



PEÑOLES

Climate Change Progress Report

Following TCFD principles

September 30th, 2022

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Letter from the CEO

Climate change is undoubtedly one of the greatest global challenges of our time, representing both risks and opportunities for our company. At Peñoles, our purpose is to "generate opportunities and well-being by providing essential resources in a sustainable manner." The metals we produce are essential to human life and society, the improvement of urban infrastructure, and crucial components in emerging technologies for the transition to a low-carbon economy. Peñoles recognizes that the mining and metallurgical activities of our sector can have significant impacts on the environment and society, and therefore assumes its responsibility by joining the efforts of the different economic, governmental, and social actors in order to achieve the goals of the Paris Agreement and prevent the worst effects of climate change.

Peñoles is committed to aligning reporting with the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). The public establishment of ESG targets and third-party validated reporting of our progress towards achieving them is critical. Transparency is fundamental to Peñoles.

This report is intended to explain to stakeholders how we are addressing climate change impact management in our operations. We have started on the path by which, through scenario planning, risk analysis, setting targets that translate into actions and implementing preventive measures, we will minimize negative impacts and maximize positive impacts, contributing to the solution of this global problem.

Throughout 2023, we will take important steps to advance on this path. We have established a dedicated Energy and Decarbonization program, and embedded emissions reduction targets into our capital investment and strategic planning process. We will refine the process as we develop and execute our roadmaps.

We firmly believe that to address climate change and shape our industry for the future, we must have the vision, ambition and technical expertise. Peñoles looks to the future with a legacy of 134 years of history, strengthening our commitment to our purpose of creating value and improving lives through sustainable and responsible practices that ensure the well-being of present and future generations.

Peñoles' commitment and importance of climate change

We present our first TCFD Report, which demonstrates our commitment to sustainability and transparency. This report details corporate governance responsibilities related to climate change, new strategies, and risk management, as well as the publication of certain performance indicators. We have much to learn and unlearn, but this is just the beginning to demonstrate to our investors, customers, employees, and all of our stakeholders that we have the initiative to continue to demonstrate positive changes in disclosure.

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

Peñoles has been a pioneer in Mexico in taking the initiative to publish a report on the company's environmental performance since 2000.

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 prosper amidst a panorama of uncertainty and change for the benefit of our stakeholders.

The organization is committed to continue building relationships and working with its stakeholders (suppliers, customers, communities, etc.) that also have a specific commitment to Climate Change, always considering their needs and interests.

This far-reaching transformation has involved deep reflection at all levels of the organization, as it entails a process of cultural change and a new way of doing things.

This report and the actions presented are the result of extensive consultation, deep reflection, and teamwork from different areas of the company. We are determined to follow through and implement the proposed solutions; our actions will always be supported by practical and well costed plans. All progress achieved will be subject to continuous and transparent reporting.

Peñoles as a pioneer in clean energy

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. Peñoles has a portfolio of clean energy generation sources (wind power plants) and internal cogeneration initiatives. With a full year of operation of Eolica Mesa la Paz, the most recent plant,

we were able to increase the share of renewable sources in our consumption from 40.6% to 47.8%; however, only 6.5% of the energy generated by this plant could be assigned to an operating unit, and the rest was sold to the Wholesale Electricity Market (WEM) because the Energy Regulatory Commission (known in Spanish as CRE) is still in the process of migrating loads to the WEM. As a result of the above, it was necessary to make energy purchases from the Mexican National Grid (CFE) for 15.0% of our consumption.

We have a goal that by 2028, 100% of our operations' electricity consumption will come from clean sources to the extent that the national regulatory framework allows us to do so. We are also analyzing the opportunities offered by emerging technologies, such as battery storage and green hydrogen production.

Through our subsidiary Fresnillo plc and the Silver Institute, we are participating in an industry-wide initiative related to silver and the low-carbon economy. The goal is to generate more carbon footprint information for industry stakeholders, showcase best practices for reducing carbon, and further study the life cycle of silver and its role as an environmentally safe metal. In addition, we collaborate with our peers in the Colorado Mining Cleantech Challenge to promote innovative solutions for energy efficiency, among other environmental challenges. Peñoles is also participating in an initiative of the International Zinc Association to standardize and make transparent the calculation of emissions in the zinc life cycle.

Rafael Rebollar
CEO

Contribution of mining and metals to the energy transition

Some of the metals we produce play a very important role in the daily life activities of people all over the world. For example:

Connectivity: From smartphones and computers to the internet of things, the way we live, work and play is transforming at an even faster pace. People and businesses are more connected than ever before. With the best electrical and thermal conductivity of all metals, silver is a key component in electronics driving this unstoppable trend.

Proven and emerging technologies: Our metals are essential to technologies leading the fight against climate change, such as electric vehicles and solar panels. While silver nanoparticles stop the spread of germs in food packaging, aerosols and cosmetics, gold is used in some medical tests, and both metals are key to technologies used in water treatment.

Infrastructure: Copper which, due to its excellent electrical and thermal conductivity, has become one of the most widely used metals to maximize efficiency and savings in the transmission of energy and its use in processes.

Governance

Role of the Board of Directors and the Audit and Corporate Practices Committee

At Peñoles we recognize the relevance of climate change and the importance of its consideration in the strategic decisions of the Board of Directors. We are committed to progressively incorporate climate transition considerations into our strategic plans, budgets, risk management and investment projects.

Our directors Arturo Manuel Fernández Pérez and Jaime Lomelín Guillén have relevant experience in climate change and its implications in energy, mining, metals and chemicals.

As part of our commitment to Environmental, Social and Governance (ESG) issues, the Corporate Audit and Corporate Practices Committee (CAPS) is now responsible for assessing the effectiveness

of the due diligence mechanism for concentrates and other materials from our own and third-party mines that are processed in our metallurgical business.

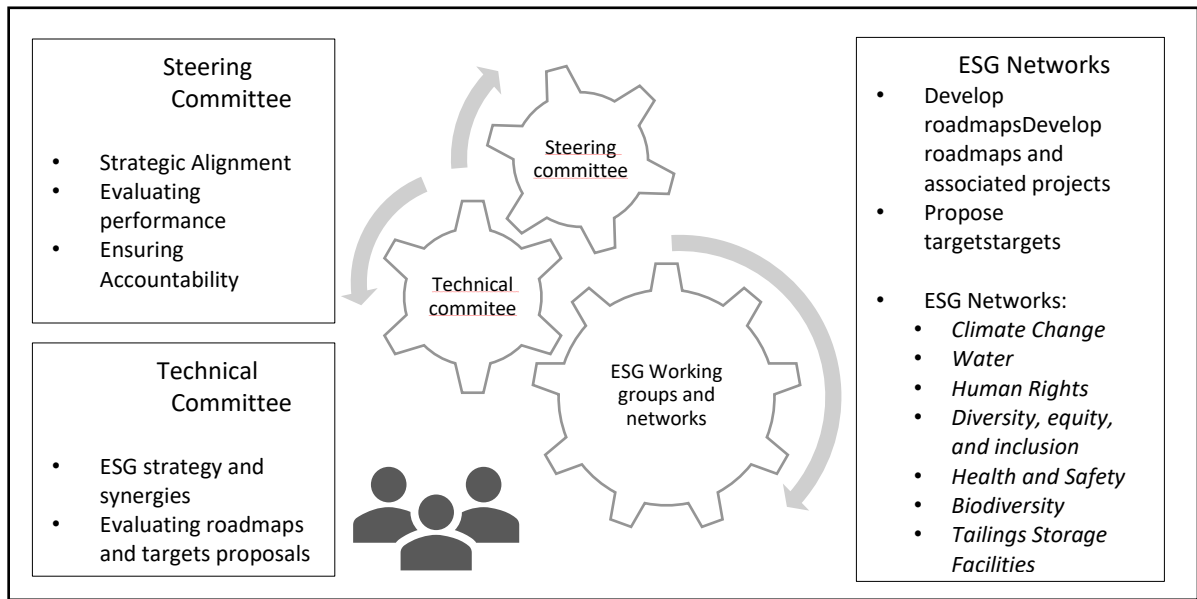
Role and Responsibilities of the management team

