsourced employee dining rooms, in addition to semi-annual virtual audits conducted by the Corporate Occupational Health Department, in keeping with NOM-251-SSA1-2009 standard: “Hygiene practices for processing food, beverages or dietary supplements.” The personnel in charge of the dining rooms were also trained in the hygienic handling of food and knowledge of the standard. Surveys of outgoing diners were conducted regarding food, facilities, service and staff. The survey, which was applied to a sample

of diners at the work centers, considered the following variables: friendliness, personal treatment, efficiency, trust, speed of service, hygiene and dress.

Out of a total of 100%, the sample had the following weightings: 30% facilities and equipment; 30% processes and personnel; 20% diners; and 20% contractor training.

Certifications

Since 2018, five Peñoles offices have been certified as 100% Smoke-Free Buildings, in accordance with the General Law on Tobacco Control. Due to the health contingency, the program of activities related to the certification of the total number of buildings could not be completed. However, actions were taken to maintain certification for the buildings that had already obtained it.

As for the Certification of Cardioprotected Spaces, six spaces have been certified with automatic external defibrillators installed in the Met-Mex metallurgical complex, the Gómez Morín offices and the Planning and Construction Department. Monitoring is continuously carried out to verify that the automatic external defibrillators are in good condition and to update certified healthcare personnel and non-healthcare personnel trained by official entities in cardiopulmonary resuscitation and automatic external defibrillation maneuvers. These spaces provide the first response to a cardiovascular emergency event, acting in coordination with the internal emergency system, as well as with external providers.

All work centers have the Health Safety Distinction in relation to COVID-19, issued by the Mexican Social Security Institute (IMSS).

Health training

We continued with online training, using mainly the virtual campus and the Webex platform for synchronous sessions, some related to COVID topics, established as part of the government protocols for returning to work activities. All medical and security personnel, as well as psychologists at the work centers were trained in standard practices on psychosocial risk factors and attention to severe traumatic events, in accordance with NOM 035-STPS-2018 standard.

Preventive health campaigns

We strengthened awareness-building on prevention, early detection and tracking of the most relevant pathologies through institutional e-mail and Peñoles internal communication webpage: flu, zika, chikungunya, dengue, diabetes (World Diabetes Day), cardiovascular and chronic degenerative diseases. Talks were given on physical activation and exercise, healthy eating and nutrition, among others, in addition to information about how the pandemic emerged, videos and presentations by experts on how to avoid contagion.

The health topics presented in the Entérate en Vivo program were designed to inform employees of the actions taken by Peñoles in response to COVID. Twenty talks, with an average duration of one hour, were transmitted online to a total of 4,965 people. The talks were distributed as follows:



Entérate en Vivo health talks

Topic	Number of talks	Audience
COVID-19	9	3,055
Nutrition	3	555
Psychology	2	481
Occupational medicine	2	295
Medical doctors	4	583
Total	20	4,965

EVALUATION OF LEGAL
OCCUPATIONAL HEALTH
REGULATIONS

Internal audits on compliance with regulations scheduled every year had to be suspended. However, each work center developed its work plans to address and comply with the findings detected in its most recent audit. Evaluation of regulatory compliance and epidemiological monitoring programs was restarted at the end of the year.



Community engagement

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

Communities are one of the five stakeholder groups we define as a priority. Our commitment is to be a socially responsible company, respectful of nature and supportive of the self-development of the communities where we operate and of which we are part.

Peñoles’ social performance in relation to local communities is aimed at improving trust and respect for human rights, managing our



commitments and impacts, and establishing a permanent dialogue for the creation of value and community wellbeing.

EM-MM-210a.3

Peñoles’ social performance is based on our Code of Conduct, policies and guidelines that abide by the principles of the United Nations Global Compact and OECD and CSR guidelines regarding sustainability, good practices and domestic and international standards on human rights, culture, traditions, regional vocation, and the sustainable development of local communities.

In our community engagement, our management system is grounded in a strategy of sustainable community development, and in respectful and coordinated work with the community and authorities, in order achieve our purpose of **Living our Community**. In this way, we contribute to social welfare, as stipulated in our Sustainable Development Policy, which seeks to balance economic, social and environmental performance.

This management system is consistent with with all laws, best practices and an internal system of standards that stresses our social commitment. We have a Code of Conduct, a Sustainable Development Policy, social development guidelines and our system of values, among others.

The crisis caused by the spread of COVID-19 has had multiple impacts on health and the economy. In order to reduce such impact, we increased our efforts to protect the health of our people, support the communities we are part of and our suppliers, with the purpose of giving continuity to our operations, complying with official regulations and our commitments to our customers and shareholders.

In our relationship with communities and authorities, we maintained dialogue, presence and coordination by refocusing social actions through online and partly face-to-face mechanisms. The solidarity of community, authorities and company allowed us to jointly address the health contingency and adapt to the new normal; we modified our social engagement, complying with the protocols and sanitary measures established by the Mexican government and international organizations.

Our social development guidelines embody our commitment to respect culture, traditions, regional vocation, dialogue, skill-building and sustainable development, in an environment of trust with local communities and authorities.



The social development model starts with the social structure, in which Peñoles is an active member of the community. We involve ourselves in efforts to achieve social development and support the goals of society at large, harmonizing and recognizing the guiding role of the State as administrator, and the shared responsibility of the community in building social wellbeing. This model includes general training and awareness-raising of our domestic and international communities, so as to generate shared knowledge, reflections and dialogue.

Peñoles integrates social performance in accordance with its Code of Conduct, policies and guidelines, which include the principles of the United Nations Global Compact and of the Organization for Economic Cooperation and Development (OECD).

Social Development Model



The Social Development Model is based on the social structure, Peñoles being an active member of the community.



122
people responsible
for operating social
development strategic plans.

Social impact evaluation

HUMAN, SOCIAL, ECONOMIC AND CULTURAL RIGHTS			SOCIODEMOGRAPHIC, SOCIOECONOMIC AND SOCIOCULTURAL INDICATORS		CHARACTERIZATION OF INDIGENOUS COMMUNITIES	
						
Work	Food	Health	Socio-demographic	Social infrastructure	Identity and historic continuity	Regulatory system
						
Housing	Water	Education	Politics and government	Safety and public order	Social organization	Economic activities
						
Social security	Environment	Culture			Ties to territory	Cultural expressions
Availability	Physically accessible, affordable and free of discrimination	Acceptability and quality				

G4-MM5, G4-MM8, G4-MM9, EM-MM-210a.3, 413-1a.i

Our Social Development Model fosters continuity, integration and a cross-cutting approach in managing operating processes, considering each stage in Peñoles’ value chain. We have social diagnosis mechanisms that determine the economic, social and environmental impact of our operations, whose aim is to magnify the positive impact of our operations, and to avoid, mitigate and/or remediate any negative impact they might have on people, the environment and society. Diagnoses are spaces for dialogue where people’s concerns and aspirations are listened to, and on which management plans can be prepared with the involvement of our operations leadership teams.

Impact assessment is focused on respect for human and indigenous rights, according with our management model. Peñoles has no operations adjacent to indigenous lands or where artisanal and/or small-scale mining is practiced; nor have there been any resettlements or mobilization of communities because of such operations.

Managing the Living in Community strategy implies maintaining a harmonious relationship with the communities, contributes to good understanding, the strengthening of relationships of trust, cooperation, local development and the generation of wellbeing, and is guided by the following principles:



Our strategy Living our Community helps to maintain a cordial relationship with the communities of which we are part.

The Social Management System, which we share below, ensures the creation of shared value for the communities and authorities in a continuous improvement cycle:

Peñoles contributes to social welfare and development through a strategy, operating plans and leadership management indicators led by our executive team and operated by an ecosystem of 56 direct and 83 indirect leaders.



413-1a.v, 413-1a.vi, 413-1a.vii,
The Social Development Management System is designed to ensure the efficacy of planning and value creation for our stakeholders. Local community beneficiaries receive information from the company, participate in the design of projects, express their viewpoints and make decisions through various mechanisms.

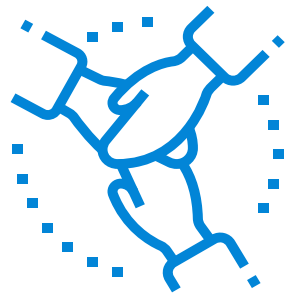
- Community committees that provide training and design social solutions for the various problems and needs of local communities.
- Image and reputation surveys and social impact assessments, where communities can offer their opinion on needs, problems, socio-

economic status, expectations and concerns; on this basis, diagnoses, profiles, indicators and impact statements are prepared.

- Mechanisms through which the community can manage problems and design social solutions in coordination with the company and authorities.
- Sharing our technical expertise in various specialties with authorities, community committees, ejidos and inhabitants, to design and create technical-administrative projects for public tender processes and the mining fund, among others, and assisting them throughout the process.

- Addressing commitments, requests and complaints from the community and other stakeholders and taking action to prevent, remediate or mitigate them.
- Institutional communication through mass media, direct dialogue with the community, fairs, presentations, activations and campaigns.
- Community development institutional programs.
- Strategic allies for social development and engagement.

Social engagement and development ecosystem



The purpose of the Social Development Management System is to ensure the effectiveness of the commitments and actions established.

413-1a.iv

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

Axes of action



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



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



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



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



INFRASTRUCTURE
Shared vision and management of public services.



Throughout its history of 134 years, Peñoles has built relationships of cooperation with institutions and social organizations in the economic, environmental and social spheres, which have resulted in institutional projects and programs that have generated shared value.

In response to the current reality of the different communities and in keeping with the indications of the authorities and the

World Health Organization on COVID-19, we maintain our commitment with social wellbeing, adapting our community development management plans to the needs and expectations of the community.

In social performance, we work with institutional programs and projects that are implemented in the different locations where we are present.



Education Axis

“...to value the importance of appropriate learning experiences for my students, and support them in their task of learning to learn...”

– Tania Elizabeth Gallardo García, teacher

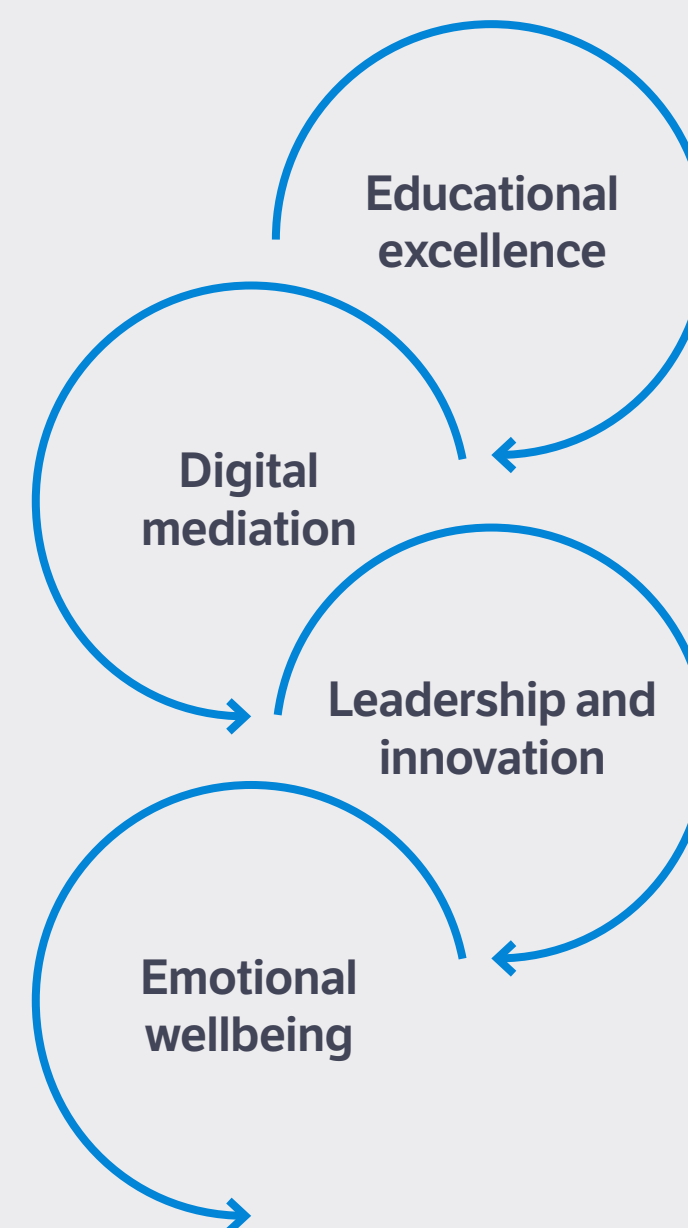


<https://www.youtube.com/watch?v=36TxnBjeCCU>

EDUCATIONAL EXCELLENCE

For 17 years now, Peñoles has allied with the Instituto Mexicano para la Excelencia Educativa, A.C., a nonprofit organization dedicated to improving educational quality, to create a professional refresher program for teachers, administrators, authorities, parents and students of schools in areas neighboring our mining units, benefiting children and youth in these communities. We continued supporting education through digital platforms.

Training path for teachers



- ◆ Sonora
- ◆ Chihuahua
- ◆ Coahuila
- ◆ Durango
- ◆ Zacatecas
- ◆ State of Mexico
- ◆ Guerrero
- ◆ Oaxaca

Peñoles is also coordinating with school authorities for a safe return to school, sharing sanitization, vaccination and preventive health campaigns in the event of the contingency.

