



# METALSA

INNOVATION AND RESILIENCE

2023  
SUSTAINABILITY REPORT

# Content

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# 2023 Milestones & Recognitions



Presented our first **WEPPs (Women Empowerment Principles) Report**, marking a significant milestone in our commitment to diversity, equity, and inclusion.



**EcoVadis:** Awarded the Bronze medal and set our 2030 target, underscoring our commitment to sustainability. We improved our score, achieving 57 points compared to the previous 47 points.



**Saltillo Plant:** CIAC Awards 2023. Social Responsibility Category winner for their innovative and cohesive Health and Safety and Human Rights practices.



Thailand's industrial states awarded to Rayong Plant the **Green Star Award** for their efforts in environmental management and community engagement.



**CONCAMIN** (Confederation of Industrial Chambers of Mexico):

**Ethics and Values in the Industry Award** for our outstanding efforts in implementing CSR initiatives in our operations. This award included:



Recognition for our dedication in the improvement and implementation of a social responsibility culture.



Outstanding practice for the "Mentorship Program for Female Talent: Together".



Outstanding practice for the Issuance of a sustainability-linked bond for US \$300 million.



The Environmental Ministry of Coahuila awarded us:



Diamond Green Office Saltillo.



Recognition for complying with the Annual Operating Certificate (COA) for the state of Coahuila from 2018 to 2023.

# 2023 Progress

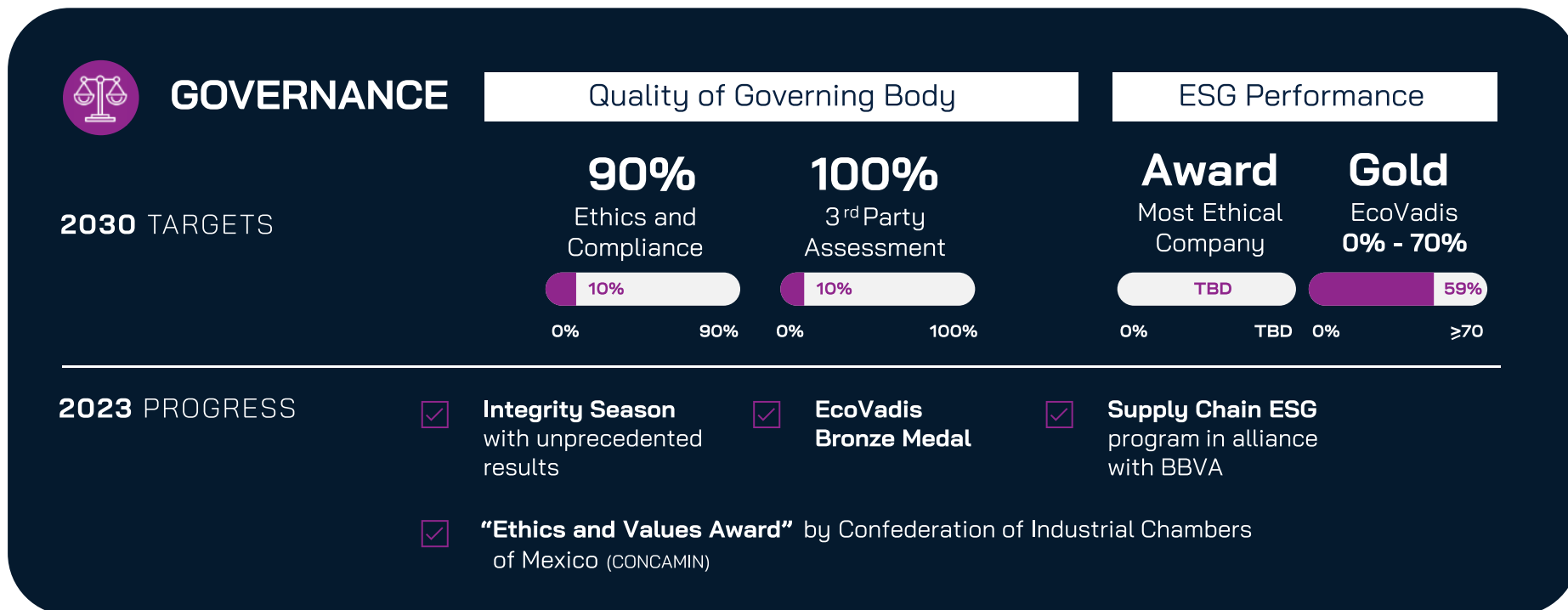
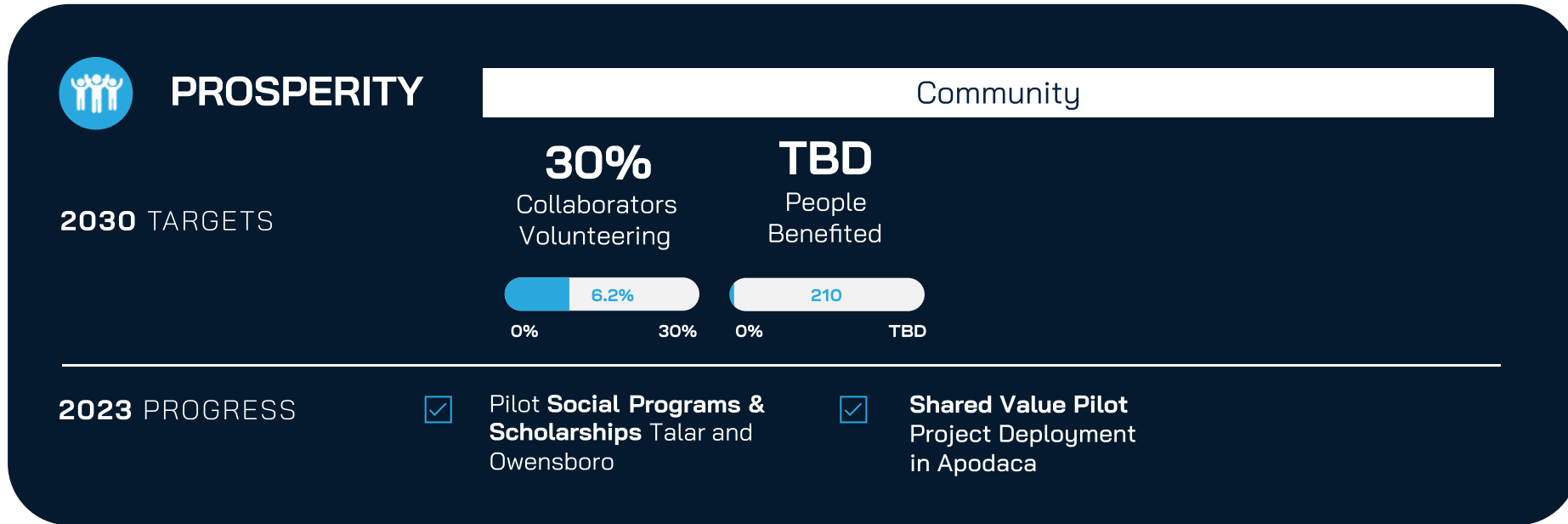
We firmly believe that our actions today will shape our world tomorrow. That’s why we are on a measurable journey towards a better future, with our key initiatives and metrics serving as the building blocks of this journey. By providing a clear roadmap for progress, we are confident that we can make a positive impact on the world around us. These are just some of the many milestones we have achieved in our quest for a better, more sustainable future.

## PLANET

	Climate Change			Water	
<b>2030 TARGETS</b>	46%	25%	62%	30%	
	Reduction in GHG Scope 1 & 2	Reduction in GHG Scope 3	Renewable Energy	Water Withdrawals Reduction	
	<div style="width: 21.4%; background-color: #28a745; height: 10px; border: 1px solid #ccc;"></div> 21.4%	<div style="width: 0%; background-color: #28a745; height: 10px; border: 1px solid #ccc;"></div> 0%	<div style="width: 4.9%; background-color: #28a745; height: 10px; border: 1px solid #ccc;"></div> 4.9%	<div style="width: 0%; background-color: #28a745; height: 10px; border: 1px solid #ccc;"></div> 0%	
	0%      46%	0%      25%	0%      62%	0%      30%	
<b>2023 PROGRESS</b>	<input checked="" type="checkbox"/> Roadmap 2050 <b>Net Zero</b>		<input checked="" type="checkbox"/> <b>2030 Water Target</b> , Risk Assessment & Roadmaps		<input checked="" type="checkbox"/> <b>Green Steel Tech</b> starting collaboration with suppliers & customers
	<input checked="" type="checkbox"/> 2030 Roadmap Initiatives per Plant				