At Peñoles we aim to create opportunities and contribute to well-being by providing essential resources in a sustainable manner. Our purpose inspired us to launch the "Socio-environmental Compatibility" strategy with the following objectives:

- *Governance*: Ensure internal coordination in order to ensure the desired results.
- *Socio-environmental performance*: Anticipate the challenges and demands of society and transform ourselves to obtain a socio-environmental performance of excellence, according to the best national and international standards.
- *Recognized leaders in ESG issues*: Consolidate our "ESG way" to generate trust in society and guarantee the permanence of the business.

Peñoles' ESG governance framework consists of 3 levels:

- A *Steering Committee* responsible for the alignment between the business strategy and the ESG strategy, including the climate change strategy. The Steering Committee approves the ESG goals and objectives proposed by the technical committee and ensures the organization's accountability.
- A *Technical Committee* to evaluate the ESG strategy and enhance synergies between ESG themes. For example, the water adaptation strategy in the face of climate change impacts. The Technical Committee is responsible for reviewing the sustainability of roadmaps and the feasibility of proposed targets generated by the ESG networks.
- *ESG working groups* responsible for designing roadmaps, establishing associated projects and proposing targets for each ESG theme. The working groups are responsible for growing ESG networks for the purpose of implementing the roadmaps in operations. One of the ESG networks is dedicated to Climate Change with the purpose of developing a decarbonization roadmap, adaptation pathways to the physical impacts of climate change and the climate change risk management system.



Peñoles' operations currently have annual energy efficiency objectives that are considered in the evaluation of the performance and incentives of our operations, for example: the savings measures implemented, energy consumption per ton of ore processed and/or product and cost efficiency, among others.

Strategy

Our climate change strategy is based on the belief that we can contribute to sustainable development by sourcing essential metals, but also by developing adaptation and resilience capabilities in our business units and neighboring communities, as well as moving towards a low-carbon economy.

Our business model faces physical and transitional risks. Changes in weather patterns pose physical risks to our people, communities, and mining, metallurgical and chemical operations. Changes in national and international regulations, demand for green metals, and the expectations of our stakeholders mean risks and opportunities to transition to a low-carbon economy.

Climate Change Risks and Opportunities

Identifying climate change risks and opportunities in our value chain is fundamental to the development of our transition strategy. To identify risks and opportunities we use scenarios that allow us to explore future conditions and possible consequences. The identification of risks takes as reference time horizons compatible with the life cycle of our business and the global carbon neutrality ambition period.

Scenarios and Time Horizons

Our scenarios are sets of plausible representations of future climate conditions and society's responses to mitigate and adapt to the impacts of climate change. Our scenarios use combinations of Representative Concentration Pathways (RCPs) for understanding physical impacts and Shared Socio-economic Pathways (SSPs) for understanding transition risks. These scenarios were established by the Intergovernmental Panel on Climate Change as a standard framework for climate impacts analysis and policy analysis. Our scenarios should not be interpreted as forecasts.

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

Baseline scenario / Current Policy Scenario		
IPCC Climate Scenario	Complementary socioeconomic pathway	GHG Emissions in 2050 MtCO ₂ e
RCP 4.5	SSP 2	56,000 (+13% compared to 2015)
Average global temperature increase by 2050	Average global temperature increase by 2100	<i>*temperature anomaly with respect to 1850-1900 reference period</i>
2.0 ± 0.3°C	2.4 ± 0.5°C	

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

2 degrees Scenario		
IPCC Climate Scenario	Complementary socioeconomic pathway	GHG Emissions in 2050 MtCO ₂ e
RCP 2.6	SSP 1	25,000 (-50% compared to 2015)
Average global temperature increase by 2050*	Average global temperature increase by 2100*	*temperature anomaly with respect to 1850-1900 reference period
1.6 ± 0.3°C	1.6 ± 0.4°C	

3. **Pessimistic" scenario** is the worst-case scenario, where existing climate and energy policies do not succeed, resulting in a significant increase in unconstrained global GHG emissions, which intensifies physical risks. In addition, competitive markets produce rapid technological progress and development, but coupled with abundant exploitation of fossil fuels and resource and energy intensive lifestyles. Social and ecological ecosystem management is driven by technology, by any means necessary.

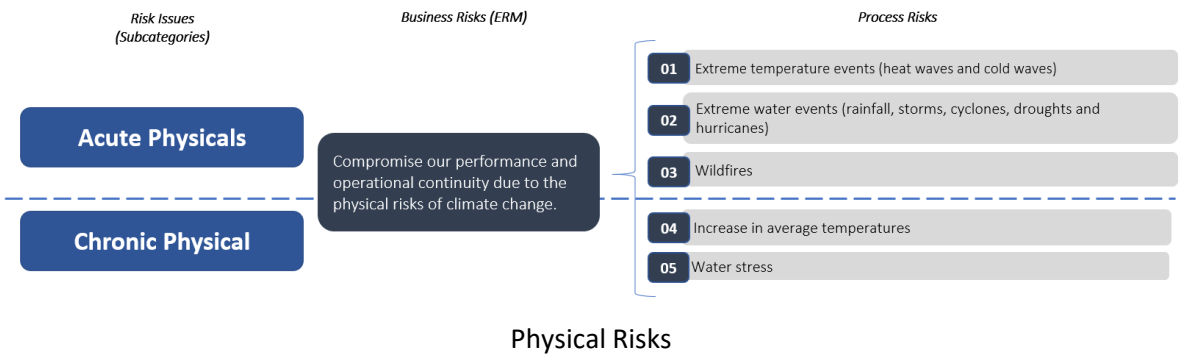
Worst case scenario		
IPCC Climate Scenario	Complementary socioeconomic pathway	GHG Emissions in 2050 MtCO ₂ e
RCP 8.5	SSP 5	103,000 (+109% compared to 2015)
Average global temperature increase by 2050	Average global temperature increase by 2100	*temperature anomaly with respect to 1850-1900 reference period
2.6 ± 0.4°C	4.3 ± 0.7°C	