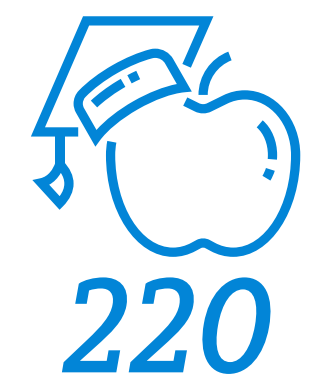
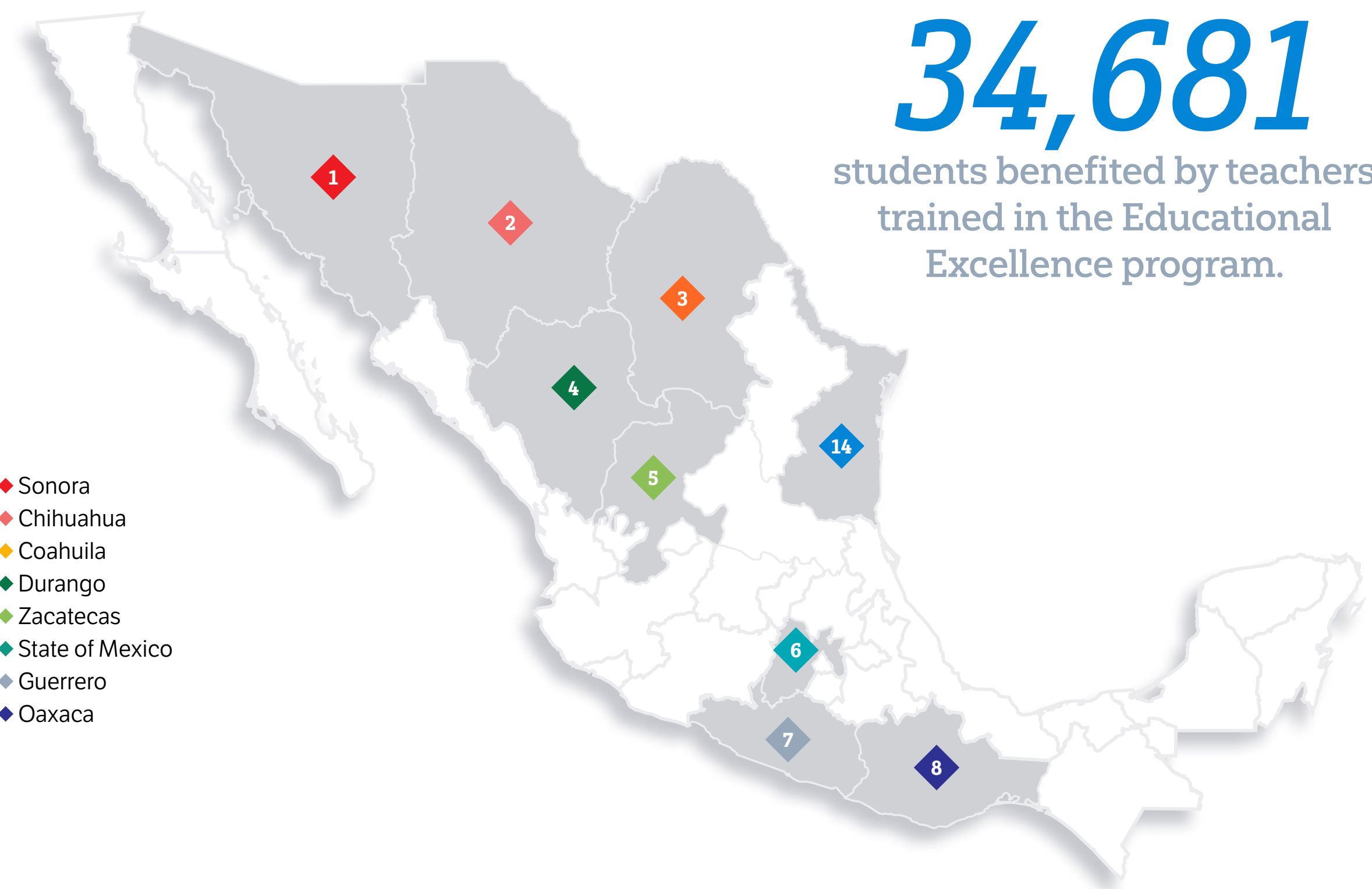
We continued with virtual workshops to address new learning challenges derived from the new normal, with the participation of 220 administrators and teachers from

local communities, which impacted 34,681 students from 153 educational institutions at different levels.

We also continued the training program for parents through capsules that promote values, in coordination with the Universidad Iberoamericana Torreón, which invite them to reflect on the current situation and experiencing of values.

34,681

students benefited by teachers trained in the Educational Excellence program.



220
administrators and
teachers from local
communities
participated in 2021.



Education Axis



PEÑOLES FIRST ROBOTICS PROGRAM

On the premise that “the robot is the pretext”, through the partnership Peñoles-FIRST, we encourage young people to acquire the tools and experience necessary to stimulate their academic performance and their passion for science, in order to support the development of local communities and the country.

The international organizing committee decided to carry out the program in a digital environment after developing a plan and security protocols because of the pandemic. In the virtual challenges carried out during the year, in which **13** awards were obtained, **461** students participated—183 women and 278 men—plus mentors and lead coaches from 23 Peñoles teams.

Since 2011, FIRST has been aimed at high school students to encourage their interest in STEM (Science, Technology, Engineering and Mathematics) with a focus on the value of “coopertition”, which combines mutual cooperation and competition. Participants receive advice from company mentors to meet the challenge of building a robot for social impact activities, which generates an enriching experience for developing their talent and skills. Generating value to this initiative, other activities have been integrated that involve the strengthening of technical and human competencies among the schools, as well as virtual exhibitions of knowledge in regional and global events. Peñoles promoted a mechanism for sharing and generating intellectual capital in the La Laguna region, which strengthens the STEM focus of the participants’ competencies.



An additional added value is the social service of the young people, which fosters their social awareness and volunteerism as part of their competence.

PEÑOLES CHORUS

In 2008, Peñoles promoted the creation of a children’s choir in the Comarca Lagunera, convinced that this can help youth build self-respect and talent and strengthen the social fabric. Through singing classes, children enjoy and strengthen their life skills. Due to the contingency, only 30 children from the neighborhoods surrounding Met-Mex could attend.



<https://www.elsiglodetorreon.com.mx/noticia/2021/destacan-equipos-de-penoles-y-fresnillo-plc-en-first-robotics-mexico-2021.html>



<https://www.facebook.com/watch/?v=244642094115193>



Education Axis



<https://bit.ly/31MNwps>
#CienciaYTecnología Charla Volcanes de México



<https://bit.ly/3oHRfNC>
#ElMuseoContigo Panel de influencers vocacionales



<https://bit.ly/3oXJx29>
#LaboratorioEnCasa

METALS MUSEUM

For 14 years, the Metals Museum, located in the heart of Metalúrgica Met-Mex Peñoles, has been a place to come together and learn. In its ten permanent exhibition halls, visitors can learn about geology, mineralogy and the history of metallurgy, as well as current mining and metallurgical processes, sustainable development, art, and the uses of minerals, metals and chemicals in daily life. Here we instill an interest in science and showcase mining and metals as opportunities for development, in an environment open to all.

The Metals Museum offered services to the community throughout the year, using social networks and videoconferencing platforms. School visits, lectures and panels were also conducted through Webex or Meet for 26 school groups, reaching 731 students and 28 teachers.

Teacher training

Courses and workshops on innovation were held for 151 teachers from the surrounding neighborhoods, with topics such as the following:

- ▶ Educational forum: hybrid mode and in-person classes
- ▶ Laboratory practices
- ▶ Selected topics in physical chemistry
- ▶ Evolution, a look from biology

Dissemination of science, technology and art

- ▶ Workshops were held for adults, children, young people, employees and former employees with the participation of **207** people.
- ▶ Topics on science, technology and art were shared through social media.

- ▶ Animations, infograms, articles, videos and live programs were produced and shared on Facebook, Instagram, Twitter, Tik Tok and Blog Word Press. **199** productions reached **223,756** reproductions and **561,764** likes.

Remodeling of the “Origin, uses and applications of minerals and metals” room was completed. The exhibits have a variety of resources such as virtual and augmented reality. Sculpture, metal engraving, painting and illustration were incorporated as museographic elements of the room.



The “Peñolero Pride Room” was remodeled, using zinc sheets for its design. The exhibit of certifications and recognitions received by the company in different aspects such as safety, quality, sustainability and social responsibility was expanded.

CENTRO DE ESTUDIOS TÉCNICOS LAGUNA DEL REY A.C. (CETLAR)

Since 1993, under a dual training scheme, CETLAR has been providing a well-rounded education to our students, young people from the communities where Peñoles is present, with a focus on science and technology, as well as human, technical, administrative, business culture and volunteer skills. Students strengthen their personal and professional development while meeting Peñoles’ need for highly qualified employees in mechanical maintenance and electrical instrumentation,

as they are certified through a comprehensive, excellent education. Classroom and on the job training give them a competitive advantage of performance in keeping with international standards.

Upon entering CETLAR, students obtain the following incentives:

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

CETLAR has graduated 840 certified technicians to date. In 2021, 115 scholarship students were enrolled in electrical-mechanical and electricity-instrumentation skills for the mining units.

In order to create synergy with the Mexican government and together contribute to better development and incorporation of these young people into the workforce, in 2019, the Peñoles and Fresnillo plc work centers, located in different states of the Mexico, joined the program “Jóvenes construyendo el futuro” (Youth building the future).

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



<https://bit.ly/3oXJx29>
Sala Origen, usos y aplicaciones de los minerales y metales



Environment Axis

We help build environmental awareness in local communities and in the company through in-person and online campaigns.



BUILDING ENVIRONMENTAL AWARENESS

We help build environmental awareness in local communities as well as in the company through campaigns both in person and online that deal with water stewardship, biodiversity, reforestation and forest rehabilitation, tree donation, waste management campaigns and recycling talks, among others. The purpose of this awareness-building effort is to encourage communities to celebrate, volunteer and take collective action for the environment, in line with the UN's Sustainable Development Objectives.

These are some of the highlights of the 136 environmental actions carried out during the year, which involved more than 19,782 people:

- ▶ World Water Day, March 22 with the topic “Valuing water.”
- ▶ World Environment Day, June 5, whose goal was building awareness about ecosystem restoration.

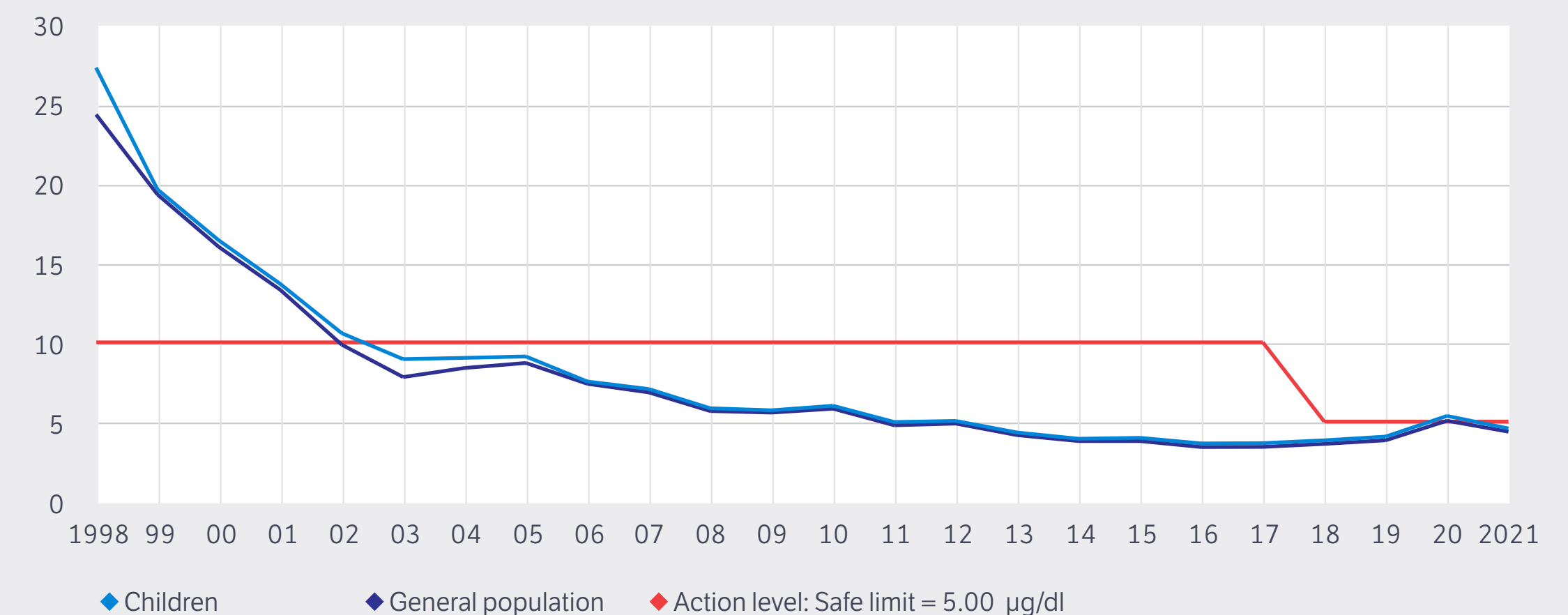
SRS 413-1-a.ii, SRS 413-2

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

In a parallel effort, Peñoles' Environmental Health Unit monitors blood lead levels in residents neighboring the plant, particularly children.