## PEOPLE

	Diversity, Equity & Inclusion			Wellbeing	
<b>2030 TARGETS</b>	25%	0%	85%	0	85%
	L3 Women Representation	Gender Pay ratio	ESS	Safety Accidents	Wellbeing
	<div style="width: 25.2%; background-color: #ffc107; height: 10px; border: 1px solid #ccc;"></div> 25.2%	<div style="width: 4.3%; background-color: #ffc107; height: 10px; border: 1px solid #ccc;"></div> 4.3%	<div style="width: 0%; background-color: #ffc107; height: 10px; border: 1px solid #ccc;"></div> TBD	6.3 LWSR*   0 ACTUAL   TARGET	<div style="width: 64%; background-color: #ffc107; height: 10px; border: 1px solid #ccc;"></div> 64%
	0%      25%	100%      0%	0%      100%		0%      85%
<b>2023 PROGRESS</b>	<input checked="" type="checkbox"/> Signatory of UN’s <b>Women Empowerment Principles</b>		<input checked="" type="checkbox"/> <b>Wellbeing Framework</b>	<input checked="" type="checkbox"/> DEI Podcast & Learning Paths	
	<input checked="" type="checkbox"/> Definition of <b>2030 Safety Target</b>		<input checked="" type="checkbox"/> “TogetHer” & “MentorMatch” Programs		*LOST WORK SEVERITY RATE



## OVERALL

- 2022 Sustainability Report
- All 2023 Targets met
- ESG Communication Campaign
- Customer Requirement Mapping
- Participation in different Sustainability Forums (UN Global Compact, Global Drive Sustainability, MEMA)

## 2024 PRIORITIES

- Implementation of Environmental Initiatives linked to **Cost efficiency**
- **Renewable Energy** Strategy
- Climate Change **Risks Quantification**
- Sustainability **Learning** Paths & Trainings

# Message from our Coordinator

GRI 2-22

## Dear Metalsa family and stakeholders,

It is with great enthusiasm and pride that I present our 2023 Sustainability Report. I am delighted to highlight the considerable progress and milestones we have reached in our steadfast commitment to sustainability.

During 2023, Metalsa encountered numerous economic challenges including exchange rate volatility and workforce shortages, particularly in the United States. The automotive industry experience significant turbulence due to evolving customer demands and the shift towards electrification. These challenges necessitated a strategic emphasis and focus on productivity and mitigating extraneous costs. Despite obstacles, our commitment to customer satisfaction never wavered. We continued to deliver high-quality products with consistency and reliability.

As market dynamics continue to evolve, it is essential for companies to embrace their responsibilities and lead the transition towards sustainability. This commitment is vital in a world that is increasingly attuned to environmental, social, and economic challenges. We are dedicated to integrating sustainability into our operational and business strategies, striving for consistent advancement.

Our sustainability report delineates our actions and achievements in key areas of our strategy. These include reducing our carbon footprint, enforcing fair and safe labor practices, pioneering innovative sustainable processes, and maintaining active engagement with our stakeholders. I am confident that these significant efforts will substantially contribute to meeting our long-term goals for 2030 in environmental, social, and governance



By upholding transparency and accountability, we aim to inspire others and foster meaningful conversations on **shaping a better future for the coming generations.**

domains. Throughout this report, you will find clear examples of our positive contribution, alongside areas we've identified that need further improvement. We remain resolutely committed to our evolution, consistently setting ambitious new targets as we advance toward comprehensive sustainability.

As Metalsa charts its course for the future, strategic objectives encompass maximizing value in core operations, pursuing growth opportunities, and strengthening our organizational culture and leadership. Anchored by resilience, innovation, and commitment to sustainability, we are well-equipped to overcome challenges and leverage opportunities in the dynamic auto industry.

I deeply value the hard work and dedication of our entire team and the ongoing support and partnership of our stakeholders. Together, let's continue to make a meaningful impact and drive towards a better tomorrow. Our actions today will shape the future we all share.

Sincerely,  
**Jorge Garza Garza**  
Metalsa Co. / CEO



# SUSTAINABILITY MANAGEMENT



“At Metalsa, we have a significant opportunity to advance our commitment to Environmental, Social, and Governance (ESG) principles. We ensure that everyone at Metalsa comprehends the full scope of ESG. By continually educating and reminding our team, we can embed these values as deeply as our core beliefs, driving sustainable progress across all facets of our operations.”

Chris Barry  
Project Management Co.





# Culture

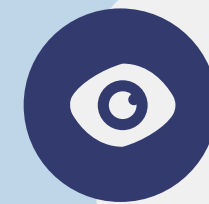
At Metalsa we are **committed to conducting business in compliance with all applicable laws**, with integrity and in accordance with our values.



## Purpose

*Drive for a better tomorrow*

We contribute to build a better world for future generations. Our people and communities go beyond expectations and leave a positive mark.




## 2030 Vision

*To deliver the best chassis solutions that drive the future forward.*




 **Values**

 **WE CARE**  
We care about you

 **WE GROW**  
We are humble and seek to learn

 **WE THRIVE**  
We are passionate about success

 **WE DARE**  
We create bolder and better solutions

# Materiality Assessment

GRI 3-1, 3-2, 3-3

Metalsa remains committed to sustainability across environmental, social, and governance (ESG) dimensions.

During 2022 we updated our Materiality Assessment with a third-party expert to respond to the current automotive context, considering all the social and environmental issues in the regions where Metalsa has presence. To determine the material issues, we analyzed priority topics and the importance and impact they have for our stakeholders, as well as for Metalsa itself, due to how they could affect the achievement of the business objectives. The methodology used considered:

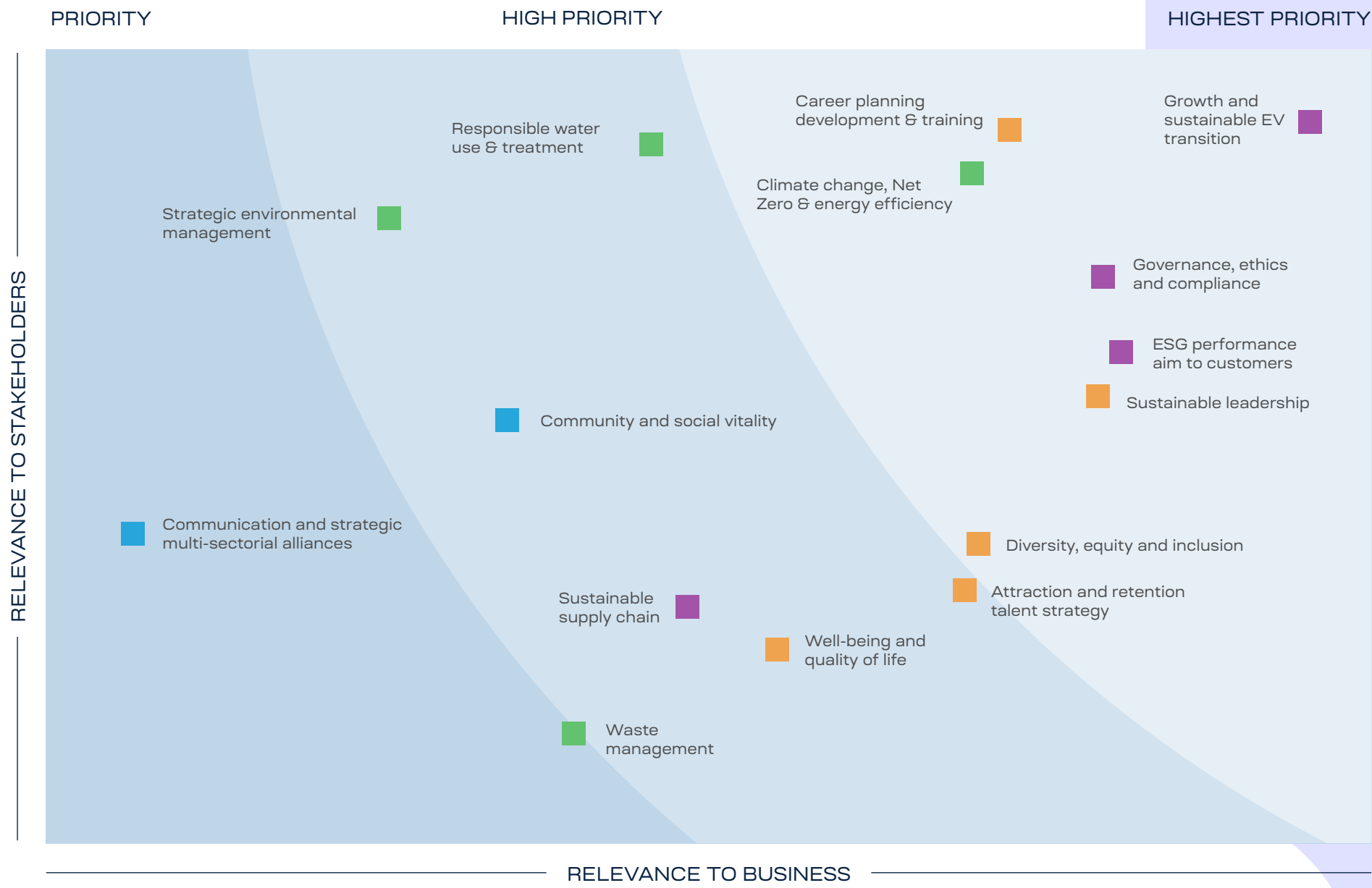
- The sustainability leadership team and the Board of Directors shared the strategic business vision.