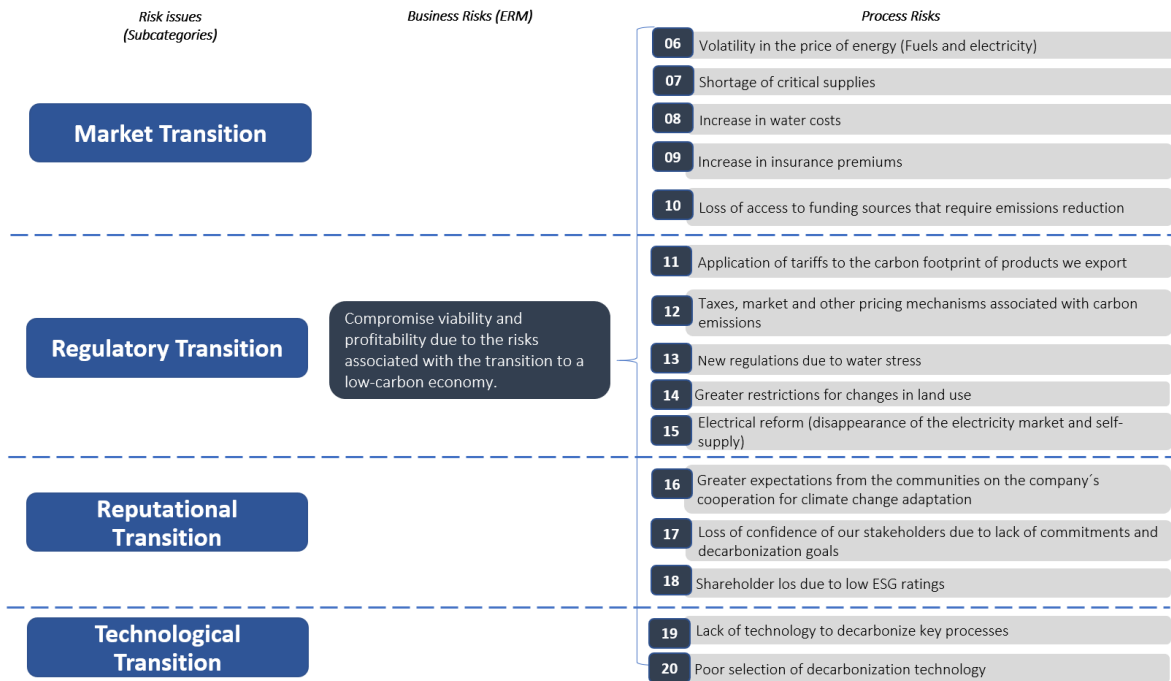
Due to the nature of our operations and in particular the mining life cycle we consider a 10-year time interval for our strategic plans and take 2050 as the benchmark for carbon neutrality considerations.

Identification of risks and opportunities

We have integrated an extensive catalogue of risks and opportunities generated in workshops with multidisciplinary teams and complemented with documentary research of our industry and a physical risk study prepared by Deloitte. In addition, our analysis considers the risks of our subsidiary Fresnillo plc.

Our list of relevant risks was validated by the socio-environmental compatibility team considering the possibility of having a financial materiality.





Transition Risks

SDG		Area	Opportunity	Short term	Mid term	Long term
		Electricity	Promotion of renewable energies (wind power)			
		Transportation	Efficient low-emission transportation and mobility (electric, LNG, hydrogen)			
		Mining	Higher copper production			
		Waste	Circular economy Reuse of tailings			
		Fuels	Efficient biofuels research			
		Biodiversity	Management of wildlife properties flora-fauna Management of native tree seedlings in the region			
		Water	Regional treatment plants for industrial use Zero discharge circuits			

Opportunities

Implications of Risks and Opportunities on value creation levers

For the relevant risks we have identified the implications for the different levers of value creation.

#	Risk	Impact on value creation levers	Time horizon
1	Extreme temperature events (heat waves and cold waves)	<ul style="list-style-type: none"> • Reduction of income • Increased production costs 	Short term (< 3 years)
2	Extreme water events (rainfall, storms, cyclones, droughts, hurricanes)	<ul style="list-style-type: none"> • Reduction of income • Increased production costs • Investments (Capex) 	Short term (< 3 years)
3	Wildfires	<ul style="list-style-type: none"> • Reduction of income • Increased production costs 	Short term (< 3 years)
4	Increase in average temperatures	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
5	Water stress	<ul style="list-style-type: none"> • Reduction of income • Increased production costs • Investments (Capex) 	Short term (< 3 years)
6	Volatility in the price of energy (fuels and electricity)	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
7	Shortage of critical supplies	<ul style="list-style-type: none"> • Reduction of income • Increased production costs 	Short term (< 3 years)
8	Increase in water costs	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
9	Increase in insurance premiums	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
12	Loss of access to funding sources that require emissions reduction	<ul style="list-style-type: none"> • Access to capital and financing 	Medium term (> 3 and < 10 years)
11	Application of tariffs to the carbon footprint of products we export	<ul style="list-style-type: none"> • Profit reduction 	Medium term (> 3 and < 10 years)
12	Taxes, market and other pricing mechanisms associated with carbon emissions	<ul style="list-style-type: none"> • Profit reduction 	Medium term (> 3 and < 10 years)
13	New regulations due to water stress	<ul style="list-style-type: none"> • Reduction of income • Increased production costs • Investments (Capex) 	Short term (< 3 years)
14	Greater restrictions on land use changes	<ul style="list-style-type: none"> • Reduction of income • Increased production costs • Investments (Capex) 	Medium term (> 3 and < 10 years)
15	Electrical reform (disappearance of the electricity market and self-supply)	<ul style="list-style-type: none"> • Increased production costs 	Short term (< 3 years)
16	Greater expectations from the communities on the company's cooperation for climate change adaptation	<ul style="list-style-type: none"> • Increased production costs 	Medium term (> 3 and < 10 years)
17	Loss of confidence of our stakeholders due to lack of commitments and decarbonization goals	<ul style="list-style-type: none"> • Reduction of income • Access to capital and financing 	Medium term (> 3 and < 10 years)
18	Shareholder loss due to low ESG ratings	<ul style="list-style-type: none"> • Access to capital and financing 	Medium term (> 3 and < 10 years)

19	Lack of technology to decarbonize key processes	<ul style="list-style-type: none"> • Increased production costs • Profit reduction 	Medium term (> 3 and < 10 years)
20	Poor selection of decarbonization technology	<ul style="list-style-type: none"> • Increased production costs • Profit reduction • Access to capital and financing 	Medium term (> 3 and < 10 years)

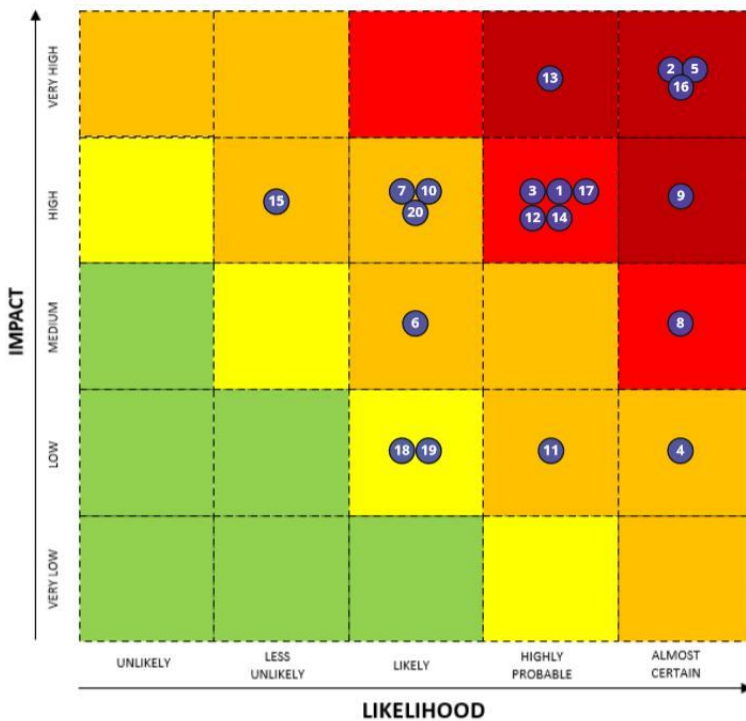
Business Impact Assessment, strategy, and financial planning

For our first risk impact assessment we have conducted an exercise with our environmental compatibility team using qualitative criteria of likelihood and impact. In our risk assessment we considered impacts on business (operation), strategy and financial planning.