Blood lead levels in population neighboring Met-Mex Peñoles

(µg/dl)



Notes:

* The latest samples were taken from January 1 to December 31, 2021.

* The database was generated on January 4, 2022, with a total of 6,001 people reported in the general population, and 5,409 children

* Due to the contingency, precautions continued for sampling; even so, it was decided to take samples in some neighborhoods, which registered an increase of 37% with respect to 2020.



Self-development Axis



<https://www.youtube.com/watch?v=So0y4FnsuGk>



<https://www.facebook.com/cecompenoles/>

PEÑOLES – PROEMPLEO

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

During the year, 264 people received training in workshops on “Enterprise,” “Improve your business” and “Start your business,” which covered topics like human development, administration, marketing, finance, sales and social responsibility for businesses. Also, specialized business consultants gave 51 business advice workshops.

We encourage people who want a more dignified, productive life through training and advice on self-employment or on starting up or improving family micro-businesses; on creating jobs, helping them keep existing jobs, and promoting enterprising ideas that strengthen environmental, social and economic development.

By having entrepreneurs participating in the workshops, we seek to determine their areas of opportunity, with the purpose of developing their entrepreneurial and business skills.

PEÑOLES COMMUNITY CENTER

Five years ago, the Peñoles Torreón Community Center was inaugurated, directly benefiting the residents of the twelve neighborhoods surrounding Metalúrgica Met-Mex and the inhabitants of the Comarca Lagunera.

Because of the health contingency, and in keeping with the sanitary measures imposed by the authorities, Peñoles temporarily closed its community centers to protect people’s health, although we continued to interact virtually with our neighbors and community, and the community center became a successful vaccination center together with the efforts of the Ministry of Health.

Community centers are spaces for social integration that build community visions, create togetherness and promote development through workshops in computers, cooking, sewing, beauty care, English, personal advancement, tae kwon do, computers for kids, music, drawing, tai chi and crafts. Over the course of the year, 364 people attended the center in person, and 294 of them received diplomas.

The purpose of this space is to build relations between the company and the community in a place where people can learn life and work skills, develop abilities, promote culture, practice sports and pursue their talents, all of which leads to a harmonious meeting of stakeholders.

The virtual activities of the community center—conducted via Facebook—registered a 61% increase in followers.



COMMUNITY COMMITTEES

At present Peñoles is working with 14 committees from communities near its facilities, helping to build sustainable communities, strengthen local organizations and social leadership, promote teamwork and shared responsibility, and design solutions to social challenges and problems.

VOLUNTEER WORK

Since August 2002, through a partnership with the Mexico United Way Fund, we have encouraged volunteering, helping solve the problems of our community by directly involving company employees in these efforts. Peñoles created one of the first volunteering programs in the mining industry in Mexico.

In 19 years of operation, Peñoles’ Volunteer Program with United Way Fund, committed *peñoleros* have participated donating talent and resources. Through volunteer

committees, and together with nonprofit organizations working in communities near our operations, we carried out projects with funds donated through employee payroll deductions.

In the area of health, we continued donating equipment, supplies and medical instruments to institutions in various parts of Mexico, like support to the General Hospital in Zone 1 in Saltillo, Coahuila and the General Hospital in Zone 51 in Gómez Palacio, Durango, both belonging to the Mexican Social Security Institute (IMSS).

In the sphere of education, we channeled support for the advancement of disadvantaged youth, renovating school and recreational spaces, and supporting several nonprofit organizations in Coahuila, Zacatecas, Sonora, State of Mexico and Durango. Some outstanding projects were the Ludoteca Centro Cultural Francisco I. Madero, the refurbishment of the media classroom at Cecyted Velardeña, and the rehabilitation of the chemistry laboratory at Tomás Alva Edison secondary school in Zacazonapan, State of Mexico.

Social investment through Peñoles’ employees benefited 4,294 people in vulnerable situations: youth, children, senior citizens and COVID hospitals patients.

During the United Way annual meeting, a member of the Tizapa committee was recognized as “Volunteer of the Year”, and several committee members were nominated for other awards.



Family
Axis



9,898
medical consultations
3,788
men
6,110
women

“It has awakened interest in culture, music and discipline; the children who attend the chorus are outstanding children.”

– Liliana Torres, teacher



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

ZINC SAVES KIDS

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

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

The study had to be interrupted because of the health contingency. Among its strategies is the prevention and control of zinc and iron deficiency, particularly under the age of two in socioeconomically deprived areas, a crucial age at which their growth and development may be compromised.

PEÑOLES-UNAM FOUNDATION ALLIANCE

Peñoles actively promotes a culture of preventive wellness through healthy lifestyles and support for health authorities’ actions in the community, offering free services, specialized attention and general checkups for vulnerable children, youth and adults in the communities neighboring our operations.

Through FUNAM’s medical social service, and in coordination with health authorities, we offer health services in communities surrounding our operations in the states of Durango, Zacatecas, and the State of Mexico, where we provide medical attention and carry out community actions to reduce preventable deaths of newborns and children. We also promote mental health and the treatment of substance abuse, including drug abuse and harmful alcohol consumption through wellness campaigns that include talks on

sexual and reproductive health and family planning. We participated in vaccination campaigns against COVID, offering the logistics of the care centers. During the year, 9,898 consultations were offered to 6,110 women and 3,788 men.



SANTOS-PEÑOLES SOCCER ACADEMIES

We have 11 Santos-Peñoles soccer academies, attended by 1,139 boys and girls in six states of Mexico. Due to the health emergency, the Santos-Peñoles Soccer Cup was canceled, along with in-person training in the various academies. However, a virtual education plan was structured to provide continuity to the program, which includes audiovisual materials and virtual capsules on physical activation, through which information, knowledge and tools were transmitted via official external channels.



<https://elsiglo.mx/noticia/1887925.mantienen-academia-santos-en-comunidades.html>

Participants in soccer academies



Business unit	Participants
◆ Metalúrgica Met-Mex	190
◆ Magnelec	95
◆ Bermejillo	48
◆ San Agustín	69
◆ Capela	103
◆ Velardeña	118
◆ Sabinas	96
◆ Tizapa	119
◆ Fuerza Eólica del Istmo	52
◆ Fresnillo	249
TOTAL	1,139



Family Axis



201,793
beneficiaries
of donations.



<https://bit.ly/3wU4GOX>

SANITARY CONTINGENCY AND NEW NORMAL

We continue to manage the challenges of the sanitary contingency and new normal. In accordance with the *Best practices guide: health contingency 2020* and the government's technical guidelines for health safety, we contributed to a culture of prevention and health care.

We addressed needs arising from the pandemic in the states of Guerrero, Chihuahua, Sonora, Coahuila, Oaxaca, Durango, Zacatecas and the State of Mexico, providing supplies, equipment and material for medical personnel in hospitals and health centers. We also provided food aid, water, gel, preventive campaigns, sanitization, cleaning of public spaces and masks to vulnerable groups and the community.



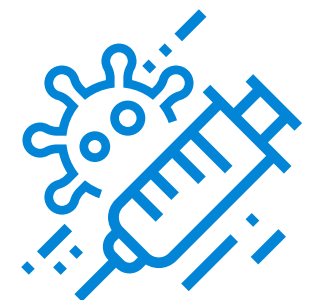
PARTNERSHIP IN THE NATIONAL VACCINATION STRATEGY

The vaccine brought us hope, and to meet the challenge of its application, because of the required infrastructure and the process to distribute it, Peñoles offered the authorities its facilities, where a module was set up to inoculate the population surrounding Met-Mex. A team of more than **150** volunteers from Peñoles, Baluarte Minero and Fresnillo plc was set up, joined by other people, including students, family members of our employees and neighbors of the metallurgical plant, who donated approximately **112,464** hours of their time.

153,962 doses were administered during nine days, from May to December 2021, a joint effort between the authorities and Peñoles to protect the people of La Laguna and where the participation of all was very important. As part of the information that was shared with the community we can mention sanitary measures, suggestions to move safely, properly assess risks and make the best decisions to reduce contagion.

Today, the world is different, our interactions and habits have evolved, we have developed new digital skills, and we have adapted work structures.

For Industrias Peñoles, contributing to the vaccination campaign in the context of a pandemic was a challenge, but also an opportunity to reiterate our commitment with the people of Mexico.



153,962
doses administered.

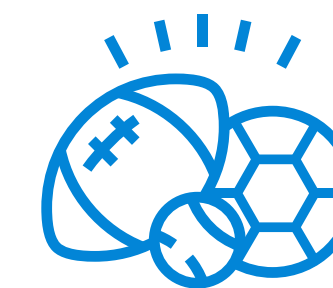


Grievances and requests

413-1a.viii

The administration of grievances and requests, a mechanism for open dialogue with stakeholders, is part of our Social Development Management System. In 2021 we received three grievances from local communities, which were addressed and solved.

Through joint work with communities and authorities, 262 requests were received regarding support for sports, educational and cultural activities, infrastructure, health and family togetherness, among others.



262



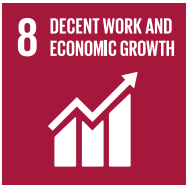








requests were received
regarding support
for sports.

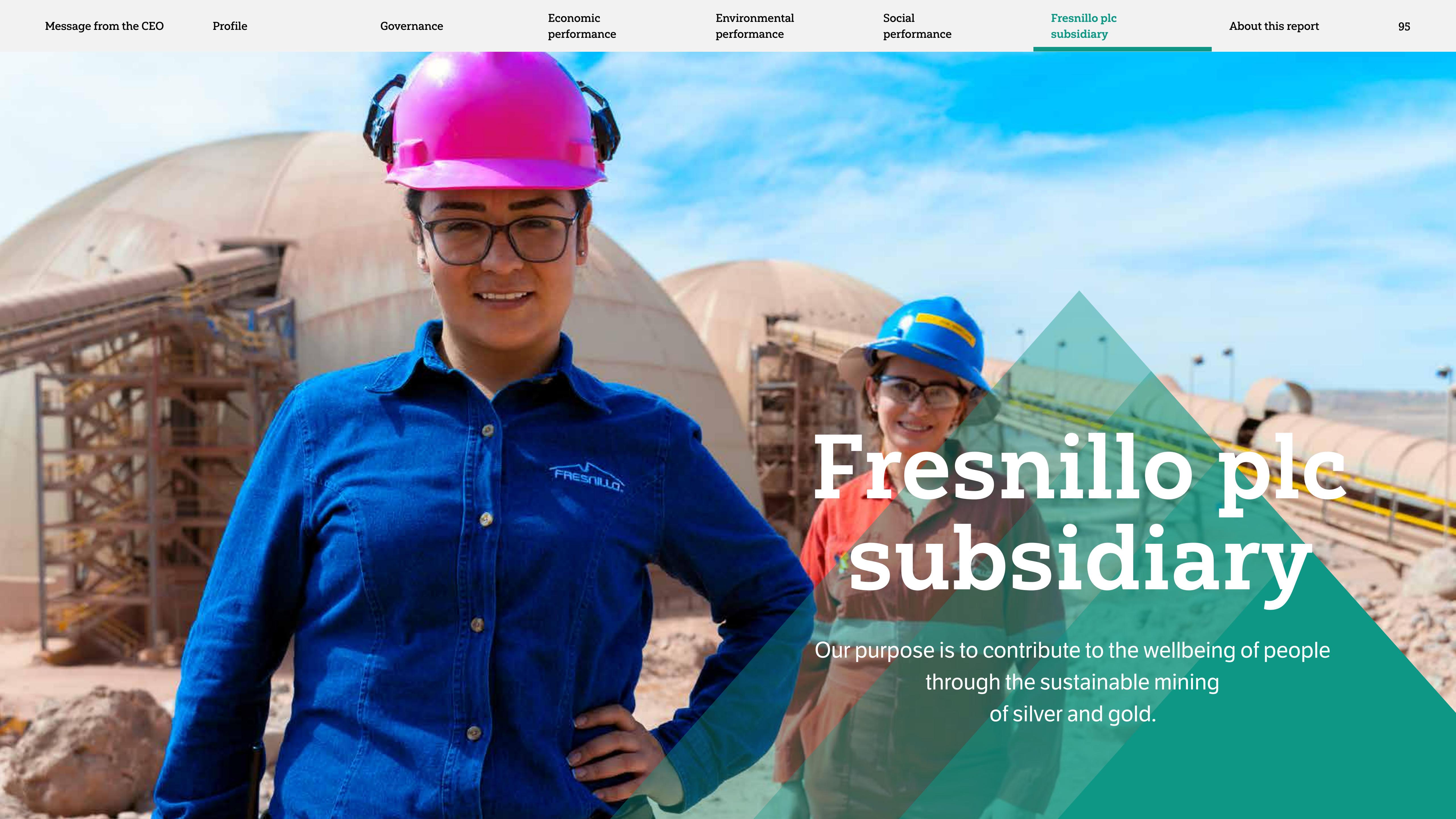
Awareness, trust, cooperation, co-responsibility and solidarity are Living our Community principles, which drive us toward sustainability.