- Evaluation of Metalsa's status in terms of sustainability.
- Analysis of direct and indirect competition.
- Research of sustainability and corporate standards, such as: SASB, GRI, Sustainalytics, Bloomberg, Fitch, SBTi.
- Strategic sustainability workshop with directors to define motivators, SWOT, sustainability risks, and stakeholders.
- Dialogues with internal and external stakeholders: interviews and focus groups.
- Prioritization of information and material issues based on frequency and impact and assessment using qualitative methods.
- Validation of results by sustainability leaders and directors.



# Material topics

Planet Prosperity People Governance



## PRINCIPLES OF GOVERNANCE

- Governance, ethics and compliance
- Growth and sustainable EV transition
- ESG performance aim to customers
- Sustainable supply chain



## PEOPLE

- Attraction and retention talent strategy
- Well-being and quality of life
- Sustainable leadership
- Career planning, development and training
- Diversity, equity and inclusion



## PLANET

- Climate change, net zero and energy efficiency
- Responsible water use and treatment
- Waste management
- Strategic environmental management



## PROSPERITY

- Community and social vitality
- Communication and strategic multi-sectorial alliances



# Sustainability Framework

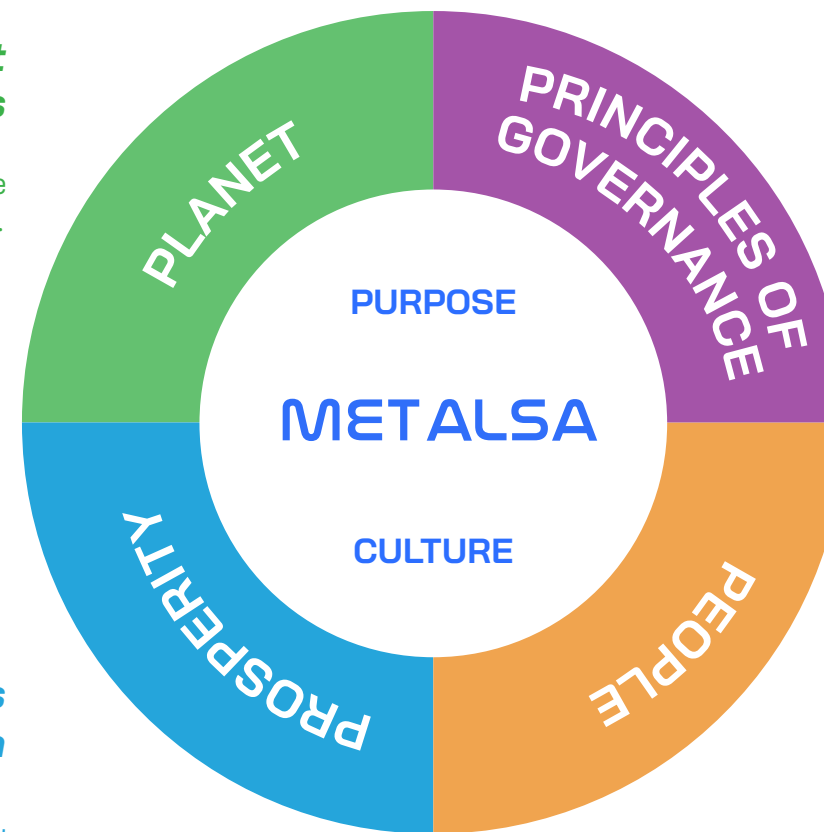
Integrating ESG criteria into strategic decision-making reflects Metalsa's dedication to creating **long-term value while fostering environmental stewardship, social inclusivity, and ethical governance.**

*Protect the environment for future generations*

Address climate change and water conservation.

*Empower & educate communities to create wealth*

Transcend by developing better, sustainable communities.

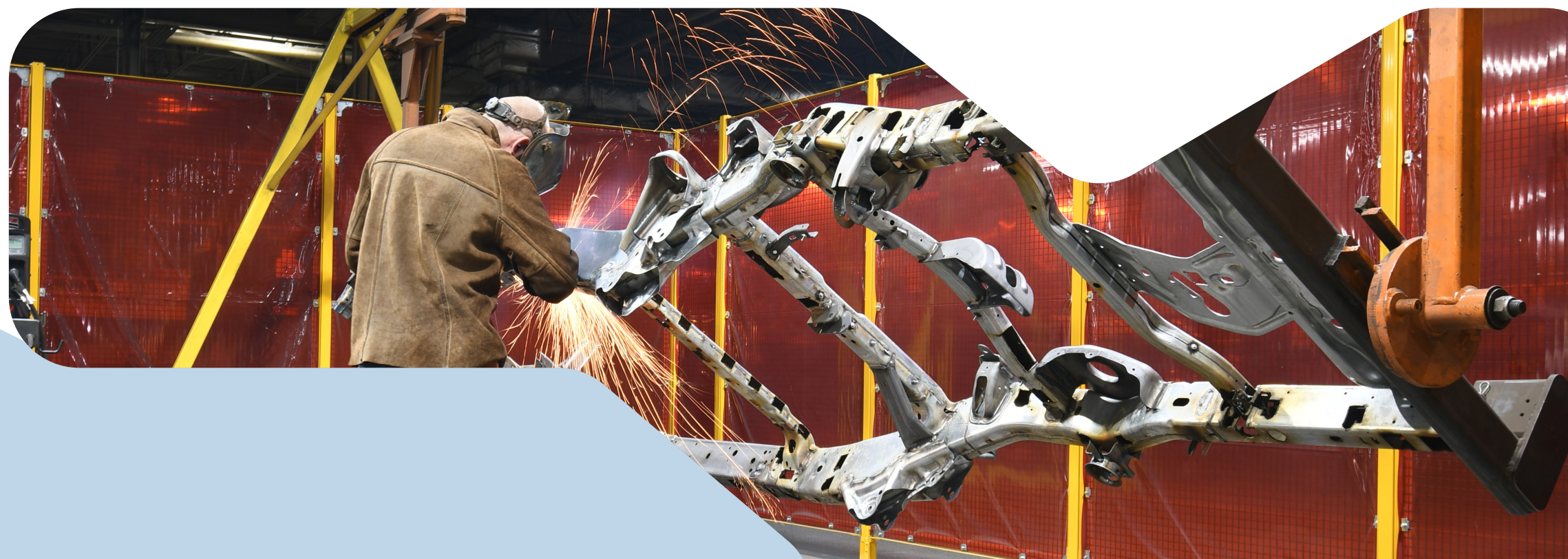


*Enhance responsible & ethical business practices*

Be a place where our collaborators act respectfully and ethically.

*Foster engagement & meaningful work*

Contribute to building a better society with inclusive environment and equal opportunities



# Sustainability Strategy

GRI 2-14

At Metalsa, we deeply understand the significance of integrating sustainable business practices into our operations. As conscientious corporate stewards, we are dedicated to infusing sustainability across every facet of our business, from product development to supply chain management and beyond. Our sustainability strategy is founded on four fundamental pillars: Planet, People, Prosperity, and Principles of Governance. Through these guiding principles, we aspire to catalyze positive change not only within our organization but also within our communities and the wider global landscape.

In 2023, we embarked on several impactful projects that further solidified our commitment to sustainability. Among these projects is our invaluable partnership with Waterplan, resulting in the development of a comprehensive Water Stewardship Strategy tailored specifically for Metalsa. This strategy, crafted after an exhaustive analysis of our 14 sites, focuses on bolstering water management practices, reducing consumption, and mitigating associated risks. With clear targets established for both the midterm (2030) and long term (2050), known as context-based water targets,

we ensure the practicality and efficacy of our sustainable water management efforts.

Additionally, we have joined Drive+, a Drive Sustainability (OEM group) dedicated to advancing sustainability in the automotive supply chain. As a Tier 1 supplier, this partnership offers us the opportunity to gain direct insights and discuss sustainability requirements with our customers. Through this collaboration, we aim to further integrate sustainability into procurement processes, improve supply chain performance, promote standardization, and foster industry-wide collaboration with key stakeholders.

