



RISK MANAGEMENT:

SUSTAINABILITY ACTIONS 2025

Risk Management¹

Risk Management

At Grupo México, comprehensive risk management is a key pillar to ensure operational resilience, compliance with the highest sustainability standards, and the creation of long-term economic and social value. Through systematic processes for risk identification, assessment, and control, we can anticipate adverse impacts and strengthen our capabilities in response, innovation, and business continuity.

Our risk management methodology is aligned with international standards such as ISO 31000 for risk management and the ICMM Critical Control Implementation Guide (International Council on Mining and Metals) and is integrated into our corporate governance framework to support informed strategic decision-making at all levels of the organization.

Risk Register Methodology

The Grupo México Risk Register is maintained to consolidate, analyze, and prioritize the organization's main operational, social, environmental, and regulatory risks. This tool is updated through periodic assessments across all operational units, aligned with national regulatory frameworks (Mexico, USA, and Peru) and supported by management systems certified under ISO 45001 and ISO 14001 standards.

Key criteria used to classify and manage identified risks:

Criteria	Range / scale
Risk appetite <i>Represents the level and type of risk that Grupo México is willing to accept in achieving its objectives.</i>	• Very low: The risk is not acceptable under any circumstances. • Low: The risk is generally unacceptable; it may only be accepted with strong mitigation measures. • Moderate: The risk may be accepted if mitigated or under specific and monitored conditions. • High: The risk is acceptable if aligned with a strategic opportunity or benefit, with controls implemented. • Very high: The risk is accepted as part of key strategic activities, with proactive management.

¹ The actions described in this document are fully applicable to our subsidiary Southern Copper Corporation.

Risk Level <i>Determined based on the combination of probability and impact.</i>	• Very low: Minor risks that do not require actions beyond current controls. • Low: Known and manageable risks, controlled with standard actions. • Moderate: Risks that may affect performance and require specific mitigation measures. • High: Significant risks requiring proactive control and high-level oversight. • Critical: Unacceptable risks or those with high disruptive potential must be addressed immediately.
Likelihood <i>The likelihood that a risk will materialize.</i>	• Rare (1): Highly unlikely. • Unlikely (2): Very low probability; not expected. • Possible (3): May occur at some point. • Likely (4): Expected to occur at some point. • Almost certain (5): Very likely to occur.
Magnitude <i>Represents the magnitude of the consequences if a risk materializes, affecting the company's strategic, operational, financial, environmental, social, or reputational objectives.</i>	• Insignificant (1): Minimal consequences; does not affect achievement of objectives or require significant intervention. • Minor (2): Controllable consequences within standard processes; affects short-term activities. • Moderate (3): Noticeable impact requiring intervention and additional resources. • Major (4): Significant impact on multiple areas or on achieving key objectives. • Catastrophic (5): Critical consequences that compromise operational or strategic business continuity.

Identified Risks

Risk	Appetite	Risk level	Likelihood	Magnitude
Environmental non-compliance due to weather events	Moderate	High	Possible	Major
Failure of a tailings dam curtain	Very Low	Critical	Rare	Catastrophic
Fire inside the mine	Very Low	Critical	Possible	Catastrophic
Reputational risk from community conflicts	Low	High	Possible	Major
Cyberattack on operational control systems	Low	High	Possible	Major
Shortage of specialized technical talent	Moderate	Moderate	Likely	Moderate
Disruption of critical supply chain	Low	High	Likely	Major

Examples of Mitigation Actions for Critical Risks

In the Safety and Environmental area, we currently manage 81 critical risks with the support of more than 492 registered critical controls across 14 operational units. Over 550 operational staff participate in this effort, supported by the Safety and Environmental teams. Below is more detailed information on two of these risks:

Failure of a tailings dam curtain	
Appetite Very low	Mitigation strategy For the timely, real-time detection of stresses and deformations in structures, as well as pore water pressure in tailings and soils within reservoirs and dam curtains, we have instrumented our tailings facilities to enable automated telemetry monitoring. Continuous, real-time monitoring of weather conditions is performed using automatic weather stations, and measurements of volumes, levels, and flows are taken at hydraulic control sections or points to account for the stored volumes in the tailing's facilities.
Risk level Critical	Additionally, exploratory soil and tailings sampling is conducted periodically, including analyses of pore pressure dissipation, permeability, and piezometric measurements, among others. This information is used to update the knowledge base of each tailings facility and to review the structural, geotechnical, and hydraulic safety of the facilities.
Likelihood Rare	Focus Areas for 2025 - Automated, real-time monitoring of dam curtain behavior. - Updating stability studies and safety factors.
Magnitude Catastrophic	Technical training for personnel involved in tailings facility operations.
Fire inside the mine	
Appetite: Very low	Mitigation strategy: Our approach is based on prevention through the removal of combustible materials and control of ignition sources, the use of technical controls such as automatic detection and suppression systems, adequate ventilation, and safe escape routes. This is complemented by a robust management system that includes procedures for high-risk work, continuous training, regular drills, and trained emergency brigades, along with a specific response plan and reliable communication systems. All of this is framed within a continuous improvement approach and audits to ensure the system's effectiveness.
Risk level Critical	
Likelihood Possible	Focus Areas for 2025 - Real-time monitoring of personnel location inside the mine. - Acquisition and maintenance of fire-fighting equipment. - Improvement of electrical installations within the mine.
Magnitude Catastrophic	