Community engagement is aligned with the Sustainable Development Goals (SDG)



Peñoles’ social contribution to the Sustainable Development Goals

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



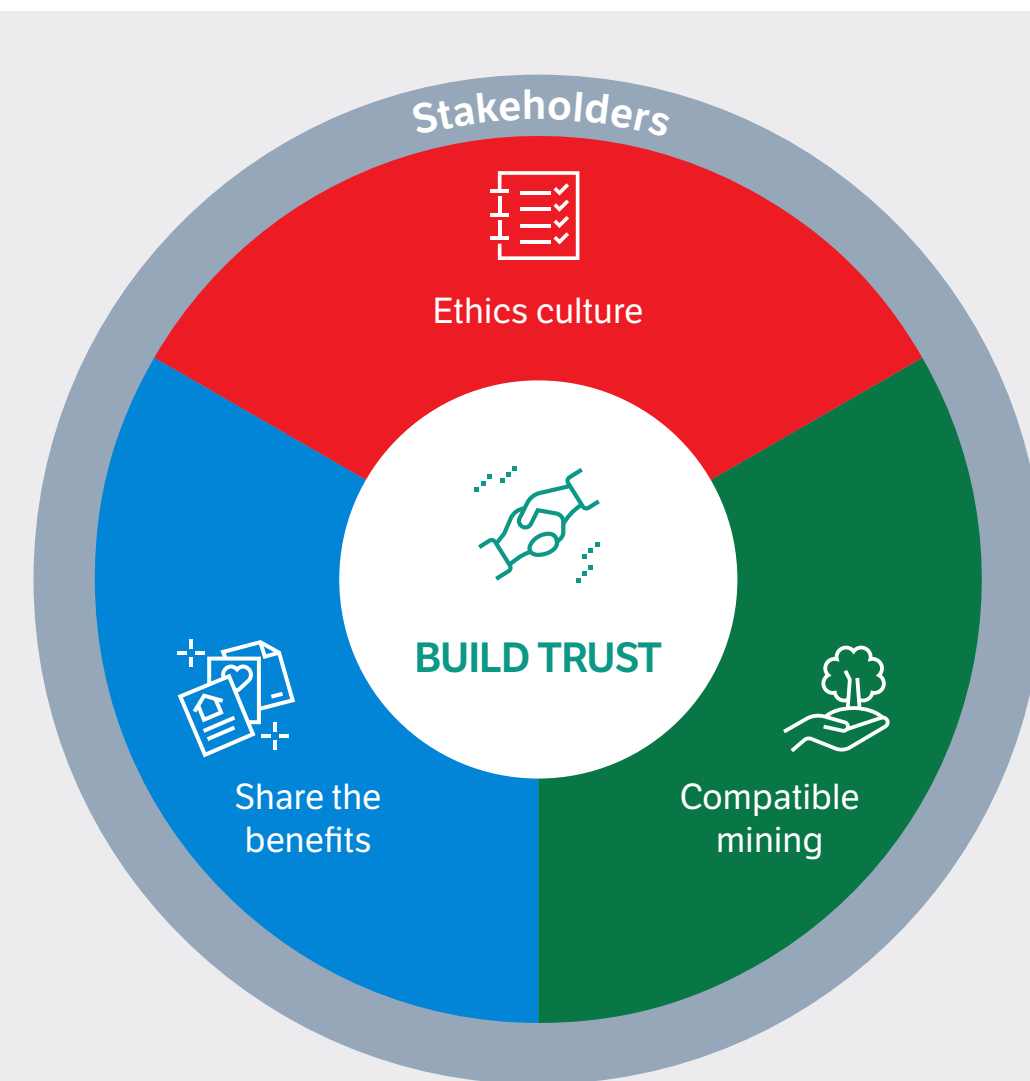
Fresnillo plc subsidiary

Our purpose is to contribute to the wellbeing of people
through the sustainable mining
of silver and gold.

Our sustainable approach to mining

Precious metals play a key role in the wellbeing of people, and our operations offer opportunities to our people and communities where we operate. At Fresnillo plc, we are committed to supply precious metals in a sustainable manner. This means embedding a safe and ethical culture, implementing innovative and compatible mining practices with

communities and the environment and sharing the benefits of mining with wider society. This underlines the importance of responsible business practices being deeply integrated into our business model, and of factors that affect stakeholders being considered at every critical decision-making level.



HEALTH

COVID-19

In 2020, at the beginning of the COVID-19 outbreak in Mexico, we engaged with the authorities and our industry peers to develop a preventive protocol based on international best practices. During 2021, we maintained these protocols as well as the Health Safety Certification provided by the Mexican Social Security Institute (IMSS), having incorporated them permanently into our day-to-day operations.



Measures

- **Operating committees:** Through fortnightly virtual meetings, statistical trends are reviewed, and commitments are established to prevent contagion, with management and the executive team updated accordingly.
- **Protecting the vulnerable workforce:** We identified vulnerable members based on criteria issued by the federal government in 2020 and sent them home at full pay. We continue to monitor their glucose levels, blood pressure and nutritional status and pregnancies, among others, to remain prepared in the event of new contagion waves or variants.
- **Raising awareness and enforcing vaccination:** We launched permanent communication campaigns to educate our people about preventive measures, raise awareness and combat misinformation. In addition, during municipalities' vaccination campaigns, we provided support to ensure personnel attendance, such as transportation, medication for side effects and giving employees time off.
- **Social distancing in the workplace:** We adopted social distancing measures and appropriate protection equipment at all our facilities. To support compliance, we use floor markings in common areas; limit capacity in dining rooms to avoid crowding, install protective barriers between seating, and provide packaged cutlery; personnel commuting services work at minimum capacity with staggered seating; the group size in training sessions and work meetings has been limited, favoring ventilated spaces, while we also supply antibacterial gel and chlorine wipes, and encourage video conferences when possible. Additionally, non-essential personnel with administrative duties work from home.
- **Hygiene and sanitation:** We mandated the use of masks and hygiene measures, notably handwashing and the use of anti-bacterial gel. In addition, we implemented a daily sanitization program for work areas, accommodation and transportation.
- **Sanitary filters:** We established checkpoints to control access, monitor body temperature and enquire about symptoms or contact with people suspected to have the disease. Additionally, random testing is deployed across all units. For workers in remote locations, monitoring takes place before transportation and on arrival at site.
- **Testing, monitoring and contagion traceability:** We test regularly for contagion and to ensure traceability. Furthermore, we monitor the progress of confirmed cases daily, and offer psychological care and emotional support.



Occupational health

We have a comprehensive strategy in place to safeguard the health of our people. Our focus is on prevention and emergency response, the promotion of healthier lifestyles, and the enhancement of wellbeing through the early identification and management of health risks to prevent occupational and chronic diseases.

Key activities:

- **Identify and monitor** the level of exposure to physical and chemical risks to the health of our people (noise, dust, vibration, heavy metal contamination, extreme temperatures, etc.).
- **Determine** operating procedures, equipment, training and controls.
- **Evaluate and improve** the ergonomics to prevent musculoskeletal disorders.
- **Ensure** that everyone entering the workforce has a health check, including physical and psychosocial evaluations.
- **Perform** regular check-ups to screen for occupational diseases and advise on preventive care measures.
- **Manage** our own rehabilitation facilities to accelerate recovery from injuries.
- **Implement** our Healthy Lifestyles program to support good dietary habits and the prevention and control of obesity-related diseases.
- **Carry out** biological monitoring to prevent sanitary risks.
- **Hold** behavioral change workshops, facilitated by psychologists who provide guidance and counsel on personal issues that may lead to accidents or workplace stress.



Our focus is on prevention and emergency response, and the promotion of healthier lifestyles.

Occupational health certification

Facility	Healthy Company	Health Safety
Juanicipio	–	Certified
San Julián	–	Certified
Fresnillo	Certified	Certified
Saucito	Certified	Certified
Ciénega	–	Certified
Penmont	Certified	Certified

During the COVID-19 outbreak, we have continued to prioritize our employees’ and contractors’ health and wellbeing across our operations.

Our “I Care, We Care” program enables our risk management strategies to drive safety performance in every operation.



SAFETY

We believe that safety is a way of life. Our “I care, we care” program enables our risk management strategies to drive safety performance in every operation, and to help protect all our people, at all times.

Leadership: Values-driven leadership

- Higher-education courses for senior leadership.
- Education courses for supervisors.
- Training for our people.

Accountability: Integrating safety and operational management systems

- Promoting recognition of safety as the responsibility of line management.
- Senior management involvement in monitoring processes, systems, operations and reporting policies.

Behaviors risk competencies: A mature and resilient safety culture

- Stepback, a method used to raise awareness and identify safety risks in work areas.
- Positive recognition.

Systems risk competencies: Establish a risk-based management system

- Internal documentation aligned to ISO standards.
- Critical Risk Control Standards and organizational deployment.

Learning environment: Reduce risks through engineering, systems, behaviors and lessons learnt

- Communicate and implement improvements and corrective actions.
- Investigation – Eyes on Risk.

Key activities:

- **Continue** to implement the “I care, we care” program with its five risk-management strategic pillars.
- **Strengthen** safety objectives by monitoring leading KPIs to improve our ability to foresee and prevent incidents.
- **Implement** critical controls and performance standards in every operation to provide 100% of personnel with verification tools to reduce risks.
- **Reinforce** our approach of holding our people accountable for safety performance.



Safety certification

Facility	ISO 45001
Juancipio	In process
San Julián	—
Fresnillo	Certified
Saucito	Certified
Ciénega	—
Herradura	Certified
Noche Buena	Certified

We optimize our use of resources, curb any negative impact of our activities and are transparent and accountable regarding our environmental footprint.

ENVIRONMENT

Optimizing our use of resources, curbing any negative impact of our activities and being transparent and accountable regarding our environmental footprint are crucial elements of sustainable mining and help us to retain our social license to operate.

Before developing any mining project, we conduct environmental impact assessments, which identify potential impacts and the actions required to manage them. Environmental impact assessments address many issues, such as surface and groundwater resources, water quality, air quality, soils, biodiversity (including threatened or endangered species), landscape and socio-economic conditions. The insights gained from environmental

impact assessments form the foundation for our Environmental Management Plans and systems such as ISO 14001.

Our operations at Herradura and Noche Buena are certified by the Cyanide Code, which accounts for each of their Merrill-Crowe processes and the dynamic leaching plants.

Through the Silver Institute, we participate in an industry-wide initiative on silver and the low-carbon economy. The objective is to produce more carbon footprint information for industry stakeholders, showcase carbon abatement best practices and further study silver’s lifecycle and its role as a climate-smart metal. In addition, we collaborate with our peers in the Colorado Mining Cleantech Challenge to promote innovative solutions

Environmental certification

Facility		ISO 14001	Clean Industry	International Cyanide Management Code
Exploration		Certified	–	–
Juanicipio		In process	In process Level 2	–
San Julián		In process	In process Level 1	–
Fresnillo		Certified	In process Level 2	–
Saucito		Certified	In process Level 2	–
Ciénega		In process	–	–
Penmont	Herradura	Certified	Certified Level 2	Certified
	Noche Buena	Certified	Certified Level 2	Certified



for energy efficiency and other environmental challenges.

Our engagement initiatives also extend to companies and organizations in other industries. For example, we take part in the World Environment Center (WEC), which enables us to learn best practices on climate change strategy from leading international companies. In Mexico, we are part of Cespedes (Mexican Chapter of the WBCSD) which shares best practices and engages with governments and society at

large. During 2021, we also participated in the Carbon Trust’s event Route to Net Zero in Latin America to help organizations understand the steps needed to transition towards decarbonization by learning from the region climate leaders’ initiatives. Finally, we joined the Mexico TCFD Consortium—following the success of the Japanese model—created to share lessons learnt and assist companies that are starting to adopt these recommendations to shorten their learning curve, build capacities, and improve the country’s engagement levels.



2020

We became a registered supporter of the Task Force on Climate-related Financial Disclosures.

We became a registered supporter of the TCFD in 2020 and we disclose our performance in the CDP and GEI Mexico, a voluntary disclosure program with the Mexican regulators.



Key activities:

Climate change

- **Full incorporation** of Climate-related Risks and Opportunities (CRO) in our Enterprise Risk Management and Energy Strategy; it also forms part of the agenda at all the board's Health, Safety, Environment and Community Relations Committee meetings.
- **Comprehensive identification** of CRO in our business model, connecting our people in interdisciplinary working groups and enhancing the use of scenarios to evaluate and prioritize them.
- **Increase** in the use of renewables in our energy mix over the years, accounting for almost half of our demand in 2021.
- **Seize** technological opportunities to reduce both our carbon footprint and costs by leveraging state of the art technology such as dual (diesel-LNG) systems for trucks at Herradura open pit mine, reducing the consumption of diesel.

Water stewardship

- **Implement** efficient closed water circuits, eliminating the need to discharge processed water into water streams.
- **Reuse** wastewater from municipalities and our own operations and accommodations.
- **Implement** our new technology strategy to evaluate and adopt upstream and downstream mineral processing technologies able to have positive impacts on safety (tailings), carbon and water footprint.

Biodiversity

- **Identify** species of special concern as well as protected ones, capture and release wildlife and relocate plant species, map them and provide periodic follow up.
- **Carry out** soil conservation work and plant material for erosion control.
- **Partnerships** with state governments to protect endemic endangered species, such as the Sonoran pronghorn, near our Penmont operations, and the golden eagle, in the Fresnillo district.