We are actively participating in the Science Based Targets initiative (SBTi), aligning our emissions reduction goals with climate science and the objectives of the Paris Agreement. Our aim is to halve emissions by 2030 and achieve net-zero emissions by 2050. These targets underscore our

dedication to mitigating the impacts of climate change and preserving our planet for future generations.

Currently, we are in the process of seeking approval for our near-term targets, demonstrating our steadfast commitment to advancing sustainability and combatting climate change.

At Metalsa, sustainability is not merely a goal—it is a fundamental guiding principle that shapes our decisions and actions. By embracing this comprehensive strategy, we are steadfastly committed to building a more sustainable future. Together, we can create a world where businesses flourish, communities thrive, and our planet flourishes.

The following actions in each of our four pillars will allow us **to continue thriving in our sustainability journey:**



**PLANET**

- ISO5001 evaluation pilot
- 2030 GHG Roadmap Initiatives per plant
- SBTi submission for approval (near-term & long-term)
- Set up of 2030 Water Target, Risk Assessment & Water Stewardship Roadmaps
- Green Steel Tech collaboration with suppliers & customers



**PRINCIPLES OF GOVERNANCE**

- Implementation of the 2030 ESG Strategy
- Supply Chain ESG program in alliance with BBVA
- Disclosing information and sustainability performance through CDP, EcoVadis, NQC, CONCAMIN, and our GRI Annual Sustainability Report
- Integrity Season with unprecedented results



**PROSPERITY**

- Pilot Social Programs & Scholarships in El Talar and Owensboro
- Shared Value Project Deployment in Apodaca
- Health & Safety Management Systems (ISO 45001:2018) certification on all manufacturing sites



**PEOPLE**

- Signatory of UN's Women Empowerment Principles (WEP)
- Establishment of the 2030 Safety Target
- Reinforcement of Wellbeing Framework
- "TogetHer" & "MentorMatch" Programs
- DEI Podcast & Learning Paths



# PRINCIPLES OF GOVERNANCE



## 2023 Highlights

- ✓ Implementation of the 2030 ESG Strategy
- ✓ Supply Chain ESG program in alliance with BBVA
- ✓ Disclosing information and sustainability performance through CDP, EcoVadis, NQC, CONCAMIN, and our GRI Annual Sustainability Report
- ✓ Integrity Season with unprecedented results

We follow the best governance practices to ensure accountability, ethical operations and integrity within Metalsa.



# Corporate Governance

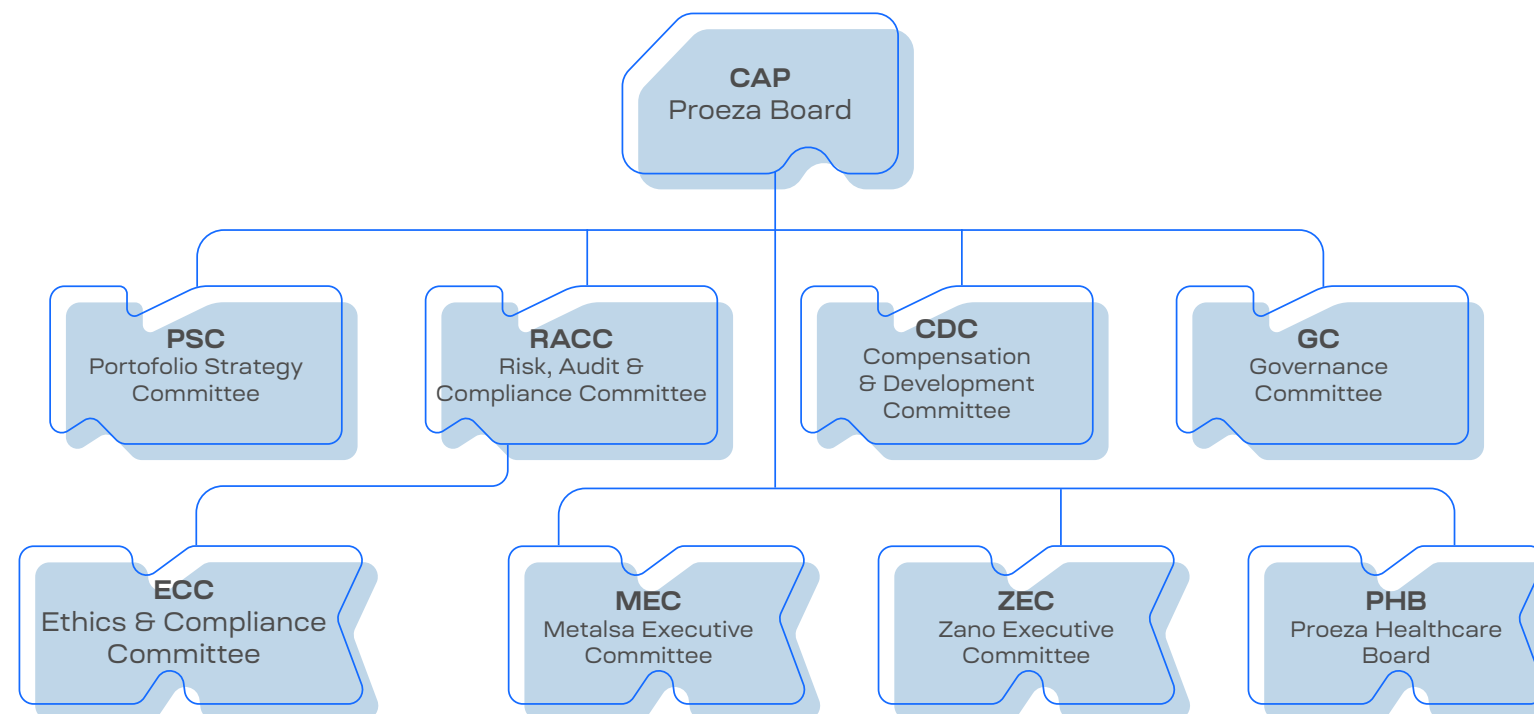
GRI 2-9, 2-10, 2-11, 2-17

All governance organs in Metalsa are controlled by Grupo Proeza's guidelines and integrated by several committees. The Board of Directors (CAP) is comprised of members of the Zambrano family, business owners and external advisors from international industries with no conflict of interests.

## Board and Committees

Proeza Group's highest governance body is the Board of Directors (CAP). The President of the Board is Enrique Zambrano Benítez.

The Board of Directors comprises 10 members, including the Chairman and nine directors, five proprietary, and five independent ones. For independent directors the term of office is two years, and they may be reelected for a maximum of another four periods, not to exceed more than ten years in the office. All directors receive an internal periodical performance review.



**30% of the members of our CAP are women.**

Grupo Proeza's Governance Committee defines the criteria and process for the selection of members in the Board and supporting committees. In 2023, there were 6 ordinary Board meetings with 100% of assistance.

### CAP MEMBERS

- **Enrique Zambrano Benítez**  
Chairman
- **Four family members**

### Independent members

- **Eduardo Padilla Silva**  
CEO of Fomento Económico Mexicano (FEMSA)

\*Appointment has been approved and was ratified at the General Meeting of March 29, 2023.

- **Nanxi Liu**  
Co-CEO of Blaze, CFO of Nanoly Bioscience and Board member of CarParts.com
- **Peter Hawthorne**  
Former VP of Corporate Strategy and Development of Cargill
- **Salvador Alva Gómez**  
Tecnológico de Monterrey President
- **Yvonne Ochoa Rosellini\***  
Co-Founder and CEO of Keat, Chairman of AgroFibra, Board member of VivaAerobus, Grupo Pochteca and IASE México



## METALSA EXECUTIVE COMMITTEE (MEC)

The Metalsa Executive Committee (MEC) holds monthly sessions to deliberate upon and oversee matters pertaining to strategy, finance, performance, talent management, organizational culture, risk assessment, and sustainability.

Its main objective is to ensure compliance with the **company's strategy and targets in the short, medium and long term.**

### MEMBERS

- **Polo Cedillo**  
(Lead Director)
- **Troy Clarke**
- **Mauricio Morales Z**
- **Juan Carlos Zambrano**
- **Jorge Garza**  
(Metalsa Co)
- **Oswaldo Lozano\***
- **Eduardo Barreda\***
- **Shash Sharma\***

\*No voting rights

## Metalsa Leadership Team

GRI 2-12, 2-13, 2-17

The Metalsa Leadership Team is responsible for business decisions and performance observance in different aspects of the operation, as well as the development and implementation of our purpose, values, mission, strategies and goals. Furthermore, we have appointed specific coordinators for ESG topic's management.