The qualitative assessment of climate change risks has allowed us to identify those with the greatest impact and probability in order to prioritize risk mitigation measures. The main opportunities for Peñoles in the face of climate change are related to the increase in demand for copper and Peñoles' plans to develop copper mines such as Racaycocha in Peru.

ERM - Penoles Climate Change Heat Map



Risks - Top 5

- 2. Extreme water events (rainfall, storms, cyclones, droughts and hurricanes).
- 5. Water stress
- 16. Greater expectations from the communities on the company's cooperation for climate change adaptation
- 13. New regulations due to water stress
- 9. Increase in insurance premiums

Strategic Implications for Business Resilience

Strategic implications of the scenarios

The "Business as Usual" and "Pessimistic" scenarios imply a severe increase in physical risks, mainly manifested in impacts to the business in the form of reduced water availability in the regions where we operate and extreme weather events that require adaptation measures to increase the resilience of infrastructure and a rigorous physical risk control system. Transition risks, especially those related to carbon pricing, will be more uncertain, as these scenarios involve failed international coordination on policies to curb carbon emissions.

In contrast, in the "2 degree" scenario aligned with the Paris agreement, physical risks will be contained, though not eliminated, and transition risks will be certain and material in the form of higher carbon prices resulting from policies, investment trends and social expectations for the transition to a net-zero economy. This scenario opens up great opportunities for Industrias Peñoles and its copper mining growth strategy.

In all scenarios, adaptive technologies, energy efficiency, reduced water consumption and clean technologies are key success factors.

Peñoles' Strategic Response

A better understanding of the implications of climate change on business, strategy and financial planning has led us to review our ESG governance framework, in particular to create a Climate Change network to lay the groundwork for defining a decarbonization roadmap that reduces our exposure to transition risks. Our experience as pioneers of renewable energy in Mexico and in the mining industry, cogeneration projects, dual diesel/natural gas trucks and strategic alliances allows us to confidently undertake this strategy, which requires planning capabilities, the search for alliances and discipline in capital allocation.

We have also decided to undertake the design of an adaptation pathway to better understand physical impacts for informed decision-making related to infrastructure resilience. To this end, we have identified opportunities to collaborate with the University of Arizona on climate modelling and with the reinsurance industry to improve our understanding of physical risks and their implications.

Climate change has major implications for access to water and we have strengthened the strategic linkages between our ESG Climate Change and water networks. This will enable synergy between initiatives that simultaneously reduce water and energy consumption. We have also renewed our water strategy with a focus on water stewardship based on efficiency (quantity and quality), collaboration with stakeholders in the watersheds where we operate, and transparency. Our water governance strategy will be anchored in the mature governance we have developed in recent years for the responsible management of tailings dams.

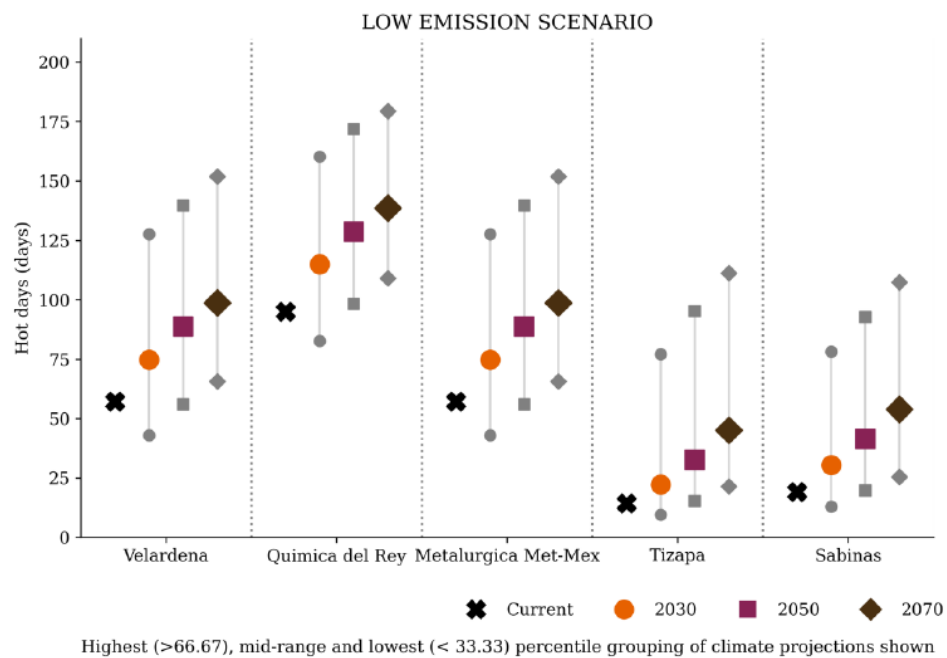
Finally, Green Metals represent an opportunity to contribute to the transition to a low-carbon economy. Peñoles is actively working on copper exploration and development projects, an indispensable metal for electrification.

Risk management

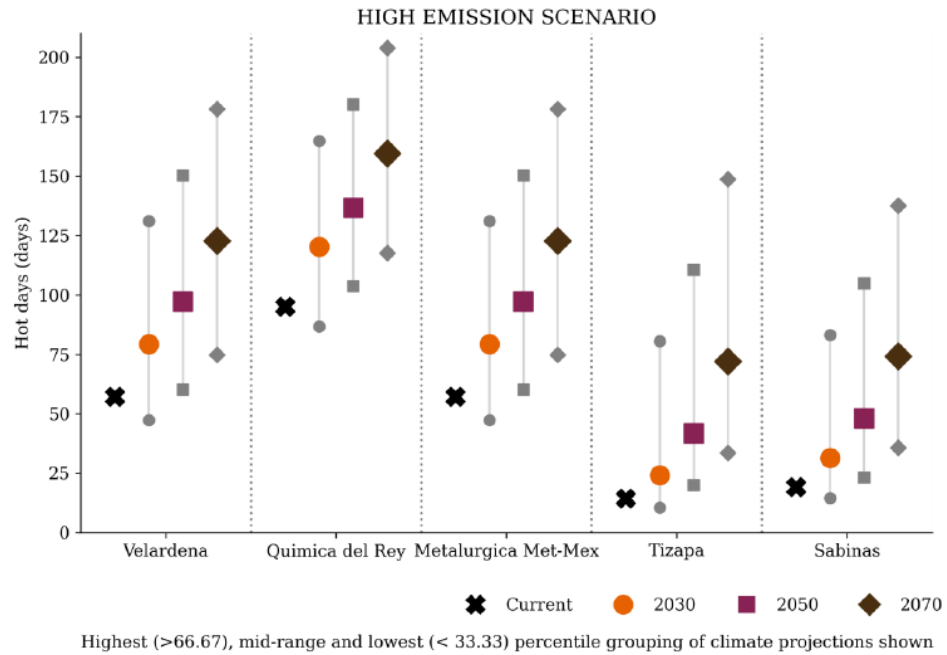
Risk identification and assessment process

A fundamental aspect is the dimensioning of the impact of climate risks. To this end, we use various methodologies of a quantitative and qualitative nature.