Emerging Risks

At Grupo México, we recognize the importance of identifying and managing emerging risks that could impact our strategic objectives and creation of value in the long term. Through our Comprehensive Risk Management System, we conduct assessments to detect new external risks that may necessitate changes to our strategy and business model. These emerging risks have not yet materialized, but have the potential to cause significant long term impact. Some of the emerging risks identified in 2025 are discussed following, with their potential impacts and corresponding mitigation strategies.

Description of the emerging risk in the context of our	Potential impact on the business in qualitative terms	Mitigation actions
Risk 1: Geoeconomic confrontation		
Our product sales are being affected by recent events that are generating geoeconomic confrontation; increasing tensions and competition between nations where Grupo México has operations, which are being leveraged through economic tools to achieve geopolitical objectives. The current context, where globalization is being re-evaluated, trade disputes, economic sanctions and protectionist policies could affect the free trading and stability of the markets and our products. For Grupo México, whose principal product is copper and having operations in different countries, this risk is particularly relevant due to our dependence on international trade and fluctuating metals prices.	• Disruptions in the supply chain: Trade tensions could lead to disruptions in the supply of critical inputs or the distribution of our products, affecting operational continuity. • Volatility in copper prices: Changes in tariff policies or sanctions could lead to significant fluctuations in copper prices, impacting our sales and profit margins. • Increased operating costs: Higher tariffs, trade restrictions or the need to diversify suppliers could increase our operating costs. • Regulatory and compliance risks: Sanctions or changes in trade policies may require rapid adjustments to our operations to comply with new regulations, especially in key markets like the United States and the European Union.	• Diversification of markets and customers: The company has a global distribution and broad base of regions and customers, which means products can easily be redistributed to other markets in the event of disruption in shipments to any one country. This reduces dependence on specific regions. • Strengthening relationships with strategic suppliers: Strong partnerships and long-term contracts with key suppliers ensure the supply of essential inputs. • Ongoing geopolitical monitoring and analysis: Maintaining a team to monitor and analyze geopolitical and economic trends to anticipate changes and take action to proactively prepare. • Advocacy and collaboration with local governments: Collaborate closely with authorities in the countries where we operate to positively influence trade policies and ensure our business interests are recognized.

Risk 2: Restricted Access to Clean Technologies

The global transition toward low-carbon technologies, electrification and digitalization is accelerating demand for clean technologies, specialized equipment and critical inputs. At the same time, the concentration of technological and processing capabilities within certain countries and ecosystems, combined with increasing protectionism, export controls, geopolitical tensions and shifting international alliances, may restrict access to critical technologies. These include battery electric vehicles (BEVs), heavy earth-moving machinery (HEMM), smart and green technologies, specialized materials, solvents and reagents, as well as proprietary metal-refining and processing technologies. Growing fragmentation of global trade, technology and investment flows may further constrain the availability and transfer of these technologies across markets.

- **Operational disruption and higher costs:** Limited availability of BEVs, HEMM, specialized chemicals and advanced technologies could reduce operational efficiency, increase procurement and operating costs, and delay projects and expansion plans.
 - **Constraints on innovation and growth:** Restricted access to advanced technologies could limit the ability to innovate and respond to growing demand for low-carbon or “green” metals and other materials required for EVs, precision equipment and high-tech applications.
 - **Reduced market access and competitiveness:** Tariffs, sanctions, export controls and technology restrictions could constrain access to equipment and key markets, weakening Grupo México’s competitive position, particularly in jurisdictions with stringent climate and technology requirements.
 - **Challenges to decarbonization and stakeholder expectations:** Delayed adoption of carbon-reduction and cleaner technologies could hinder sustainability and decarbonization objectives, while increasing regulatory scrutiny and potentially affecting stakeholder confidence and corporate reputation.
 - **Strategic technology partnerships and innovation:** Pursue licensing agreements, R&D collaborations and industry consortia to secure access to emerging technologies, while strengthening internal R&D capabilities in metal processing, decarbonization and advanced materials.
 - **Technology and input diversification:** Identify and qualify alternative technologies, equipment suppliers and locally available substitutes for critical inputs, reducing dependence on individual suppliers, countries or trade blocs.
 - **Supply-chain resilience and preparedness:** Diversify sourcing, maintain strategic inventories of critical equipment and inputs, and systematically monitor geopolitical, trade and technology developments to anticipate and respond to potential disruptions.
 - **Low-carbon investment and external engagement:** Prioritize investments, pilots and feasibility studies in renewable energy, low-emission technologies and process improvements, while engaging with governments, research institutions and industry organizations to promote technology access, innovation and sustainable mining.
-

Risk 3: Changes in the Mexican judicial system

Recent approvals of constitutional reforms associated with the Mexican judicial system could significantly alter the legal and regulatory framework under which Grupo México operates.