Tailings & Mineral Waste Management

- **Our governance** framework establishes the roles, responsibilities and accountability of the groups involved in the design, construction, operation, maintenance and surveillance of tailings storage facilities.
- **Maintain** the high standards of safety and environmental protection of tailings storage facilities through an ongoing process that requires continuous evaluation through the lifecycle of each facility. Design, construction, surveillance, maintenance and external reviews follow the best practice guides of the Mining Association of Canada (MAC), the Canadian Dam Association (CDA), the International Commission of Large Dams (ICOLD) and the International Council of Mining and Metals (ICMM).
- **Measure** our implementation of Tailings Management Systems, a center of excellence that provides shared services, formal planning and resourcing, training and a disciplined approach to investment in tailings technologies.

COMMUNITY RELATIONS

We earn and maintain the trust of our communities through meaningful engagement and by being accountable for our impacts. We recognize the strategic importance of going beyond maintaining our social license to operate—supporting the issues that matter to our communities and working with them for the long term.

Our community strategy, which embraces all phases of the mining lifecycle, aims to build mutual understanding between our operations and local communities, ensuring that we engage, develop and grow together. In addition to effective stakeholder engagement, sharing the benefits of mining plays an important role in the wellbeing of people. We create value in the regions where we operate in the form of employment, procurement, talent development, strategic community investment and the payment of our fair share of taxes. We work with our communities to develop a purposeful social investment portfolio aligned with the relevant UN SDG. Over the years, we have increased our partnerships with civil society organizations in order to build capacity in the communities where we operate.

The COVID-19 pandemic remains an unprecedented challenge, with social and economic consequences to the communities where we operate. In the first year of the pandemic, we adapted our engagement and social investment strategy to raise awareness, support the most vulnerable and collaborate with authorities through strategic donations of equipment and supplies to the health authorities in the communities where our people and their families live and work. In the

second year of the pandemic, we remained flexible and adaptable to support the issues that matter to our communities.

Education

Our goal is support inclusive and quality education as a key lever to reduce poverty and inequality. The COVID-19 pandemic has had a negative impact on education in Mexico. In 2020, our response was to migrate our education programs to digital platforms. In 2021 we partnered with our communities to support the safe return to schools.



COVID-19

How to protect yourself and others from COVID-19? training module with short videos.

Education | Key activities:

- **Collaboration** with our communities to support the safe return to school.
- **Our STEM education** activities continued, and we followed-up our “How to protect yourself and others from COVID-19?” training module with a new set of short videos. Produced with the assistance of Innovec and Director David Revilla, these films educate school students on issues including the science behind the prevention and awareness of COVID-19, caring for others and managing our emotions.
- **We launched** an education-based internet pilot project in remote communities neighboring our San Julián and Penmont units. The project aims to engage teachers and provides educational content that can be accessed through wifi.
- **In alliance with Larousse**, we donated books for the second year in row through the “Imagine, create and transform” and “Reading is growing, so let’s grow together” campaigns, which were supported by all our operations.
- **All students with scholarships** at LaSalle University continued their classes digitally and then in hybrid mode.
- **Our First Robotics** teams enrolled in the 2022 competition.
- **We supplied** equipment including playground furniture and sports equipment to schools. We also worked with the federal government’s The School is Ours program to help provide infrastructure such as restrooms, a pedagogical classroom and multipurpose sports court.
- **With support from Innovec**, we launched two pilot projects to enhance the wellbeing of children living near our Penmont mine.



We earn and maintain the trust of our communities through meaningful engagement and by being accountable for our impacts.

Health

Our goal is to ensure healthy lifestyles and promote the wellbeing of local people. The COVID-19 pandemic has continued to be challenging for our communities. In 2020, our response was to collaborate by donating personal protection equipment, ventilators and raising awareness on the use of masks. In 2021, we partnered with health authorities to support vaccination logistics in our communities.



Health | Key activities:

- **We supported** municipal vaccination logistics to encourage higher vaccination rates among our workers, families and communities.
- **We supported** rapid testing in remote communities, donating masks and raising awareness.
- **We shared** our knowledge, measures and advice to help reduce the spread of COVID-19 in our communities.
- **We supported** a safe return to school by donating masks and supplies of hygiene equipment.
- **We organized** campaigns to donate 550,000 N95, surgical and artisanal masks to communities near our operations, and also raised awareness about their usage.
- **We donated** food to vulnerable people in local communities and also through the Food Bank in the municipality of Fresnillo.
- **We provided** first-aid training to volunteers in community health centers and donated an ambulance to the Red Cross Caborca, in collaboration with civil society and authorities, to improve emergency response in neighboring communities.
- **We collaborated** with civil society and health authorities to organize our sixth Health Week in Penmont.

Water | Key activities:

- **Treatment** of municipal wastewater to reduce our freshwater consumption for mineral processing. Municipalities benefit from savings in wastewater treatment costs.
- At Ciénega, **we supported** the water network in the El Metate community, benefitting 15 families.
- At San Julián, **we monitored** 300 rainwater collection systems, providing recommendations to users and planning future interventions.
- In the Sonora region, **we provided** water tanks to communities experiencing maintenance issues with their water pumps, ensuring continued availability of water for handwashing to prevent contagion.



Water

Our goal is to reduce our freshwater footprint and ensure that our communities have access to safe water.

economy to enable an effective economic transition after mine closure. We are members of the regional mining clusters of Zacatecas, Sonora and Chihuahua, and work with them to help promote regional procurement capacities and talent development. The clusters are also an effective mechanism to maintain relationships with key stakeholders such as state governments.

Capacity building

Our goal is to generate skills in local communities, enabling people to participate in the mining value chain, and to foster the diversification of the local

Capacity building | Key activities:

- CETLAR and CETEF schools **develop** the necessary technical skills for participation in the mining value chain.
- **Entrepreneurial programs** in our operations and projects.
- Mask, uniforms and equipment **workshops were held** at San Julián and Juanicipio.
- At Penmont, **we partnered** with the Center for the Study of Deserts and Oceans (CEDO) to support the School of the Sea project, a community initiative to support fishing-related activities and deliver educational programs around marine ecosystems conservation.
- At Ciénega, **we provided** entrepreneurial training to enable women to develop small businesses.
- At Juanicipio, **we delivered** food-based projects and helped develop micro-businesses.





ETHICS, CULTURE AND DIVERSITY

Ethics

We believe that our actions and behavior should always manifest our ethical culture, and that our workforce and related third parties must embody and be consistent with our corporate values of confidence, responsibility, integrity and loyalty. Our Step-Up Culture Framework enhances ethical decision making by engaging our people and aligning their behavior to our strategy, and we use Ethisphere’s Ethics Quotient survey to monitor our ethics culture and track our progress.

During 202, we developed a company-wide scheme to build a culture of prevention and wellbeing at work that discourages harassment. It was comprised of online courses, awareness workshops, and face-to-face workshops for unionized and non-unionized personnel.

Diversity

We aspire to develop an inclusive culture where our people value diverse backgrounds, feel respected and are inspired to realize their full potential. Equity and inclusion can lead to improvements in the attraction, retention and development of talent, as well as promoting innovation and creativity. Our approach is inspired by the principle of equality and recognizes the importance of treating people appropriately and providing equal access to opportunities. Our aim is to foster an inclusive workplace where openness, belonging, and respect allow people to have a meaningful impact on the workplace.

During 2021, our gender equity program took an important step forward. Working with Aequales, we carried out a Diversity, Equity and Inclusion (DEI) diagnosis and held a workshop to implement recommendations to achieve greater equity across the company. We also designed our Women’s Leadership Program with the support of KPMG, to strengthen a culture of inclusion that promotes the attraction and development of female talent.

AWARDS

During 2021, we were part of the FTSE4Good Index, named as one of the world’s most ethical companies by Ethisphere and ranked first in the Corporate Integrity Ranking in Mexico. We also received recognition from other organizations during the year, including: Ethics and Values in Industry from the Mexican Confederation of Industrial Chambers (Concamin); the Socially Responsible Company award from the Mexican Center for Philanthropy (Cemefi); and Exceptional Company on the Social Support and Commitment, and New Ways of Working categories from the Communication Council and the Business Coordinating Council (CCE).

During 2021, we were part of the FTSE4Good Index, named as one of the world’s most ethical companies by Ethisphere and ranked first in the Corporate Integrity Ranking in Mexico.

21st

Annual Sustainable
Development Report.

About this report

With this 21st Annual Sustainable Development Report, we want to show our stakeholders Peñoles' performance as a socially responsible company.



About this report

101-2.6, 101-3.1, 101-3.2, 101-3.3, 101-3.4, 102-50, 102-51, 102-52, 102-53, 102-54-a.i,

With this 21st Annual Sustainable Development Report, which covers the period from January 1st to December 31st, 2021, we want to show—shareholders, customers, suppliers, employees and communities—Peñoles’ performance as a socially responsible company, on environmental, social and governance issues, according to the principles established by the Global Reporting Initiative (GRI) (2016-2018) under the essential compliance option. No material information was overlooked and we notified GRI about the use of its standards to prepare this report.

For the second time, we also prepared the report in accordance with the sustainability standards of the Sustainability Accounting Standards Board (SASB) for the Metals and Mining sector, version 2018-10.

Please send your comments on the content of this report to **penoles_sustentable@penoles.com.mx**. Both this and previous reports are available for consultation under the sustainability section on our website: **www.penoles.com.mx**

102-45
The financial information presented in this report includes the same entities as in the consolidated financial statements. For more details on the entities included, please refer to our Annual Report published on our website.

102-46-a
The definition of the topics included and their coverage was made by applying the content reporting principles of GRI standard (sustainability context, the organization’s activities and impacts of the organization, as well as expectations and interests of stakeholders). These principles are considered in the materiality analysis presented below.

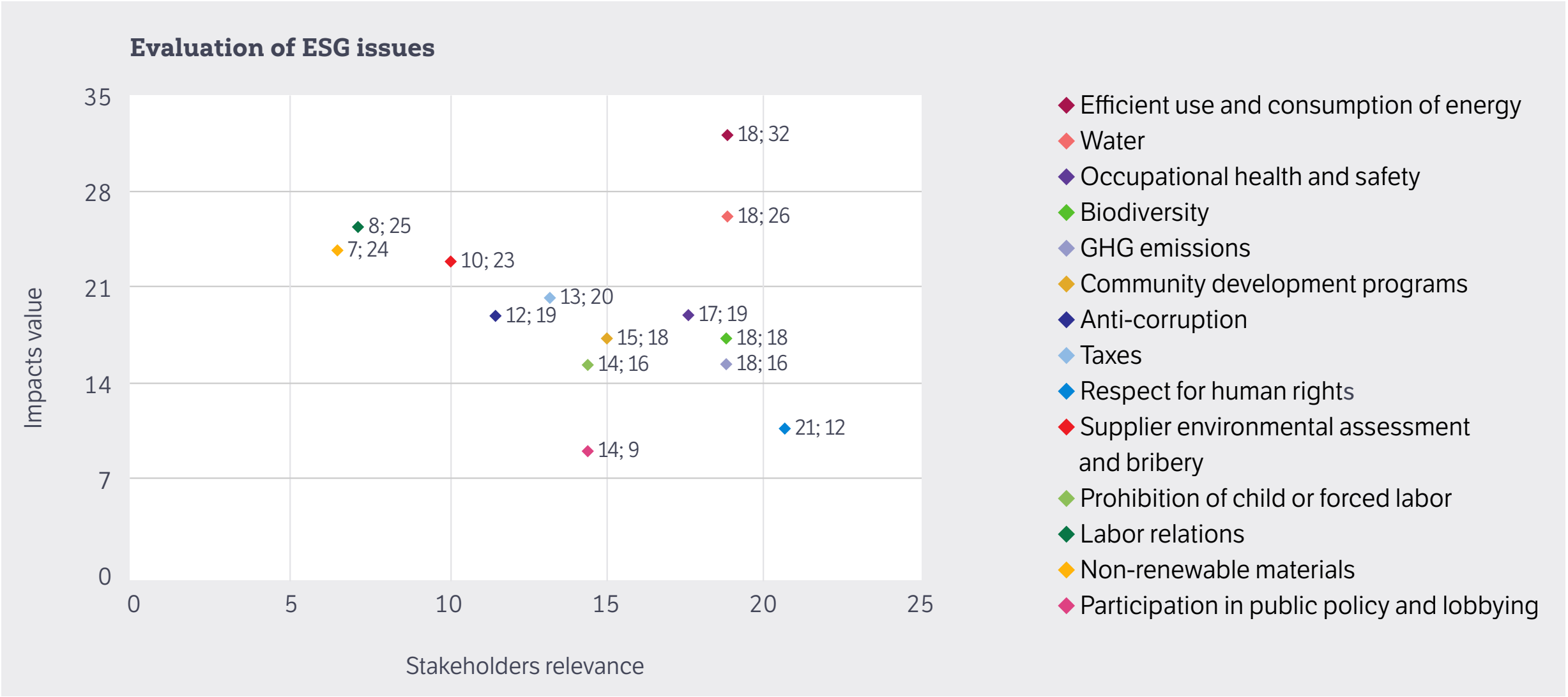
MATERIALITY ANALYSIS

101-1.1, 101-1.2, 101-1.4, 101-1.3.1, 101-1.3.2, 101-2.3, 101-2.4, 101-2.5, 102-44, 102-46-b, 102-47

The materiality analysis was carried out using the following methodology:

- a. Relevant topics were identified for the main stakeholders.
- b. Positive and negative impacts of the organization were considered.
- c. The external context of sustainability was considered by researching reports from recognized organizations and recognized experts in the field.
- d. Risks to the business were considered.