To identify and size physical risks, we used a study conducted by Deloitte for Peñoles' operations in Mexico. This study is complemented with water stress projections under different climate change scenarios using the World Resources Institute (WRI) Aqueduct tool.

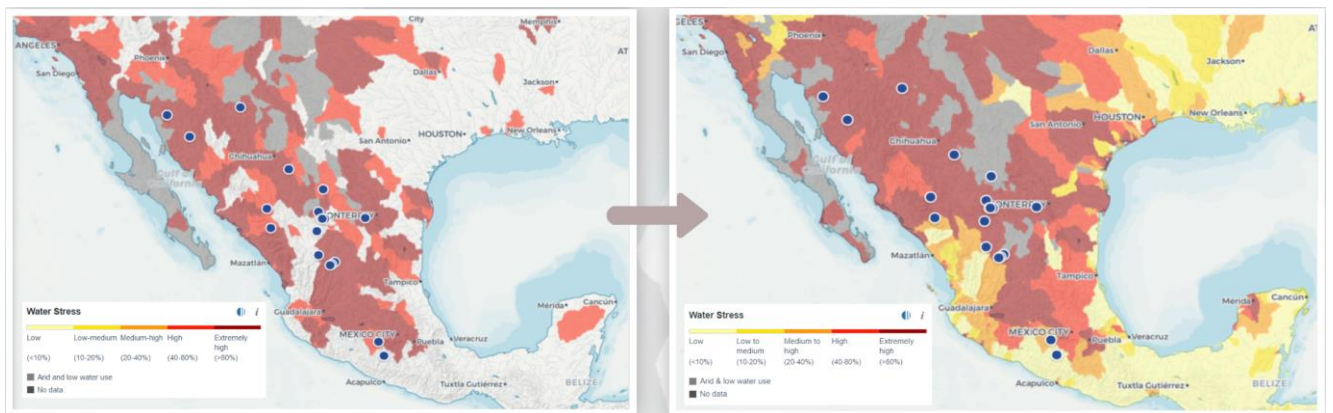


Low Emissions: Number of hot days per year for 2030, 2050 and 2070 for each Peñoles' site with current values included for context.

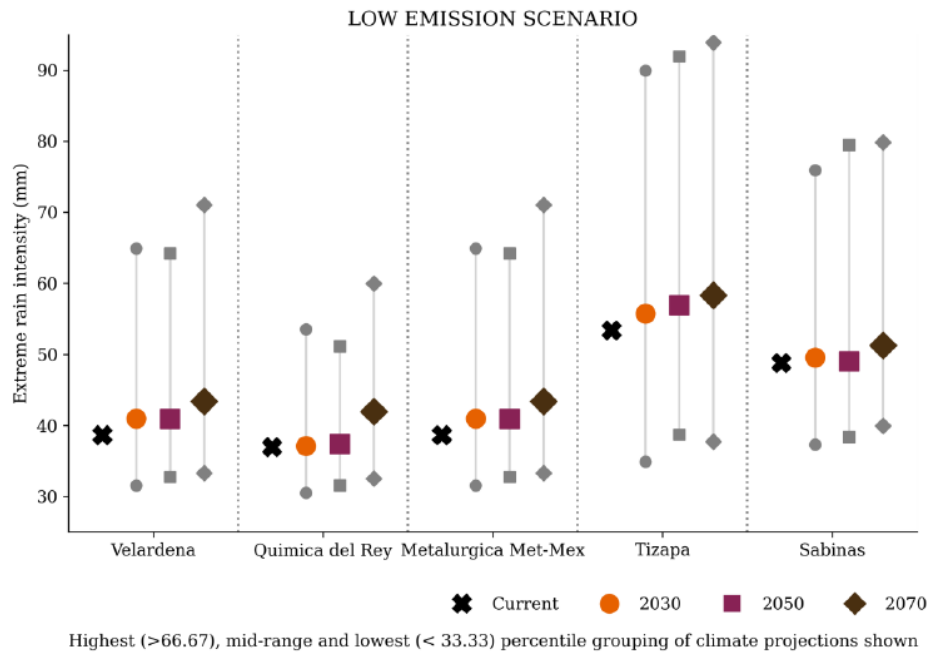


High Emissions: Number of hot days per year for 2030, 2050, and 2070 for each site of Peñoles with current values included for context.