During 2023, the sustainability guidelines approved in 2022 were implemented, enacting **action plans and concrete measures for the fulfillment of the 2030 goals.**

- **Jorge Garza Garza**  
Metalsa Coordinator
- **Ricardo Aleman Flores**  
Light Vehicles Coordinator
- **Joe El-Behairy**  
Commercial Vehicles Coordinator
- **Mark Hilfinger**  
Operations & Systems Coordinator
- **Gustavo Adrian Andres**  
Marketing Customer Development Coordinator
- **Jose Oswaldo Lozano Gonzalez**  
Corporate Development and Finance Coordinator
- **Marcia Gallegos Rodriguez**  
Transformation & Sustainability Office Coordinator
- **Liliana Duran Jauregui**  
Human Development Coordinator

## Ethical Operations

GRI 2-15, 2-23, 2-24 407, 408, 409

### Code of Conduct

Our Code includes all Metalsa's values and guidelines that regulate the daily behavior of all collaborators. The main topics addressed are the defense of human rights, including no child or forced labor, freedom of association, non-discrimination, promotion of equal opportunities, client service, free market competition, personal data privacy, environmental protection, anticorruption compliance, anti-money-laundering compliance, regulatory compliance and the expected relationship with suppliers.

Furthermore, we establish our strict adherence to transparency, with a deep ethics understanding and avoiding conflicts of interest –complying with Proeza's Conflict of Interest Policy– and corruption, including bribes, gifts, fraud, extortion and facilitation payments, among others.

We are committed to preventing, protecting, respecting and remedying violations of human rights, so employees must avoid any kind of harmful conduct and refrain from violating the human rights of other employees, suppliers and related parties.



We expect all employees, suppliers and related parties to conduct themselves in accordance with the laws that promote appropriate working conditions and those that prohibit forced labor, child labor and human trafficking. **We also expect them to guarantee freedom of association and the right to participate in collective bargaining.**

We have a Conflicts of Interest Policy that aims to establish general criteria to avoid conflicts of interest between the parties related to Metalsa. This Policy is approved by the Ethics and Compliance Committee, which is the highest governance body in ethics and compliance matters. All conflicts of interest are managed by the Compliance Officer of Metalsa, who reports any conflict of interest to Metalsa's Ethics and Compliance Committee for approval of the mitigation process.

## Anticorruption Policies

GRI 205-1, 205-2

As part of Proeza Group, we are committed to executing business with integrity. This requires consistently high global standards and a zero-tolerance approach towards bribery and corruption.

Therefore, we have an Anticorruption Policy, which prohibits offering, paying, promising to pay, or authorizing the payment of money or anything of value, directly or indirectly, to a local or foreign government official for the purpose of influencing any act or decision of a government official in his or her official

capacity or to obtain any other improper advantage in order to obtain or retain business.

This policy aims to set forth the mandatory requirements related to the prevention of corruption activities. It includes, among other matters, mandatory policies relating to dealings with government officials, third parties, business partners and suppliers; anti-bribery practices; transparent and accurate management of books and accounting records; and describes the appropriate way of handling contributions to political parties and charitable organizations.

In 2023, 100% of the Board members and 98% of our **collaborators received training on our Code of Conduct, and Conflict of Interest Policy.**

### Attention process:

1. The reception medium is the 'Letica' complaints platform, through its various communication channels.
2. The Ethics and Compliance Committee (ECC) is notified and assigned.
3. An investigation is conducted and followed up through an Internal Audit / 'Issue Owner'.
4. Documentation is prepared, necessary support is provided, and the case is closed.
5. Reports are submitted to the ECC and the Audit Committee.

In 2023, we launched a satisfaction survey to monitor our collaborators' perception of the transparency line's reliability. The results showed 87% of collaborators think this channel is secure and reliable, a 4% increase vs 2022.

## Transparency Line

GRI 2-25, 2-26

To maintain transparency across all the business operations, at Metalsa we have established the Transparency Line managed by an independent third-party. Stakeholders may report any ethical breach or concern; all reports are sent to the Proeza's Ethics and Compliance Committee to ensure the corresponding investigations and resolutions of all matters reported.

The Transparency Line can be accessed by any person who is affected by any of the Proeza's enterprises or who observes any issue in business operations; all complaints are completely anonymous and confidential.

Various communication channels, including a website, IOS and Android App, email, and phone number are available for easy access.

# Responsible Supply Chain

GRI 2-6, 204-1, 308-1, 414-1

The major input for the products manufactured by Metalsa is steel. In addition, we purchase components like screws, stamped metal parts, iron components, chemicals for the painting process, industrial gases and wire for welding, mainly. In some cases, clients supply or direct the purchase to suppliers selected and certified by them. The change in volume and mix of products produced has influenced the supply chain, as well as the incorporation of new models and customers.

We worked with 442 direct material suppliers in the year; 70.14% of them were domestic. **51% of our procurement expenses were allocated to them.**

## Supplier Business Assessment

The Metalsa Suppliers' Business Assessment (MSBA) is a global evaluation that allows to clearly understand the capabilities of our supply base. This assessment is fully aligned with process audit standards such as ISO 9001, IATF 16949, ISO 45000, ISO 31000, OSHAS 18000, BIQ, VDA 6.3 and the requirements in our Metalsa Operating System (MOS), as a holistic overview of the information we demand from our supply chain.

If suppliers obtain a low score, we request improvement plans to address the issues with problems.

During 2023, 12 (100%) new suppliers were **assessed using anti-money laundering, environmental and social criteria.**



# PEOPLE



## 2023 Highlights

- ✓ Signatory of UN's Women Empowerment Principles (WEP)
- ✓ Establishment of the 2030 Safety Target
- ✓ Reinforcement of Wellbeing Framework
- ✓ "TogetHer" & "MentorMatch" Programs
- ✓ DEI Podcast & Learning Paths

At Metalsa, we contribute to a better society and foster an inclusive environment with equal opportunities.







# Talent Attraction & Retention

GRI 2-7, 2-8, 2-30

We strive to attract and retain the most qualified and professional collaborators through the daily recognition of their abilities, promoting a sense of belonging and pride, which is translated into an exceptional work environment for their personal and professional development.

In keeping with our values, at Metalsa we make no distinction regarding age, gender, sexual orientation, origin, nationality, marital status, ideas, opinion, religion, social or economic situation, orientation or ways of thinking in all our recruitment, hiring and promotion processes. We believe in the added value of diversity and recognize that it enriches our work environment and drives innovation.

## Employee Satisfaction Survey (ESS)

The Employee Satisfaction Survey (ESS) is conducted at the Proeza Group level, within the business of Zano, Proeza, and Metalsa, ensuring a global perspective. This survey engages both administrative and operative collaborators, with a monthly response timeframe overseen by a third-party communication facilitator to ensure widespread participation.

The survey results are aggregated by the provider and presented in terms of engagement score, participation rates, and key dimensions, accompanied by actionable insights. Strategies are then formulated based on these results, with customization in each country.

The ESS is conducted biennially, with intervening years focusing solely on localities that scored 80% or less on the previous survey. The next survey is scheduled for May 2024.

### Purpose:

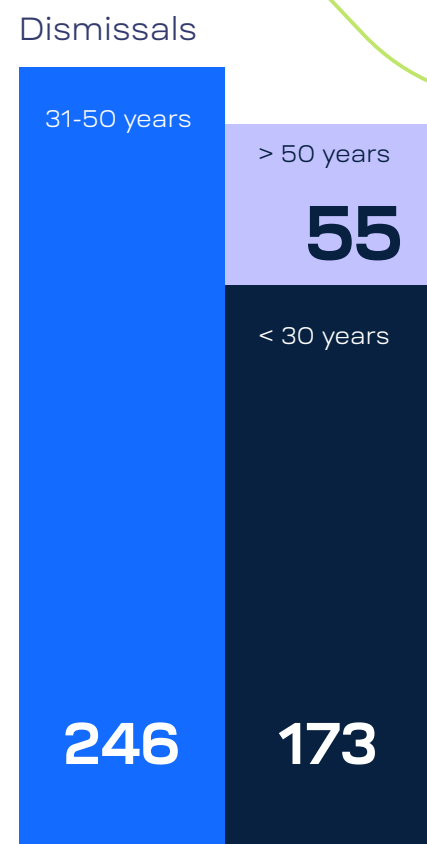
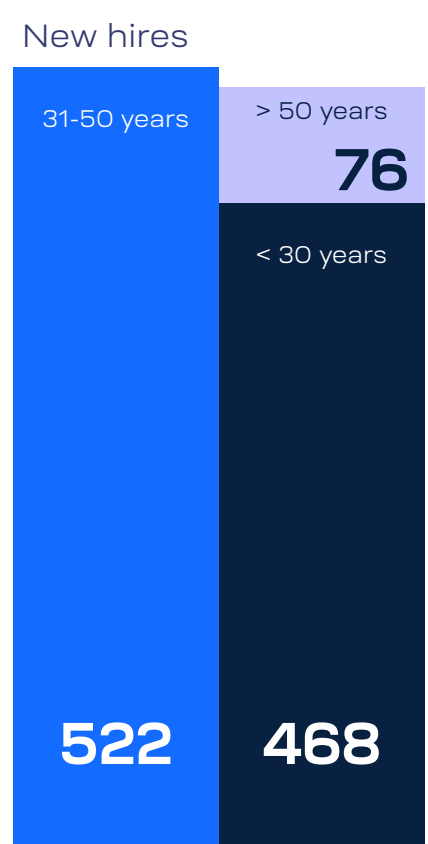
- Assess the work environment based on shared values (We Care, We Thrive, We Dare, We Grow), engagement, and predefined categories.
- Cultivate a productive workplace conducive to both professional and personal development.
- Gather employee feedback to address concerns and improve the work environment.