In order to establish the priorities included in the list, a weighting was carried out based on the relevance of the topic for the different stakeholders and the organization’s influence on each stakeholder group. They were ordered from the highest to the lowest, based on the result of the calculation obtained.



The material issues reported also comply with our Fifteenth Communication on Progress (CoP), in compliance with our commitments to the United Nations Global Compact. The table included at the end of the report presents the list of material issues and their compliance with GRI standards, and the information to comply with the CoP and the SDG. For the second year, we included the SASB standards for the Metals & Mining sector, and we are committed to improving our disclosure under this methodology in future reports.

APPLICATION OF THE QUALITY PRINCIPLES

101-2.1,
For the purpose of ensuring the quality of the report, the GRI standards for sustainability reporting were considered.

101-1.5, 101-1.7, 101-2.7.2, 101-2.7.3
Accuracy and clarity. The report contains tables, charts, graphs, diagrams, and photographs related to each of the material

issues with a level of detail that allows the reader to assess Peñoles’ performance on the sustainability topics indicated.

The data presented are the result of direct measurements at each key operation, as well as information calculated from those measurements, expressed in the metric decimal system. Both data are incorporated to present Peñoles’ global indicators. In the event that data are expressed in indices or rates, a notation of the components considered for their calculation is included. All financial figures are expressed in US dollars. For additional information, please visit our website: www.penoles.com.mx

101-1.6.
Balance. This report includes both positive aspects and areas of opportunity, in order to present a real and transparent image of the company.

101-1.8, 101-2.7.1
Comparability. The information included in this report has been organized in such a way as to facilitate the reading of what happened during the reporting year and, when required, of the changes compared to previous years. The purpose is to communicate clearly and consistently each of the indicators and contents reported.

101-1.9, 102-56
Reliability. In order to provide reliability for the information reported, and at the request of the company’s senior management, for the 15th consecutive year this report was assured by an independent third party: Deloitte Asesoría en Riesgos, S.C.



101-1.10, 101-2.7.4
Timeliness. Peñoles reports annually to its stakeholders on its performance in material sustainability issues, while also presenting its Annual Report. Both consider the period from January 1st to December 31st of each year. Peñoles also publishes its financial performance with quarterly reports to the Mexican Stock Exchange.



For the *second* year
we included the SASB
standards for the
Metals & Mining sector.

102-56

Independent Assurance Report

Deloitte.

LIMITED INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORT

To management of Industrias Peñoles, S.A.B. de C.V.

Identification of the subject matter information

We have been hired by Industrias Peñoles, S. A. B. de C. V. (“Peñoles” or “the Company”) to perform a limited assurance assignment on certain information contained in Peñoles 2021 Sustainable Development Report corresponding to the year ended December 31st, 2021.

Our work was carried out by an independent, multidisciplinary team that includes assurance professionals and sustainability specialists. We used the work of sustainability specialists, in particular, to help determine the logic and traceability of Peñoles sustainability aspects within the indicators assured.

Our assurance commitment does not extend to information regarding prior periods or any other information included in the 2021 Sustainable Development Report or linked from sustainability information or the 2021 Sustainable Development Report, including images, audio files or embedded videos.

Criteria

The criteria used by Peñoles to prepare the information included in the 2021 Sustainable Development Report, object of the limited assurance assignment, were established considering the terms and conditions defined by GRI (Global Reporting Initiative) Standards and the SASB (Sustainability Accounting Standards Board) indicators for the industry, which are detailed in the attached Appendix A.

Peñoles responsibility regarding subject matter information

Peñoles is responsible for:

• The content of the 2021 Sustainable Development Report, which includes determining the coverage and the performance indicators to be included that are relevant to the stakeholders to which it is directed;

• The selection and definition of the applicable criteria for the preparation of said Report. The criteria adopted by the Company are those defined in the GRI Standards and the SASB Standards for the industry;

• The availability of appropriate records to support the information management process and the execution of the performance measurement based on the established criteria.

• The design, implementation and execution of internal controls to prepare the sustainability information free from material misstatement, due to fraud or error;

• The preparation and presentation of the 2021 Sustainable Development Report.

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Deloitte.

Peñoles 2021 Sustainable Development Report 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 2021 Sustainable Development Report, Peñoles Management makes qualitative interpretations about the relevance, materiality and accuracy of the information which are subject to assumptions and judgements.

Independence and quality control

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

Our Firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore maintains a comprehensive quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable laws and regulations requirements.

Responsibility of the independent professionals regarding the assignment

Our responsibility is to express a limited assurance conclusion on certain information contained in Peñoles 2021 Sustainable Development Report based on the procedures we have performed and the evidence we have obtained. We perform our limited assurance engagement in accordance with the “International Standard for Assurance Engagements, Other than Audits or Reviews of Historical Financial Information” ISAE 3000 - Revised issued by the International Auditing and Assurance Standards Board (IAASB). This standard requires planning and performing work to obtain limited assurance about whether the information in the 2021 Sustainable Development Report is free from material error.

The procedures we performed were based on our professional judgment and included consultation, observation of processes performed, inspection of documents, analytical procedures, evaluation of the adequacy of quantification methods and reporting policies and agreement with the underlying records.

Due to the assignment circumstances, we have performed the following activities:

• Interview the Company’s management and personnel responsible for collecting the information and preparing the selected performance indicators in order to obtain an understanding of the Company’s policies on sustainability.

• Inquire to obtain a general understanding of Peñoles control environment and information systems, without evaluating the design of particular control activities nor obtaining evidence of their implementation and effectiveness.

• Understand the tools used to generate and report non-financial information through inquires with the personnel in charge.

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Carry out substantive tests on a random selective basis of sustainability information identified by Peñoles, to determine the standards and indicators subject to limited assurance and corroborate that the data has been adequately measured, recorded, compiled, and reported through:

- Inspection
 - Observation
 - Confirmation
- Recalculation
 - Re-enforcement
 - Analytical processes

- Comparison of the contents presented by the Administration with what is established in the criteria section of this report.

The Appendix A details the sustainability standards and performance indicators included in the assignment’s scope.

Our limited assurance engagement was performed only regarding the sustainability standards and performance indicators included in the Appendix A, for the year ended December 31st, 2021; and we have not performed any assurance procedure regarding prior years, future projections and goals, or any other items included in the 2021 Sustainable Development Report and, therefore, we do not express a conclusion in this regard.

A limited assurance engagement implies evaluating the Company’s use of the criteria as a guideline for the preparation of the sustainability information included in Peñoles's 2021 Sustainable Development Report; evaluating the risks of material misstatement in reporting due to fraud or error; responding to assessed risks if necessary; and evaluating the general presentation of the information in the 2021 Sustainable Development Report. The scope of a limited assurance engagement is less than that of a reasonable assurance engagement regarding both risk assessment procedures, including an understanding of internal control, and procedures performed in response to assessed risks. Therefore, we do not express a reasonable assurance conclusion about whether the sustainability information in the Company's report has been prepared in all material respects, in accordance with what is established in the criteria section of this report.

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

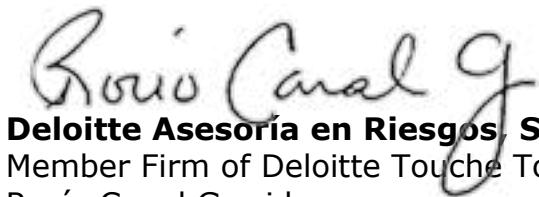
Conclusion

Based on the work performed, the procedures carried out, and the evidence obtained, no matter has come to our attention that would lead us to believe that the sustainability standards and performance indicators contained in Peñoles 2021 Sustainable Development Report for the year ended December 31st 2021, have not complied in all material aspects, as established in the criteria section of this report.



Restrictions of the use of the assurance report

Our report is issued solely for the purpose defined in the first paragraph and is not to be used for any other purpose or distributed to other parties on its own. This report refers only to the matters mentioned in the preceding sections and to the sustainability information reviewed and does not extend to any other financial and non-financial information included in the 2021 Sustainable Development Report of Grupo Financiero Peñoles, S.A.B. of C.V. for the year ended December 31st, 2021, nor to its financial statements, taken as a whole.



Deloitte Asesoría en Riesgos, S.C.
Member Firm of Deloitte Touche Tohmatsu Limited
Rocío Canal Garrido
Partner of Deloitte Asesoría en Riesgos
April 27th, 2022



APPENDIX A

Performance indicators assured::

Indicator	Description	Indicator	Description
GRI 101-1.1 (2016)	Stakeholder Inclusiveness	GRI 102-2 (2016)	Activities, brands, products, and services
GRI 101-1.2 (2016)	Sustainability Context	GRI 102-3 (2016)	Location of headquarters
GRI 101-1.3 (2016)	Materiality	GRI 102-4 (2016)	Location of operations
GRI 101-1.4 (2016)	Completeness	GRI 102-5 (2016)	Ownership and legal form
GRI 101-1.5 (2016)	Accuracy	GRI 102-6 (2016)	Markets served
GRI 101-1.6 (2016)	Balance	GRI 102-7 (2016)	Scale of the organization
GRI 101-1.7 (2016)	Clarity	GRI 102-8 (2016)	Information on employees and other workers
GRI 101-1.8 (2016)	Comparability	GRI 102-9 (2016)	Supply chain
GRI 101-1.9 (2016)	Reliability	GRI 102-10 (2016)	Significant changes to the organization and its supply chain
GRI 101-1.10 (2016)	Timeliness	GRI 102-11 (2016)	Precautionary Principle or approach
GRI 101-2.1 (2016)	Applying the Reporting Principles	GRI 102-12 (2016)	External initiatives
GRI 101-2.2 (2016)	Reporting general disclosures	GRI 102-13 (2016)	Membership of associations
GRI 101-2.3 (2016)	Identifying material topics	GRI 102-14 (2016)	Statement from senior decision-maker
GRI 101-2.4 (2016)	Identifying material topics boundaries	GRI 102-16 (2016)	Values, principles, standards, and norms of behavior
		GRI 102-17 (2016)	Mechanisms for advice and concerns about ethics
GRI 101-2.5 (2016)	Reporting on material topics	GRI 102-18 (2016)	Governance structure
GRI 101-2.6 (2016)	Presenting information	GRI 102-40 (2016)	List of stakeholder groups
GRI 101-2.7 (2016)	Compiling and presenting information in the report	GRI 102-41 (2016)	Collective bargaining agreements
GRI 101-3.1 (2016)	Claims that a report has been prepared in accordance with the GRI Standards	GRI 102-42 (2016)	Identifying and selecting stakeholders
GRI 101-3.2 (2016)	Reasons for omission	GRI 102-43 (2016)	Approach to stakeholder engagement



GRI 101-3.3 (2016)	Using selected Standards with a GRI-referenced claim	GRI 102-44 (2016)	Key topics and concerns raised
GRI 101-3.4 (2016)	Notifying GRI of the use of the Standards	GRI 102-45 (2016)	Entities included in the consolidated financial statements
GRI 102-1 (2016)	Name of the organization	GRI 102-46 (2016)	Defining report content and topic Boundaries
GRI 102-47 (2016)	List of material topics	GRI 206-1 (2016)	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
GRI 102-48 (2016)	Restatements of information	GRI 301-1 (2016)	Materials used by weight or volume
GRI 102-49 (2016)	Changes in reporting	GRI 302-1 (2016)	Energy consumption within the organization
GRI 102-51 (2016)	Date of most recent report	GRI 302-2 (2016)	Energy consumption outside of the organization
GRI 102-52 (2016)	Reporting cycle	GRI 302-3 (2016)	Energy intensity
GRI 102-50 (2016)	Reporting period	GRI 302-4 (2016)	Reduction of energy consumption
GRI 102-53 (2016)	Contact point for questions regarding the report	GRI 305-1 (2016)	Direct (Scope 1) GHG emissions
GRI 102-54 (2016)	Claims of reporting in accordance with the GRI Standards	GRI 305-2 (2016)	Energy indirect (Scope 2) GHG emissions
GRI 102-55 (2016)	GRI content index	GRI 305-4 (2016)	GHG emissions intensity
GRI 102-56 (2016)	External assurance	GRI 305-5 (2016)	Reduction of GHG emissions
GRI 103-1 (2016)	Explanation of the material topic and its Boundary	GRI 305-6 (2016)	Emissions of ozone-depleting substances (ODS)
GRI 103-2 (2016)	The management approach and its components	GRI 305-7 (2016)	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions
GRI 103-3 (2016)	Evaluation of the management approach	GRI 306-1 (2020)	Waste generation and significant waste-related impacts
GRI 201-1 (2016)	Direct economic value generated and distributed	GRI 306-2 (2020)	Management of significant waste-related impacts
GRI 201-3 (2016)	Defined benefit plan obligations and other retirement plans	GRI 306-3 (2020)	Waste generated
GRI 201-4 (2016)	Financial assistance received from government	GRI 306-4 (2020)	Waste diverted from disposal
GRI 202-1 (2016)	Ratios of standard entry level wage by gender compared to local minimum wage	GRI 306-5 (2020)	Waste directed to disposal