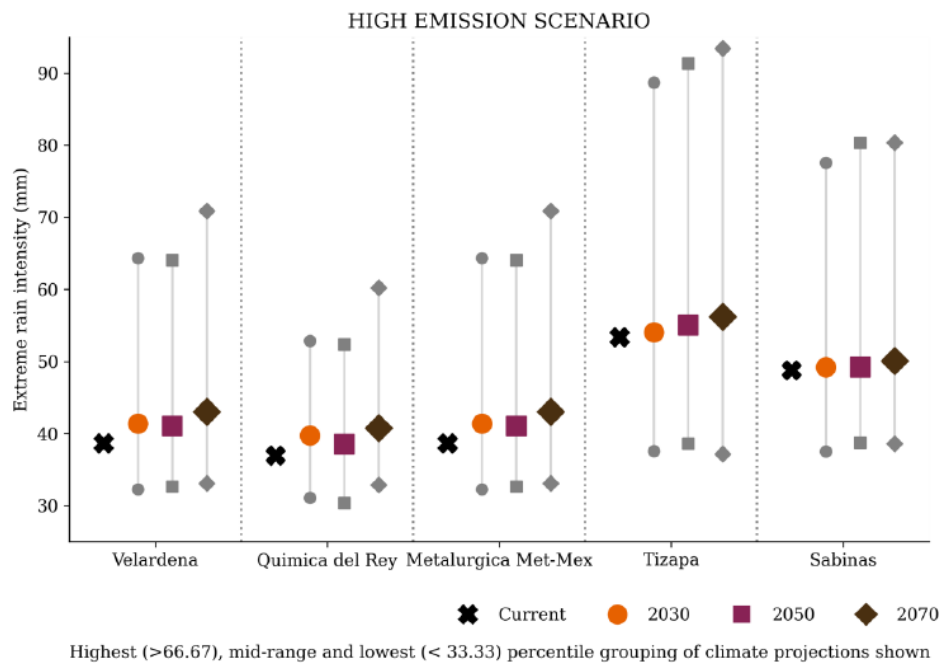
EXAMPLES OF CLIMATE CHANGE IMPACTS UNDER LOW AND HIGH EMISSIONS SCENARIOS



EFFECTS OF CLIMATE CHANGE ON WATER STRESS

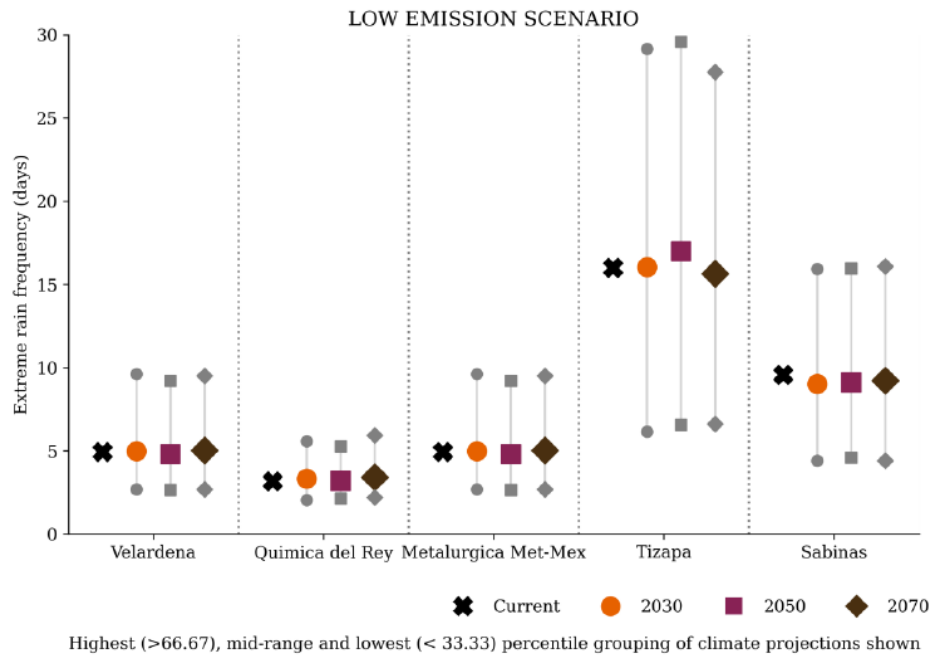


Low Emissions: Maximum rainfall intensity (mm) for 2030, 2050 and 2070 for each of Peñoles' site with current values included for context.

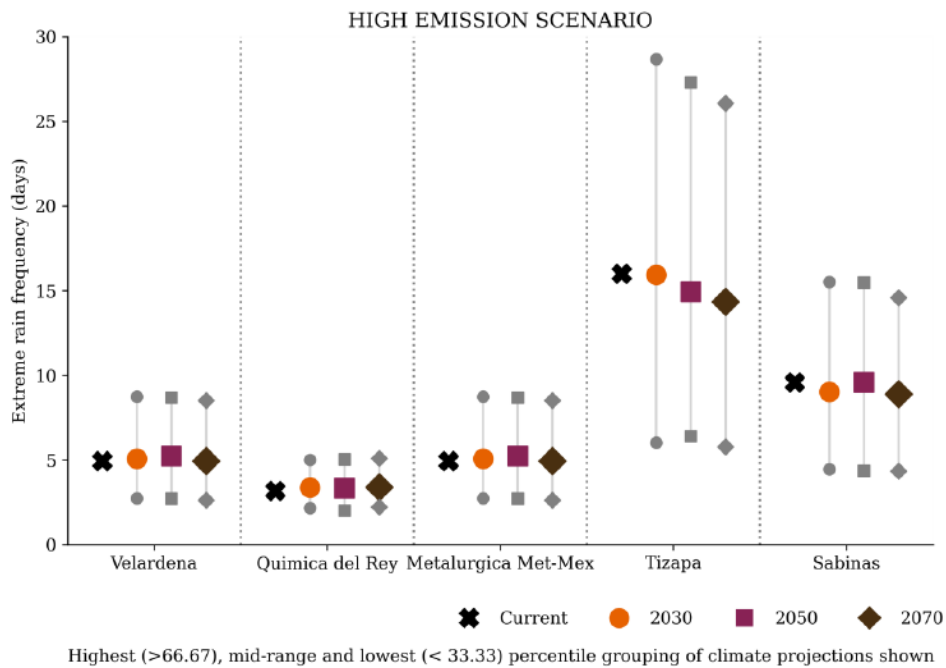


High Emissions: Maximum rainfall intensity (mm) for 2030, 2050, and 2070 for each site of Peñoles with current values included for context.

EXAMPLES OF CLIMATE CHANGE EFFECTS ON EXTREME RAINFALL INTENSITIES



Low Emissions: Frequency of extreme rainfall (days) for 2030, 2050 and 2070 for each site for each site. Peñoles with current values included for context.



High Emissions Frequency of extreme rainfall (days) for 2030, 2050, and 2070 for each site of Peñoles with current values included for context.

EXAMPLES OF THE EFFECTS OF CLIMATE CHANGE ON THE FREQUENCY OF EXTREME PRECIPITATION EVENTS

The level of detail we have allows for identification and assessment of the magnitude of climate impacts. However, the level of spatial resolution is not compatible with the climate data required for engineering reviews at the geographic scale of our operations and infrastructure. We are currently collaborating with the University of Arizona and the reinsurance industry to produce higher resolution climate projections and expand the range of physical climate change risks and other ESG issues such as biodiversity.

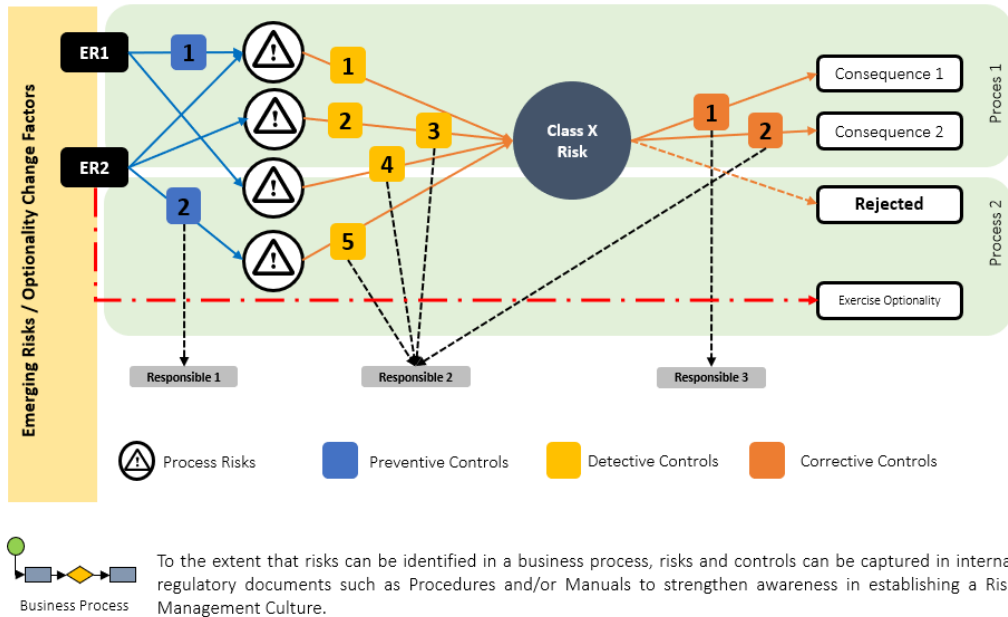
To size and scope transition risks we consider current and emerging public policy implications, as well as markets and stakeholder expectations. We use carbon price projections for our three scenarios considering current regulations, carbon price projections for Latin America, possible tariffs based on the carbon footprint of exports to the United States or the European Union, and the European carbon futures market as a proxy for a mature carbon market.