- **Rule of law:** Threat to maintaining the rule of law, affecting the consistency, transparency and effectiveness of the application of laws and regulations.
 - **Continual monitoring of legislative changes:** A team dedicated to monitoring legal reforms and regulatory changes to anticipate impacts and prepare appropriate responses.
-

These changes could lead to legal uncertainty, affecting the rule of law, and also could potentially include modifications of mining laws, the strengthening of environmental, labor and transparency laws, and the implementation of new regulations that could affect how legal disputes are resolved. For Grupo México, these reforms may pose additional challenges in managing our legal and compliance risks, affecting our operational and financial stability.

- **Legal and regulatory uncertainty:** Changes in the laws could lead to uncertainty about requirements for compliance, which could delay operations and projects.
- **Increased legal and administrative costs:** The need to adapt to new regulations could increase our legal, compliance and audit costs.
- **Litigation risks:** Changes in the judicial system could increase exposure to litigation, especially on environmental and labor matters.
- **Impact on market perception:** Changes in the legal environment could affect investor confidence, impacting our share value and our ability to attract capital.
- **Strengthening our corporate governance:** Improve internal control and compliance mechanisms to ensure our operations remain in compliance with current regulations.
- **Collaboration with industry associations and chambers:** Actively participate in industry groups to influence policy development and advocate for regulatory frameworks that consider the needs of the mining industry.
- **Develop legal capacities:** Capacity building for our legal department to effectively manage the risks associated with changes in the judicial system.
- **Transparency and communication with investors:** Maintain clear and open communication with our investors about how the company is managing these risks to ensure continued confidence in our business strategy.

Our Comprehensive Risk Management System also assesses risks specific to each business division. The following table presents two examples of emerging risks identified and managed within our Transportation Division:

Description of the emerging risk in the context of our	Potential impact on the business in qualitative terms	Mitigation actions
Risk 1: Regulatory transition toward mandatory emissions reduction systems		
Potential implementation in Mexico of a mandatory emissions reduction or emissions trading system applicable to rail transportation, which could require an accelerated transition toward low- or zero-emission locomotives and generate significant impacts on operating costs, capital investments, and fleet renewal.	Short term (0-2 years)	
	• Strengthening of regulations: expanded emissions reporting requirements increase compliance obligations. • Promotion of clean energy: new public policies create regulatory adjustments that may affect costs and operational efficiency.	• Regulatory monitoring: participation in public consultations helps anticipate regulatory changes and prepare early responses. • Scenario analysis: evaluation of energy transition pathways supports cost forecasting and strategic planning. • Technology assessment: review of low-emission alternatives helps guide fleet modernization decisions in preparation for potential future requirements.
	Medium term (2-10 years)	
	• Mandatory emissions limits: gradual implementation increases compliance requirements. • National emissions trading market: inclusion of the	

transportation sector creates new regulatory obligations.

- **Low-emission technologies:** the transition requires initial investments to adapt operations.

Long term (+10 years)

- **Transition to hybrid/electric locomotives:** adoption of new technologies affects operational planning.
- **Accelerated fleet replacement:** equipment renewal and infrastructure adaptation increase investment needs.
- **Strategic adjustments:** the energy transition drives structural changes in investment and operational strategies.

Risk 2: Shortage of specialized personnel

The lack of skilled labor in technical, maintenance, and rail operations represents a critical emerging risk to operational continuity, safety, and modernization of the sector.

Short term (0-2 years)

- Safety gaps: Untrained personnel increase the risk of accidents.
- Growing demand for personnel: Due to expansion of rail projects.

Medium term (2-10 years)

- Aging workforce: Mass retirement of technicians experienced in traditional rail systems.
- Lack of generational replacement: Low interest in rail technical careers among youth.
- Technological lag: Difficulty operating modern systems due to lack of specialists.

Long term (+10 years)

- Educational misalignment: Education system not aligned with future needs (e.g., artificial intelligence, etc.)
- Technological stagnation: Inability to adopt innovations due to lack of local expertise.

- **Establishment of succession plans:** Focus on knowledge transfer from experienced workers to new generations through our training center.
- **Partnerships with the public and education sectors:** Introduction of rail technology into educational curricula and promotion of joint internship programs.
- **Partial automation:** Use of digital systems to reduce human errors.