GRI 203-1 (2016)	Infrastructure investments and services supported	GRI 307-1 (2016)	Non-compliance with environmental laws and regulations
GRI 203-2 (2016)	Significant indirect economic impacts	GRI 308-1 (2016)	New suppliers that were screened using environmental criteria
GRI 205-1 (2016)	Operations assessed for risks related to corruption	GRI 308-2 (2016)	Negative environmental impacts in the supply chain and actions taken
GRI 205-2 (2016)	Communication and training about anti-corruption policies and procedures	GRI 401-1 (2016)	New employee hires and employee turnover
GRI 205-3 (2016)	Confirmed incidents of corruption and actions taken	GRI 401-2 (2016)	Benefits provided to full-time employees that are not provided to temporary or part-time employees
GRI 303-1 (2018)	Interactions with water as a shared resource	GRI 404-1 (2016)	Average hours of training per year per employee
GRI 303-2 (2018)	Management of water discharge-related impacts	GRI 404-2 (2016)	Programs for upgrading employee skills and transition assistance programs
GRI 303-3 (2018)	Water withdrawal	GRI 404-3 (2016)	Percentage of employees receiving regular performance and career development reviews
GRI 303-4 (2018)	Water discharge	GRI 405-1 (2016)	Diversity of governance bodies and employees
GRI 303-5 (2018)	Water consumption	GRI 405-2 (2016)	Ratio of basic salary and remuneration of women to men
GRI 304-1 (2016)	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	GRI 406-1 (2016)	Incidents of discrimination and corrective actions taken
GRI 304-2 (2016)	Significant impacts of activities, products, and services on biodiversity	GRI 407-1 (2016)	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
GRI 401-3 (2016)	Parental leave	GRI 408-1 (2016)	Operations and suppliers at significant risk for incidents of child labor
GRI 402-1 (2016)	Minimum notice periods regarding operational changes	GRI 409-1 (2016)	Operations and suppliers at significant risk for incidents of forced or compulsory labor
GRI 403-1 (2018)	Occupational health and safety management system	GRI 411-1 (2016)	Incidents of violations involving rights of indigenous peoples
GRI 403-2 (2018)	Hazard identification, risk assessment, and incident investigation	GRI 412-1 (2016)	Operations that have been subject to human rights reviews or impact assessments
GRI 403-3 (2018)	Occupational health services	GRI 412-2 (2016)	Employee training on human rights policies or procedures



GRI 403-4 (2018)	Worker participation, consultation, and communication on occupational health and safety	GRI 412-3 (2016)	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
GRI 403-5 (2018)	Worker training on occupational health and safety	GRI 413-1 (2016)	Operations with local community engagement, impact assessments, and development programs
GRI 403-6 (2018)	Promotion of worker health	GRI 413-2 (2016)	Operations with significant actual and potential negative impacts on local communities
GRI 403-7 (2018)	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	GRI 414-1 (2016)	New suppliers that were screened using social criteria
GRI 403-8 (2018)	Workers covered by an occupational health and safety management system	GRI 414-2 (2016)	Negative social impacts in the supply chain and actions taken
GRI 403-9 (2018)	Work-related injuries	GRI 415-1 (2016)	Political contributions
GRI 403-10 (2018)	Work-related ill health	GRI 416-1 (2016)	Assessment of the health and safety impacts of product and service categories
GRI G4 MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	GRI 416-2 (2016)	Incidents of non-compliance concerning the health and safety impacts of products and services
GRI G4 MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	GRI 417-1 (2016)	Requirements for product and service information and labeling
GRI G4 MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks	GRI 417-2 (2016)	Incidents of non-compliance concerning product and service information and labeling
GRI G4 MM4	Number of strikes and lock-outs exceeding one week’s duration, by country	GRI 417-3 (2016)	Incidents of non-compliance concerning marketing communications
GRI G4-MM5	Total number of operations taking place in or adjacent to indigenous peoples’ territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples’ communities	GRI 418-1 (2016)	Substantiated complaints concerning breaches of customer privacy and losses of customer data
GRI G4-MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	GRI 419-1 (2016)	Non-compliance with laws and regulations in the social and economic area



GRI G4-MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes	SASB EM-MM-210a.3	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict
GRI G4 MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks	SASB EM-MM-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests
GRI G4 MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	SASB EM-MM-310a.1	Percentage of active workforce covered under collective bargaining agreements, broken down by U.S. and foreign employees
GRI G4 MM10	Number and percentage of operations with closure plans	SASB EM-MM-510a.1	Description of the management system for prevention of corruption and bribery throughout the value chain
SASB EM-MM-150a.3	Number of tailings impoundments, broken down by MSHA hazard potential	SASB EM-MM-510a.2	Production in countries that have the 20 lowest rankings in Transparency International’s Corruption Perception Index
SASB EM-MM-160a.1	Description of environmental management policies and practices for active sites	SASB EM-MM-000.A	Production of (1) metal ores and (2) finished metal products
SASB EM-MM-160a.3	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat		

This appendix is part of our Independent Assurance Report dated April 27th, 2022.



Deloitte Asesoría en Riesgos, S.C.
Rocío Canal Garrido
Partner of Deloitte Asesoría en Riesgos, S.C.
Deloitte Touche Tohmatsu Limited affiliated Firm

GRI content index

102-55, 101-2.6, 101-3.1

This report has been prepared in accordance with the GRI Standards: Core option. The following index contains the material topics for the Company. Compliance with the requirements included in GRI 102 is met: General Contents.

Description	Indicador	Page
FOUNDATION	GRI 101	
Stakeholder inclusiveness	101-1.1	19, 105
Sustainability Context	101-1.2	16, 105
Materiality	101-1.3	105
Completeness	101-1.4	105
Accuracy	101-1.5	106
Balance	101-1.6	106
Clarity	101-1.7	106
Comparability	101-1.8	106
Reliability	101-1.9	106
Timeliness	101-1.10	106
Applying the reporting principles	101-2.1	106
		16, 21, 35, 37, 43, 47, 48, 68, 71, 75,
Reporting general disclosures	101-2.2	
Identifying material topics	101-2.3	105
Identifying their boundaries	101-2.4	105
		16, 21, 35, 37, 43, 47, 48, 68, 71, 75,
Reporting on material topics	101-2.5	81, 105
Presenting information	101-2.6	112
Compiling and presenting information in the report	101-2.7	106
Claims that a report has been prepared in accordance with the GRI Standards	101-3.1	105, 112
Reasons for omission	101-3.2	105
Declaration of using selected Standards with a GRI-referenced claim	101-3.3	105
Notifying GRI of the use of the Standards	101-3.4	105
GENERAL INFORMATION DISCLOSURE	GRI 102	
1. Organizational profile		
Name of the organization	102-1	7
Activities, brands, products and services	102-2	7, 8
Location of headquarters	102-3	11
Location of operations	102-4	11
Ownership and legal form	102-5	7
Markets served	102-6	8

Description	Indicador	Page
Scale of the organization	102-7	7, 8, 11, 33, 36
Information on employees and other workers	102-8	36
Supply chain	102-9	37
Significant changes to the organization and its supply chain	102-10	7, 36
Precautionary principle	102-11	18
External initiatives	102-12	16
Membership of associations	102-13	13
2. Strategy and analysis		
Statement from the CEO	102-14	4
Key impacts, risks, and opportunities	102-15	18
3. Ethics and integrity		
Values, principles, standards, and norms of behavior	102-16	21
4. Governance		
Mechanisms for advice and concerns about ethics	102-17	27
Governance structure	102-18	15
5. Stakeholder engagement		
List of stakeholder groups	102-40	19, 20
Collective bargaining agreements	102-41	70
Identifying and selecting stakeholders	102-42	19, 20
Approach to stakeholder engagement	102-43	20
Key topics and concerns raised	102-44	105
6. Reporting practice		
Entities included in the consolidated financial statements	102-45	11, 33, 105
Defining report content and topic boundaries	102-46	105
List of material topics	102-47	17, 105
Restatements of information	102-48	59
Changes in reporting	102-49	17, 32
Reporting period	102-50	105
Date of most recent report	102-51	105
Reporting cycle	102-52	105
Contact point for questions regarding the report	102-53	115
Claims of reporting in accordance with the GRI Standards	102-54	105
GRI Content Index	102-55	112
		106, 107
External Assurance	102-56	
MANAGEMENT APPROACH	GRI 103	
Explanation of the material topic and its boundary	103-1	16
The management approach and its components	103-2	16
Evaluation of the management approach	103-3	16

Description	Indicador	Page
ECONOMIC PERFORMANCE		
Economic Performance	GRI 201	
Information on the management approach to economic performance, presence in the market, direct and indirect economic impacts and procurement practices.	103-1, 103-2, 103-3	32
Direct economic value generated and distributed	201-1	32, 33
Defined benefit plan obligations and other retirement plans	201-3	35
Financial assistance received from governments	201-4	22
Market presence	GRI 202	
Ratios of standard entry level wage by gender compared to local minimum wage	202-1	32, 35
Indirect economic impacts	GRI 203	
Infrastructure investments and services supported	203-1	32, 33
Significant indirect economic impacts	203-2	32, 34
Anti-Corruption	GRI 205	
Information on management approach to anti-corruption measures	103-1, 103-2, 103-3	21
Operations assessed for risks related to corruption	205-1	21, 23
Communication and training about anti-corruption policies and procedures	205-2	21
Confirmed incidents of corruption and actions taken	205-3	22, 27
Anti-competitive behavior	GRI 206	
Information on management approach to anti-competitive behavior	103-1, 103-2, 103-3	22
Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	206-1	22
Management approach for tax	103-1, 103-2, 103-3	32
Approach to tax	207-1	32
ENVIRONMENT		
Information on management approach to materials, energy and climate change, water management, biodiversity, emissions, effluents and waste, legal compliance and environmental assessment of Suppliers	103-1, 103-2, 103-3	47
Materials	GRI 301	
Materials used by weight of volume	301-1	58
Energy	GRI 302	
Energy consumption within the organization	302-1	49, 50
Energy consumption outside of the organization	302-2	50
Energy intensity	302-3	51
Reduction of energy consumption	302-4	51
Reductions in energy requirements of products and services	302-5	51
Water	GRI 303	
Interactions with water as a shared resource	303-1	55
Management of water discharge-related impacts	303-2	57

Description	Indicador	Page
Water withdrawal	303-3	55
Water discharge	303-4	57
Water consumption	303-5	55, 56
Biodiversity	GRI 304	
Facilities adjacent to protected areas and areas of high diversity value outside protected areas	304-1	65
Significant impacts of activities, products or services on biodiversity	304-2	65
Amount of land (owned or rented and managed for production activities or extractive use) impacted or rehabilitated	G4 MM1	65
Number and percentage of total identified sites that require biodiversity management plans according to established criteria and the number (percentage) of those sites with plans in place	G4 MM2	65
Emissions	GRI 305	
GHG direct emissions (scope 1)	305-1	52
GHG indirect emissions (scope 2)	305-2	52
Other indirect GHG emissions (scope 3)	305-3	52
Intensity of GHG emissions	305-4	53
Reduction of GHG emissions	305-5	53
Emissions of ozone-depleting substances (ODS)	305-6	53
Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant emissions	305-7	54
Waste	GRI 306	
Waste generation and significant waste-related impacts	306-1	58
Management of significant waste-related impacts	306-2	58
Waste generated	306-3	59
Total amount of overloads, rocks, tailings and waste and their associated risks	G4 MM3	58, 61
Waste diverted from disposal	306-4	59
Waste directed to disposal	306-5	59
Environmental compliance	GRI 307	
Non-compliance with environmental laws and regulations	307-1	22, 48
Number of operations with closure plans	G4 MM10	66
Environmental evaluation of Suppliers	GRI 308	
New suppliers that were screened using environmental criteria	308-1	37, 40
Negative environmental impacts in the supply chain and actions taken	308-2	37, 40
SOCIAL PERFORMANCE		
Employment	GRI 401	
Information on the employment management approach, the management of labor relations, training and capacity building, diversity and equal opportunities, non-discrimination, freedom of association and collective agreements, child labor, forced labor, security practices (surveillance), rights of the indigenous and human rights.	103-1, 103-2, 103-3	35
New employees hired and employee turnover	401-1	36
Benefits provided to full-time employees that are not provided to temporary or part-time employees	401-2	35
Parental leave	401-3	36

Description	Indicador	Page
Labor/management relations	GRI 402	
Minimum notice periods regarding operational changes	402-1	70
Number of strikes and work stoppages exceeding one week, by country	G4 MM4	70
Occupational health and safety	GRI 403	
Information on management approach to occupational health and safety	103-1, 103-2, 103-3	71
Occupational health and safety management system	403-1	71
Hazard identification, risk assessment, and incident investigation	403-2	73
Occupational health services	403-3	75
Worker participation, consultation, and communication on occupational health and safety	403-4	72
Worker training on occupational health and safety	403-5	73
Promotion of worker health	403-6	75, 79
Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	403-7	72, 75
Workers covered by an occupational health and safety management system	403-8	71
Work-related injuries	403-9	74
Work-related ill health	403-10	75
Training and education	GRI 404	
Average training hours per year per employee	404-1	69
Modernization programs for employee skills and transition assistance programs	404-2	69
Percentage of employees receiving regular performance and career development reviews	404-3	68
Diversity and equal opportunities	GRI 405	
Diversity of governance bodies and employees	405-1	36
Relationship between the base salary and remuneration of men and women	405-2	35
Non-discrimination	GRI 406	
Incidents of discrimination and corrective actions taken	406-1	22
Freedom of association and collective agreements	GRI 407	
Operations and suppliers in which the right of freedom of association and collective bargaining may be at risk	407-1	39, 70
Child labor	GRI 408	
Operations and significant suppliers identified that carry a significant risk of incidents of child exploitation	408-1	35, 39
Forced or compulsory labor	GRI 409	
Operations and significant suppliers identified that carry a significant risk of incidents of forced or compulsory labor	409-1	39
Rights of the indigenous people	GRI 411	
Incidents of violations involving rights of indigenous people	411-1	22
Total number of operations taken place in or adjacent to indigenous people's territories.	G4-MM5	83