Climate change risk management framework

A robust risk management methodology is fundamental to Climate Change. For Climate Change we use our Peñoles risk management framework which consists of 4 stages:

1. Identification
2. Evaluation
3. Risk treatment
4. Deployment of the risk framework

We are currently in stage 3 of "Risk treatment" in which we identify the consequences of risks and identify existing and new controls. We use the bow-tie method for preventive (PC), detective (DC) and corrective (CC) controls as well as identifying control owners. This stage precedes the deployment of the risk management framework which is our next objective in the maturity of our climate change risk management system.



RISK MANAGEMENT FRAMEWORK

Risks	Consequences	Controls to deploy
R-2. Extreme water events (rainfall, storms, cyclones, droughts and hurricanes)	<ul style="list-style-type: none"> • Overflow of tailings storage facilities • Tailings dam rupture • Damage to public and private infrastructure • Increased CAPEX for infrastructure reinforcement • Increase in CAPEX related to water management and storage infrastructure. • Disruption of power supply • Loss of biodiversity • Less water resource with greater depth or greater distance 	<ul style="list-style-type: none"> • PC-1 Climate projections • PC-2 Establishment of Baselines for Climate Projections • PC-3 Vulnerability Assessment • PC-10 Water balance models • DC-1 Weather stations • DC-2 Water Volume Monitoring • CC-1 Emergency Response Plans • CC-2 Increase in infrastructure resilience
R-5. Water stress	<ul style="list-style-type: none"> • Increased operating or production costs • Decrease in sales due to damage to roads and operating infrastructure • Increase in CAPEX related to water management and storage infrastructure. • Decrease in power supply • Loss of biodiversity • Lower water resource with greater depth or greater distance 	<ul style="list-style-type: none"> • PC-6 Water stress projections • PC-7 Reuse, Water Recirculation and Discharge Management • PC-8 Hydrogeological models • PC-10 Water balance models • DC-2 Water Volume Monitoring • CC-3 Rationing water

R-16. Greater expectations from the communities on the company's cooperation for climate change adaptation	<ul style="list-style-type: none"> • Increased conflict with communities over access to water • Increased difficulty in obtaining environmental permits and water concessions 	<ul style="list-style-type: none"> • PC-14 Social investment in own water or in partnership with governments • PC-15 Collective water monitoring
R-13. New regulations due to water stress	<ul style="list-style-type: none"> • Increased difficulty in obtaining environmental permits and water concessions • Increased conflict with communities over access to water 	<ul style="list-style-type: none"> • PC-6 Water stress projections • PC-7 Reuse, Water Recirculation and Discharge Management • PC-8 Hydrogeological models • PC-9 Concessioned water volumes • PC-10 Water balance models • DC-2 Water Volume Monitoring • CC-3 Rationing water
R-9. Increase in insurance premiums	<ul style="list-style-type: none"> • Increase in OPEX • Difficulty in accessing financing or unfavorable financing costs 	<ul style="list-style-type: none"> • CC-3 Rationing water

Integration with our ERM

Our Enterprise Risks Management (ERM) consolidate climate change risks into two categories. Principal Risks, identified from Enterprise Risks, are prioritized by Peñoles' Top Management Team to form its follow-up list and are aligned to the organization's strategic plan, as they represent the organization's most significant risks in a calendar year. The ERM risks that cover climate change are:

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

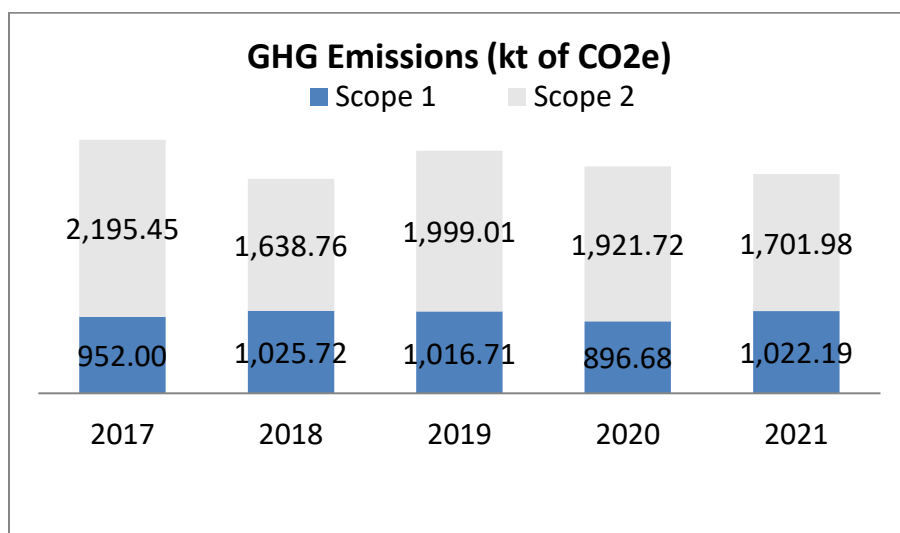
Metrics and targets

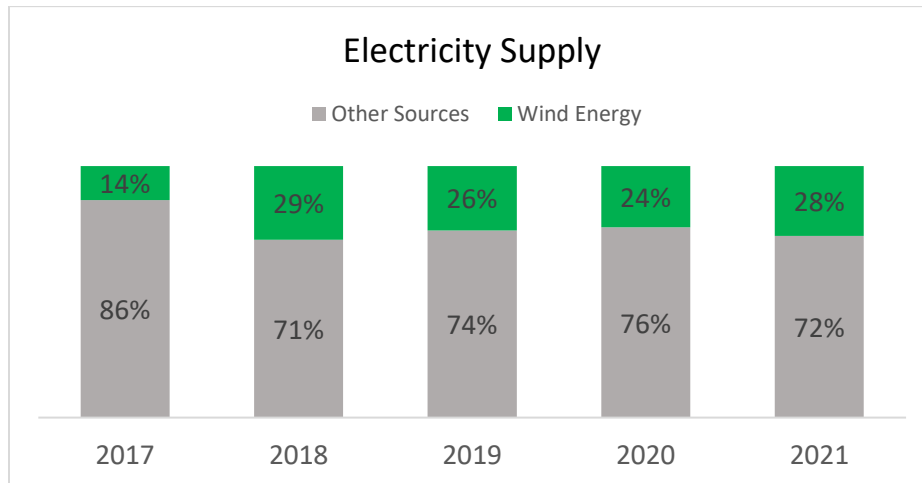
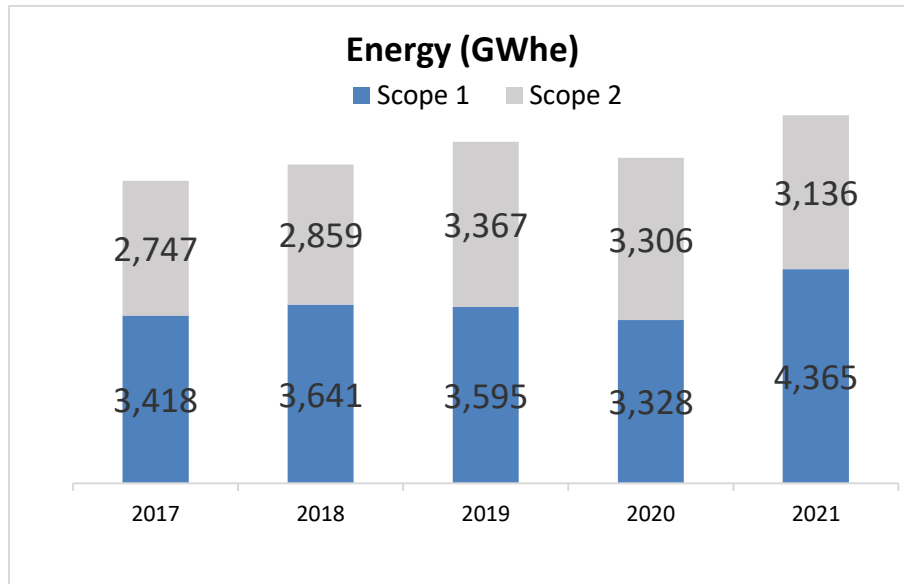
Climate Change metrics