**11,298**  
collaborators

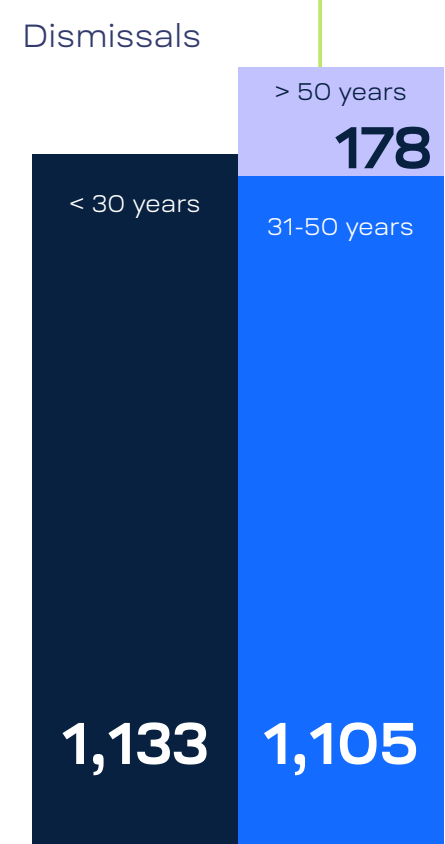
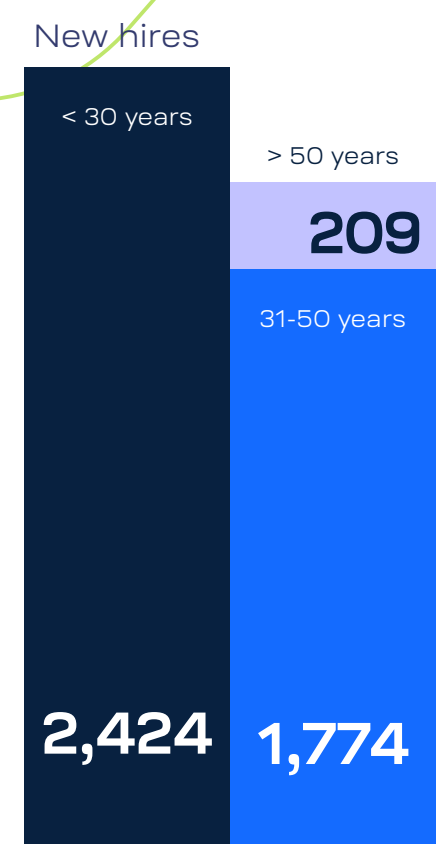
**9,413**  
unionized employees



**WOMEN**



**MEN**



# Diversity, Equity & Inclusion

GRI 2-7, 405-1, 405-2, 406-1

We protect the human rights of our collaborators and promote positive **work environments that enable individuals to grow and reach their full potential.**

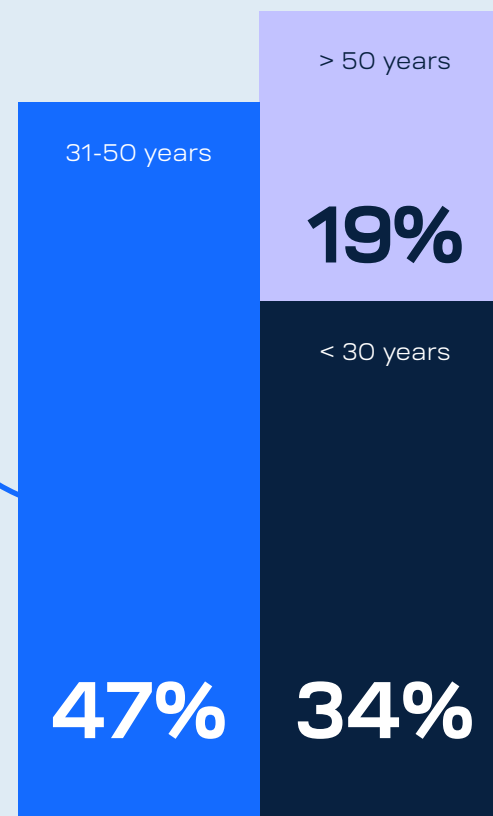


**“At Metalsa, fostering inclusivity and providing equal opportunities to all is not just a mere strategy but an integral part of our values and principles. We are committed to building a diverse and inclusive workplace that respects and values multiple perspectives, experiences, and talents.”**

Marcia Gallegos  
**Transformation and Sustainability Co.**

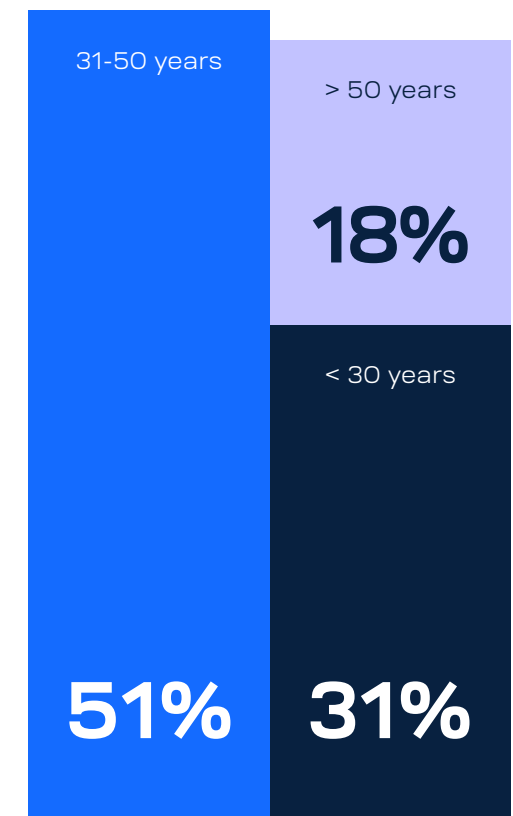
## WOMEN

Workforce breakdown by age



## MEN

Workforce breakdown by age



**WOMEN EMPOWERMENT PRINCIPLES**

Metalsa became a signer of WEPs by UN Women reinforcing its commitment to gender equality.

2023 Feb

**WOMEN @ METALSA**

Launching of our first ERG with the objective to contribute with female talent development.

**NEURODIVERSITY TALK**

Open talk to sensitize employees about neurodiversity as part of People with disabilities.

**DARE TO THRIVE - MONTH**

WID campaign that seeks to position women in Metalsa and promote a gender-equitable company.

2023 Mar

2023 Mar

2023 Apr

2023 May

**CULTURAL DIVERSITY WEEK**

Campaign to exchange cultural knowledge and create awareness about the diversity of nationalities.

2023 Jun

**1<sup>ST</sup> PRIDE MONTH**

Metalsa actively joins to the celebration of LGBTQ+ community with a series of activities through the month.

2023 Jun

**LGBTQ+ CONFERENCES**

Two global conferences with the objective to create awareness about the community.

**2023 DEI Initiatives:**

- **DEI Awareness Program.** Collaborators were trained on topics such as: bases of DEI, what unconscious bias is and how to stop it, inclusive conversations, among others.
- **DEI survey,** with the objective of collecting information on the current understanding and perception of DEI at Metalsa and how it can be improved.

In 2023, we completed the WEP's (Women Empowerment Principles) DEI Report. This report encourages business leaders to use seven principles as guidelines for actions that advance and empower women in the workplace, marketplace and community. In addition, we communicated our progress through sex-disaggregated data and other benchmarks to comply with this standard.



**DEI TRAINING**  
Seven campaigns to train in DEI matters by a partnership with LinkedIn.

2023  
**Jul**

2023  
**Jun**

**DEI PODCAST**  
Launching of the DEI monthly Podcast "One Voice, No Labels", with internal scope.

**INCLUSION OPEN TALK**  
Global scope Open Talk about the barriers to inclusion.

2023  
**Aug**

2023  
**Sep**

**TRAINING FOR LEADERS**  
Integration of an inclusive Leadership training curricula to our leadership institutional program.