Description	Indicador	Page
Human Rights Assessment	GRI 412	
Operations that have been subject to human rights reviews or assessments of impacts	412-1	30, 39
Employee training on human rights policies and procedures	412-2	69
Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	412-3	33
Local communities	GRI 413	
Information on management approach to local communities	103-1, 103-2, 103-3	81
Operations with local community engagement, impact assessment and development programs	413-1	81, 83, 84, 85, 89, 93
Operations with significant actual and potential negative impacts on local communities	413-2	89
Number (and percentage) of company sites that operate or are adjacent to the site where artisanal or small-scale mining (ASM) takes place; the associated risks and the actions taken to manage and mitigate those risks	G4 MM8	83
Sites where there are resettlements, number of communities resettled in each one and the involvement of neighbors in this process	G4 MM9	83
Supplier social assessment	GRI 414	
Information on management approach to social assessment of suppliers	103-1, 103-2, 103-3	37
New suppliers that were screened using social criteria	414-1	37, 40
Negative social impacts in the supply chain and actions taken	414-2	37, 40
Public policy	GRI 415	
Political contributions	415-1	22
Customer health and safety	GRI 416	
Information on the management approach to the safety and health of customers, product labeling, and marketing, customer privacy	103-1, 103-2, 103-3	43
Assessment of the health and safety impacts of products and service categories	416-1	43
Incidents of non-compliance concerning the health and safety impacts of products and services	416-2	44
Labeling and marketing	GRI 417	
Requirements for product and services information and labeling	417-1	43, 44
Incidents of non-compliance concerning products and services information and labeling	417-2	44
Incidents of non-compliance concerning marketing communications	417-3	44
Customer privacy	GRI 418	
Substantiated complaints concerning breaches of customer privacy and losses of customer data	418-1	44
Socioeconomic compliance	GRI 419	
Non-compliance with laws and regulations in the social and economic area	419-1	22

GRI-GCP Relationship

GRI-GCP Relationship		Global Compact Principles									
		Support and respect human rights	Do not be complicit in human rights abuses	Uphold freedom of association and right to collective bargaining	Eliminate all forms of forced and compulsory labor	Abolition of child labor	Eliminate all forms of forced and compulsory labor	Precautionary approach to environmental challenges	Promote greater environmental responsibility	Encourage environmentally friendly technologies	Work against corruption
SDR GRI	Description	1	2	3	4	5	6	7	8	9	10
201	Economic performance	•									•
202	Market presence	•					•				•
203	Indirect economic impacts	•		•	•	•	•				•
205	Anti-corruption	•	•				•				•
206	Anti-competitive behavior										•
301	Materials	•						•	•	•	
302	Energy	•						•	•	•	
303	Water	•						•	•	•	
304	Biodiversity	•						•	•	•	
305	Emissions	•						•	•	•	
306	Waste	•						•	•	•	
307	Environmental compliance	•						•	•	•	
308	Environmental evaluation of suppliers	•						•	•	•	
401	Employment	•		•			•				
402	Labor-management relations	•	•	•							
403	Occupational health and safety	•									
404	Training and education	•					•				
405	Diversity and equal opportunities	•					•				•
406	Non-discrimination	•					•				
407	Freedom of association and collective agreements	•	•	•			•				
408	Child labor	•	•			•					
409	Forced or compulsory labor	•	•		•						
410	Safety practices	•	•								
411	Rights of indigenous people	•	•	•	•	•					
412	Human rights assessment	•	•	•	•	•	•	•	•	•	•
413	Local communities	•	•					•	•		•
414	Supplier social assessment	•	•	•	•	•	•				
415	Public policy		•								•
416	Customer health and safety	•								•	
417	Labeling and marketing	•							•	•	
418	Customer privacy	•									
419	Socioeconomic compliance	•		•	•	•	•				•

Sustainability Accounting Standards Board (SASB)

SASB standards are designed to identify a minimum set of sustainability issues most likely to impact the operating performance or financial condition of the typical company in an industry, regardless of location.









We present this Report considering the sustainability standards prepared by the Sustainability Accounting Standards Board (SASB) for the Metals and Mining sector, version 2018-10.




Description	Code	Page
Greenhouse Gas Emissions	EM-MM-110a	
Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	EM-MM-110a.1	52, 53
Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions	EM-MM-110a.2	53
Air Quality	EM-MM-120a	
Air emissions of the following pollutants: (1) CO, (2) NO _x (excluding N ₂ O), (3) SO _x , (4) particulate matter (PM10), (5) mercury (Hg), (6) lead (Pb), and (7) volatile organic compounds (VOCs).	EM-MM-120a.1	54
Energy Management	EM-MM-130a	
(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	EM-MM-130a.1	50
Water Management	EM-MM-140a	
(1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	EM-MM-140a.1	56
Number of incidents of non-compliance associated with water quality permits, standards, and regulations	EM-MM-140a.2	57
Waste & Hazardous Materials Management	EM-MM-150a	
Total weight of tailings waste, percentage recycled	EM-MM-150a.1	59
Total weight of mineral processing waste, percentage recycled	EM-MM-150a.2	60
Number of tailings impoundments, broken down by MSHA hazard potential	EM-MM-150a.3	61
Biodiversity Impacts	EM-MM-160a	
Description of environmental management policies and practices for active sites	EM-MM-160a.1	65, 66
"Percentage of mine sites where acid rock drainage is: (1) predicted to occur, (2) actively mitigated, and (3) under treatment or remediation"	EM-MM-160a.2	NR
Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	EM-MM-160a.3	65

Description	Code	Page
Security, Human Rights & Rights of Indigenous Peoples	EM-MM-210a	
Percentage of (1) proved and (2) probable reserves in or near areas of conflict	EM-MM-210a.1	NR
Percentage of (1) proved and (2) probable reserves in or near indigenous land	EM-MM-210a.2	NR
Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	EM-MM-210a.3	16, 22, 81, 83
Community Relations	EM-MM-210b	
Discussion of process to manage risks and opportunities associated with community rights and interests	EM-MM-210b.1	81
Number and duration of non-technical delays	EM-MM-210b.2	NR
Labor Relations	EM-MM-310a	
Percentage of active workforce covered under collective bargaining agreements, broken down by U.S. and foreign employees	EM-MM-310a.1	70
Number and duration of strikes and lockouts	EM-MM-310a.2	70
Workforce Health & Safety	EM-MM-320a	
(1) MSHA 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) full-time employees and (b) contract employees	EM-MM-320a.1	73, 74
Business Ethics & Transparency	EM-MM-510a	
Description of the management system for prevention of corruption and bribery throughout the value chain	EM-MM-510a.1	21, 23, 39
Production in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	EM-MM-510a.2	30
Activity Metric	EM-MM-000	
Production of (1) metal ores and (2) finished metal products	EM-MM-000.A	10
Total number of employees, percentage contractors	EM-MM-000.B	36

NR (Not Reported)

GRI-SDG-UNGC relationship

ODS	Goal	GRI
	1.1	207-1, 207-2, 207-3, 207-4
	1.2	202-1, 203-2
	1.3	207-1, 207-2, 207-3, 207-4
	1.4	203-2, 413-2-a
	2.3	411-1, 413-2-a
	3.2	401-2-a
	3.3	403-6-b, 403-10
	3.4	403-10
	3.5	403-6-b
	3.6	403-9-a, 403-9-b, 403-9-c
	3.7	403-6-a, 403-6-b
	3.8	203-2, 403-6-a, 305-1, 305-2, 305-3, 305-6-a, 305-7, 306-1, 306-2-a, 306-2-b, 306-2-c, 306-3-a, 306-4-a
	3.9	306-4-b, 306-4-c, 306-4-d, 306-5-a, 306-5-b, 306-5-c, 306-5-d, 403-9-b, 403-9-c, 403-10
	4.3	404-1-a
	4.4	404-1-a
	4.5	404-1-a
	5.1	202-1, 401-1, 404-1-a, 401-3, 404-3-a, 405-1, 405-2-a, 406-1
	5.2	408-1-a, 409-1-a, 414-1-a, 414-2
	5.4	203-1, 401-2, 401-3
	5.5	102-22-a, 102-24, 405-1
	6.3	303-1-a, 303-1-c, 303-2-a, 303-4, 306-1, 306-2-a, 306-2-b, 306-2-c
	6.4	303-1-a, 303-1-c, 303-3-c, 303-5-a, 303-5-b
	6.6	304-1-a, 304-2, 304-3-a, 304-3-b, 304-4-a, 306-1-a, 306-3-a, 306-3-b, 306-3-c, 306-5-a
	6.A	303-1-a, 303-1-c
	6.B	303-1-a, 303-1-c
	7.2	302-1, 302-2
	7.3	302-1, 302-2-a, 302-3-a, 302-4-a, 302-5-a
	8.1	201-1
	8.2	201-1, 203-2, 404-1-a, 404-2
	8.3	203-2, 204-1-a
	8.4	301-1-a, 301-2-a, 301-3, 302-1, 302-2-a, 302-3-a, 302-4-a, 302-5-a, 306-2-a
	8.5	102-8-a, 102-8-b, 102-8-c, 102-8-d, 202-1, 202-2-a, 203-2, 401-1, 401-2-a, 401-3, 404-1-a, 404-2, 404-3-a, 405-1, 405-2-b
	8.6	401-1
	8.7	408-1, 409-1, 409-1-b
	8.8	102-41-a, 402-1, 403-1-a, 403-1-b, 403-2-a, 403-2-b, 403-2-c, 403-2-d, 403-3-a, 403-4-a,403-4-b, 403-5-a, 403-7-a, 403-8, 403-9, 403-10, 406-1, 407-1, 414-1-a, 414-2

ODS	Goal	GRI
	9.1	201-1, 203-1
	9.4	201-1, 203-1
	9.5	201-1
	10.3	102-8-a, 102-8-c, 401-1, 404-1-a, 404-3-a, 405-2-a
	10.4	207-1, 207-2, 207-3, 207-4
	11.2	203-1
	11.6	306-1, 306-2-a, 306-2-b, 306-2-c, 306-3-a, 306-4-a, 306-4-b, 306-4-c, 306-4-d, 306-5-a, 306-5-b, 306-5-c, 306-5-d
	12.2	301-1-a, 301-2-a, 301-3-a, 302-1, 302-2-a, 302-3-a, 302-4-a, 302-5-a
	12.4	303-1-a, 303-1-c, 305-1, 305-2, 305-3, 305-6-a, 305-7, 306-1, 306-2-a, 306-2-b, 306-2-c, 306-3-a, 306-3-b, 306-3-c, 306-4-a, 306-4-b, 306-4-c, 306-4-d, 306-5-a, 306-5-b, 306-5-c, 306-5-d
	12.5	301-2-a, 301-3-a, 306-1, 306-2-a, 306-2-b, 306-2-c, 306-3-a, 306-4-a, 306-4-b, 306-4-c, 306-4-d, 306-5-a, 306-5-b, 306-5-c, 306-5-d
	12.8	417-1
	13.1	201-2-a, 302-1, 302-2-a, 302-3-a, 302-4-a, 302-5-a, 305-1, 305-2, 305-3, 305-4-a, 305-5-a
	14.2	304-1-a, 304-2, 304-3-b
	14.3	305-1, 305-2, 305-3, 305-4-a, 305-5-a, 305-7
	15.1	304-1-a, 304-2, 304-3, 304-4-a, 306-3-a, 306-3-b, 306-3-c, 306-5-a
	15.2	305-1, 305-2, 305-3, 305-4-a, 305-5-a, 305-7
	15.5	304-1-a, 304-2, 304-3, 304-4-a
	16.1	403-9-a, 403-9-b, 403-9-c, 403-10, 410-1, 414-1-a, 414-2
	16.2	408-1
	16.3	102-16-a, 102-17-a, 206-1, 307-1-a, 416-2, 417-2, 417-3, 418-1, 419-1-a
	16.5	205-1, 205-2, 205-3, 415-1-a
	16.6	102-23, 102-25
	16.7	102-21, 102-22-a, 102-24, 102-29, 102-37, 403-4-a, 403-4-b
	16.10	418-1
	17.1	207-1, 207-2, 207-3, 207-4
	17.3	207-1, 207-2, 207-3, 207-4



Contact information

102-53

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

*Para la version en español de este informe, favor de contactar:
penoles_sustentable@penoles.com.mx
Gerencia Corporativa de Medioambiente y Desarrollo Sustentable*

Tel.: +52(871)729 5500 ext. 7024

OFFICES

BAL HEADQUARTERS

Calzada Legaria 549, Torre 2
Col. 10 de Abril
11250 Mexico City, Mexico
Phone: 01 (55) 5279 3000

OFFICES

Blvd. Laguna 3200 Pte.
Col. Metalúrgica
27370 Torreón, Coahuila, Mexico
Phone: 01 (871)729 5500



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