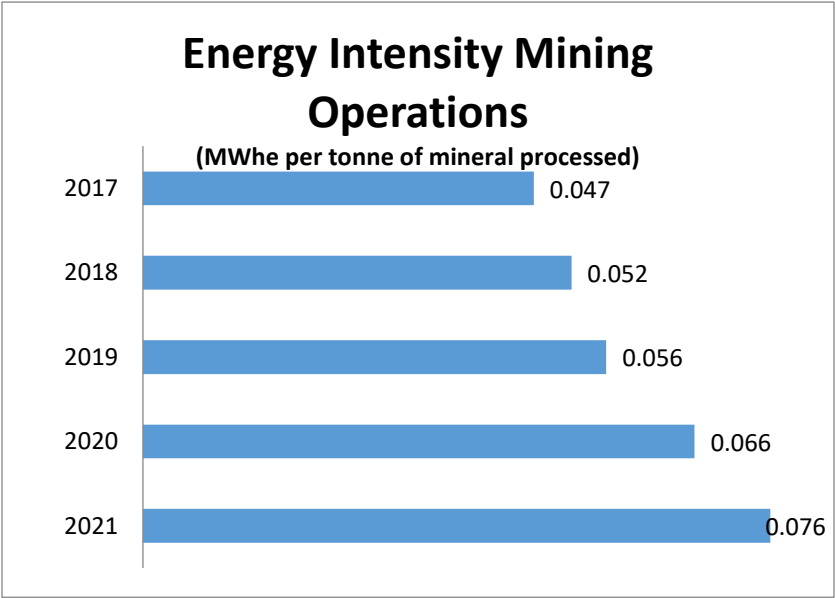
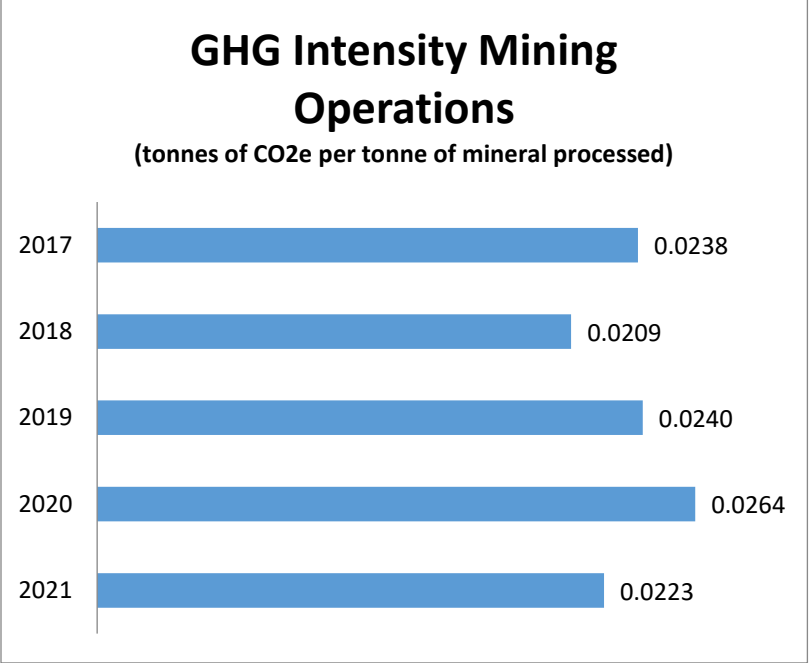
We use the following metrics to monitor energy demand and intensity, thereby, we identify opportunities for energy efficiency in our business units. We also monitor progress toward our goal of increasing the use of clean energy in line with our target of 100% by 2028, if the regulatory framework allows us. The growth of our operations has led us to increase our energy consumption, but our decarbonization initiatives have enabled us to reduce our overall emissions.

All information below includes metrics of Industrias Peñoles' subsidiaries, unless otherwise indicated.

Global GHG emissions for the period January 1 st 2021 to 31 st December 2021						
	GHG emissions (tons of CO ₂ e)			Energy (MWhe)		
	Reporting year	Previous year	Comparison year	Reporting year	Previous year	Comparison year
	2021	2020	2012	2021	2020	2012
Scope 1 (direct emissions): Combustion of fuel (mobile and stationary sources).	1,022,187	896,677	823,932	4,365,133	3,328,166	3,528,900
Scope 2 (indirect emissions): Electricity purchased from the Mexican National Grid (CFE), Wind Force Peñoles (FEISA and EDC), and Thermoelectric Peñoles (TEP).	1,701,985	1,921,722	2,073,331	3,135,711	3,305,723	2,369,421







Annex: Progress and Next Steps

Industrias Peñoles is committed to maturing the implementation of the TCFD standard.

TCFD element	Progress	Next steps
Governance	<ul style="list-style-type: none"> We established a system of board-level governance of ESG issues, including climate change. 	(a) Consider climate change in strategic decisions and monitoring of risks and opportunities.
Strategy	<ul style="list-style-type: none"> We identify risks and opportunities within the organization in the short-, medium- and long-term using scenarios, including one in line with the Paris agreement. We identified the value creation levers that would be affected by risk. 	b) Quantitatively estimate the financial materiality of each risk identified. (c) Quantitatively estimate resilience using scenarios related to climate change, including a 2°C or lower scenario.
Risk Management	<ul style="list-style-type: none"> We implemented the risk management process that includes the identification of consequences and controls. We identify risks and evaluate them qualitatively. Climate change risks were reflected in two business risk categories for integration with ERM. 	a) Implement processes to quantitatively assess the impact of risks. b) Deploy the controls that were identified. c) Deploy the business risk assessment to identify the main risks.
Metrics and Targets	<ul style="list-style-type: none"> We disclose the performance of Scope 1 and 2. We set a renewable share percentage target. 	a) Associate indicators to the risk controls that were identified and monitor them. b) Maturing our inventory of Scope 3 c) Set absolute emission reduction targets and identify other targets, e.g. reduction of water consumption.