2023  
**Oct**

**DEI IN YOUTUBE**  
DEI Podcast open to the public at Metalsa's YouTube channel.

2023  
**Nov**

**GENDER EQUITY DISCUSSION PANEL**  
Global live with six high-influence leaders talking about gender equity.

The DEI Committee is made up of members from different generations, genders and countries. We assess DEI in different dimensions: **age/generation, gender, nationality and multicultural origin, LGBTQ+ community and people with disabilities.**

# Quality of Life

GRI 201-3, 202-1, 401-2

We strive to provide the best conditions and competitive benefits for all our collaborators. Our benefits go beyond the law’s requirements, aiming to retain the best talent and contribute to the improvement of their quality of life. Some of the additional benefits we provide are:

- Christmas bonus
- Vacation bonus
- Social benefits: IMSS
- Life insurance
- Long-term savings plan (only for salaried collaborators)
- Grocery vouchers
- Transportation support
- Marriage economic support
- Maternity and paternity leave as established by IMSS
- Death economic support
- Parking lot

Our “Cuenta Futuro” program, is available for all salaried collaborators in Mexico so they can make voluntary and private contributions for their future. If they decide to participate, each collaborator must save at least 10% of their salaries, without a limit. Metalsa matches the collaborator’s contribution, capped based on

salary level and the type of Social Security Law they are incorporated.

Furthermore, all our salaries are competitive and above local minimums for the industry and countries where we operate.

Country	Minimum wage	Men	Women
Mexico (pesos)	\$207.44	\$262.23	\$262.23
United States (dollars)	\$7.25	\$17.86	\$17.86
Brazil (Brazilian Real)	\$1,320.00	\$2,095.00	\$2,199.29
India (Indian rupee)	\$178.00	\$466.67	\$580.10
Argentina (Argentine peso)	\$156,000.00	\$424,330.79	No operative women
Thailand (Thai baht)	\$361.00	\$361.00	No operative women





# Health & Safety

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8

In compliance with the requirements established under the ISO 45001:2015 standard, we designed and implemented the H&SMS (Metalsa Health and Safety Management System) in all our manufacturing plants. The purpose of H&SMS is to structure joint action between Metalsa and our collaborators to establish H&S measures through the continuous improvement of working conditions and the effective control of hazards and risks in our workplace.

We address the prevention of occupational injuries and illnesses, the protection and promotion of collaborators' health, through the implementation of a logical and step-by-step method that includes policy, organization, planning, application, evaluation, auditing and continuous improvement actions.

The H&SMS focuses on identifying and controlling the **dangers and risks associated with our work activity.**

Therefore, we seek to implement H&SMS that guarantees the continuous improvement of the health, work and well-being of all collaborators, so that they perform in an adequate and efficient manner, allowing their personal and professional growth, while improving the productivity of the company.



We manage compliance with the H&SMS through are leaders from the different areas of the plants and H&S specialists who are in charge of managing the system. The process has active participation of these leaders in several activities, such as: daily safety tours, training, feedback on unsafe acts, implementation of improvements, identification of hazards and risks, leadership in accident investigation, and recognition for those plants that reach milestones in days without accidents.

Our dedication to the well-being of our collaborators is reflected in our comprehensive training programs on occupational safety and health. These programs are designed to equip our workforce with the knowledge and skills necessary to maintain a safe working environment and mitigate potential risks.

The mandatory training offerings are defined by the global EHS (Environment, Health, and Safety) department based on organizational priorities. These offerings are reviewed annually to ensure their relevance and effectiveness. They are deployed during working hours, with a specific strategy defined for both administrative staff and operators. The offerings are divided into four categories: Digital Induction, On-site Induction, Annual Training Campaigns, and On-demand Training.

**01 Digital Induction (global administrative staff and trainees)**

The Safety Awareness Program forms the core of our digital induction program. This program aims to reinforce safety behaviors among employees and reduce the incidence of safety abnormalities. It includes training modules covering various topics:

- **Leader’s Safety Behaviors:** Providing clarity on the safety behaviors expected from leaders to foster a culture of safety.
- **Abnormalities Detection;** Risk Assessment Permit; Stop, Call & Wait: Educating employees on identifying abnormalities, reacting to them using the “Stop, Call & Wait” protocol, and managing non-routine or high-risk activities.
- **Safe Behaviors Handbook (US Only):** Clarifying expected safety behaviors and the consequences for deviations, including disciplinary measures.
- **Safety Incident Escalation Flow:** Providing clarity on the escalation, reporting, dissemination, and follow-up processes for safety incidents.

**02 On-site Induction (global operators)**

**Safety Awareness Program:** Similar to the digital induction, this program focuses on reinforcing safety behaviors among operators.

- Emergency Response
- EHS Module
- Safety in Your Hands
- Cardinal Rules
- Recognition Program



# 03

## Annual Training Campaigns (global administrative and operational staff)

These campaigns are tailored to address annual needs and priorities. In

2023, the Safety Awareness Program was conducted for employees already working within the company.

# 04

## On-demand Training

Tailored to the specific needs of individual plants and teams, on-demand training is provided as required. Examples include:

- Safe Material Handling
- LOTO (Lockout/Tagout) Procedures
- Incident Management
- JSA (Job Safety Analysis)
- RAP (Risk Analysis Procedure)
- Assessment and Performance Monitoring

### Trained collaborators:

**Administrative: 2,008 (87%); 2,700 training hours**

**Operators: 8,998 (100%); 129,996 training hours**

Furthermore, all administrative staff have a major medical insurance, and they may opt to include additional coverages like dental services, vision, minor medical expenses, among others. In our corporate offices we have a trained doctor on staff to oversee any medical emergencies. He is also in charge of the Safety and Hygiene Commission, health fairs and vaccination campaigns.

We offer constant information on all the health services and benefits our collaborators have, such as discounts in certain hospitals and labs, check-up promotions, COVID vaccines, nutrition consults, psychological support, health fairs and conferences on several topics from mental to financial health.

Online courses include assessments, with a minimum passing grade required. On-site, safety indices are measured. If an increase in the safety index is observed, targeted actions such as specific training courses are implemented to reinforce safety practices in that location.

Through comprehensive and tailored programs, we empower our workforce to uphold the highest standards of safety in all aspects of their work. **By continually reviewing and enhancing our training offerings, we strive to create a safer and healthier workplace for everyone.**

# Training & Development

GRI 404-1, 404-2, 404-3

We are aware that we need to hone the skills and knowledge for our staff that allow them to develop professionally. These needs are covered through training programs that range from soft skills classes to specific topics pertaining to their job responsibilities. Some of the most relevant courses we provided during 2023 were:

- **Leader’s Journey**

To empower our talent to inspire and lead others, embracing the changing environment through collaboration and inclusion to tenaciously thrive in the face of present and future challenges.

- **Mentor Match**

To foster a culture of learning, growth and development within our organization. Through a structured mentoring framework, we seek to provide guidance, support and knowledge-sharing opportunities to enhance the professional and personal growth of our collaborators.

- **Accelerated Talent Management**

To improve the managers’ management skills and capabilities in four key dimensions: vision and purpose, management tools, talent management and leadership of high-performance teams.

- **LinkedIn Learning Platform**

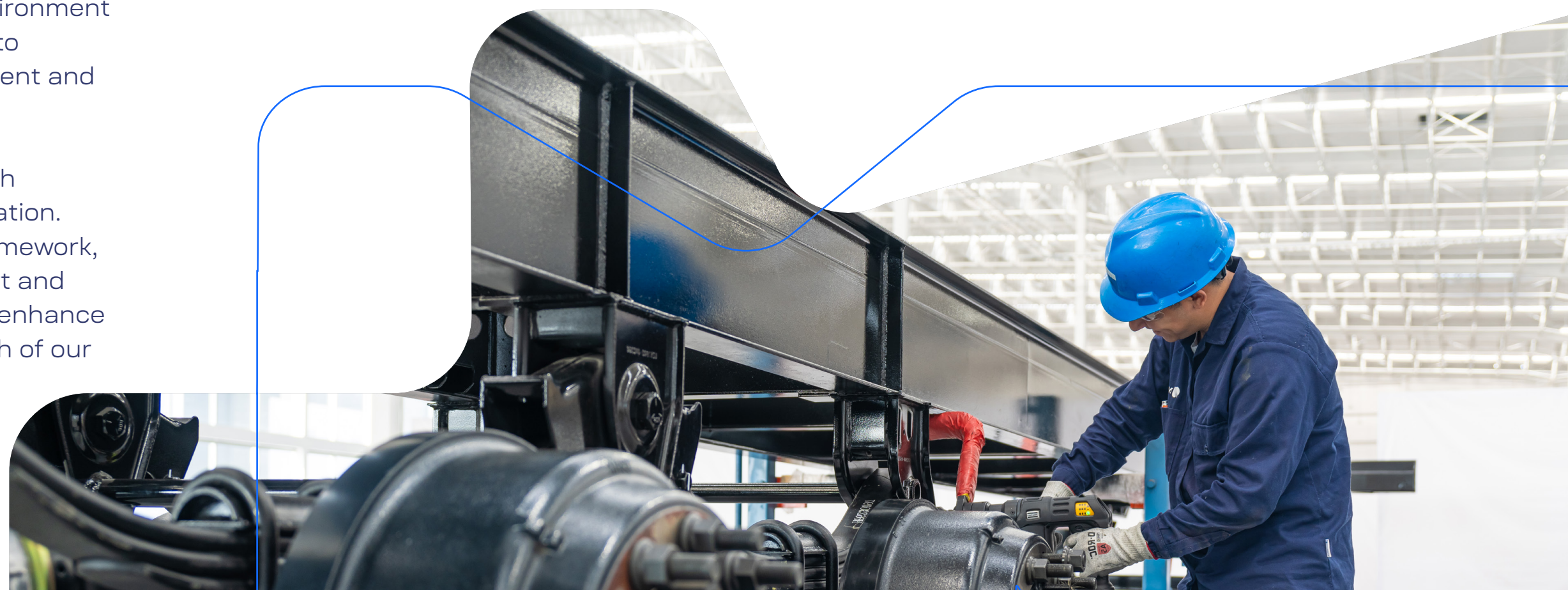
To provide an online platform with high-level content for continuous learning.

- **TL Program**

To reinforce the knowledge and skills required by the Team Leader position for shop floor management.

- **GL2 Program**

To reinforce the knowledge and skills required by the Group Leader 2 position for shop floor management.



Position	Women	Men
Directors	1	6
Managers	36	146
Operators and administrative personnel	1,391	9,718
<b>Total trained collaborators</b>	<b>1,428</b>	<b>9,870</b>

Position	Women	Men
Directors	142	597
Managers	3,278	15,953
Operators and administrative personnel	45,274	122,946
<b>Total training hours</b>	<b>48,694</b>	<b>139,496</b>

Furthermore, we monitor the skills and competencies of our administrative work teams through an annual performance assessment that allows us to design personal development plans and paths to follow. **This evaluation includes a self-assessment and the direct coordinator's feedback on goal setting and achievement.**

Position	Collaborators who received a performance assessment		Percentage	
	Women	Men	Women	Men
Directors	1	6	1	6
Managers	36	146	36	146
Administrative	1,391	9,718	1,391	9,718
<b>Total</b>	<b>1,428</b>	<b>9,870</b>	<b>1,428</b>	<b>9,870</b>

**34** average training hours / female employee

**14** average training hours / male employee

# PLANET



## 2023 Highlights:

- ✓ ISO5001 evaluation pilot
- ✓ 2030 GHG Roadmap Initiatives per plant
- ✓ SBTi submission for approval (nearterm & long-term)
- ✓ Set up of 2030 Water Target, Risk Assessment & Water Stewardship Roadmaps
- ✓ Green Steel Tech collaboration with suppliers & customers

“At Metalsa, our sustainability efforts include substantial investments to meet our mid-and long-term targets. We’ve implemented clean energy solutions and upgraded our facilities, demonstrating our commitment despite regional challenges. By proactively adapting to evolving environmental regulations, we ensure our operations are both compliant and sustainable, reflecting our dedication to a greener future.”

Víctor Caraveo  
**LV Operations Co.**





## Strategic Environmental Management

**All our facilities have the ISO14001:2015 certification,** which proves the efficiency of our Environmental Management Systems.

# Sustainability Risks

GRI 201-2

In alignment with our commitment to sustainability and recognizing the imperative to address climate-related risks and opportunities, Metalsa conducted a comprehensive analysis of physical climate risks across our industrial plants in 2022. Utilizing climate projections from the Intergovernmental Panel on Climate Change (IPCC) AR6 for the period 2020-2040, we assessed the potential impacts of different extreme weather events.

As environmental awareness continues to rise among our stakeholders, we understand **the necessity of proactively identifying and managing climate-related risks and opportunities.**

During our risk assessment, several key sustainability risks were identified, each associated with potential impacts on our operations, workforce, and supply chain. We have outlined these risks below along with recommended mitigation strategies:

## HEATWAVES:



Possibility of increased energy costs, power outages, and impacts on the workforce



Installation of cooling systems, utilization of renewable energy sources, and provision of adequate hydration and rest for workers.

## FLOODS:

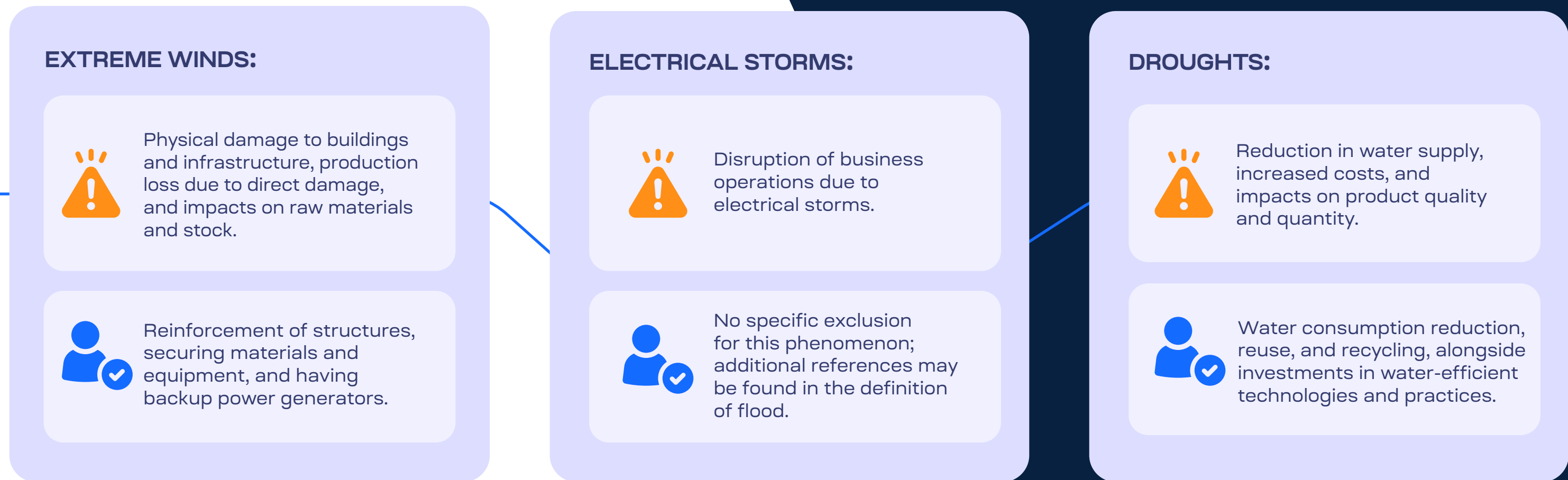


Potential damage to property and buildings, disruption of infrastructure, business interruptions, and harm to stock.



Implementation of flood protection measures such as barriers, pumps, and drainage systems, alongside contingency plans for alternative transportation and storage.







### Risk Transfer

Metalsa holds an “All Risk” policy with FM Global, where non-excluded topics are covered under all other terms, subject to a detailed analysis of each incident’s circumstances. It’s essential to note that physical damage of an insurable type to insured property is necessary to trigger coverage under our policy.

Through proactive risk assessment, implementation of mitigation strategies, and leveraging insurance coverage, **we aim to safeguard our operations, ensure resilience, and contribute to a sustainable future.**

GRI 304-1, 304-4

In addition, one of our manufacturing sites in Mexico is located approximately two kilometers of the western limits of the northwest region ‘ZM5SL’ (San Lorenzo Management Zone), in the protected area in the state of Coahuila, named Zapalinamé Mountain Range.

According to the IUCN Red List, the following flora and fauna exist in this protected area:



- Flora**
- **Minor concern:**
    - Pseudotsuga menziesii
    - Quercus greggii
    - Quercus sideroxyla
    - Quercus rugosa
  - **Almost threatened:**
    - Quercus saltillensis
  - **Vulnerable:**
    - Pinus greggii

Given the complexity and extension of the Zapalinamé Mountain Range protected area, as well as the variety of species that inhabit it, we are aware we need to carry out environmental assessments to better



- Fauna**
- **Minor concern:**
    - Falco peregrinus
  - **Vulnerable:**
    - Rhynchopsitta terrisi

understand any possible influence of our activities on the surrounding ecosystems since currently we do not have detailed information on our specific impact.

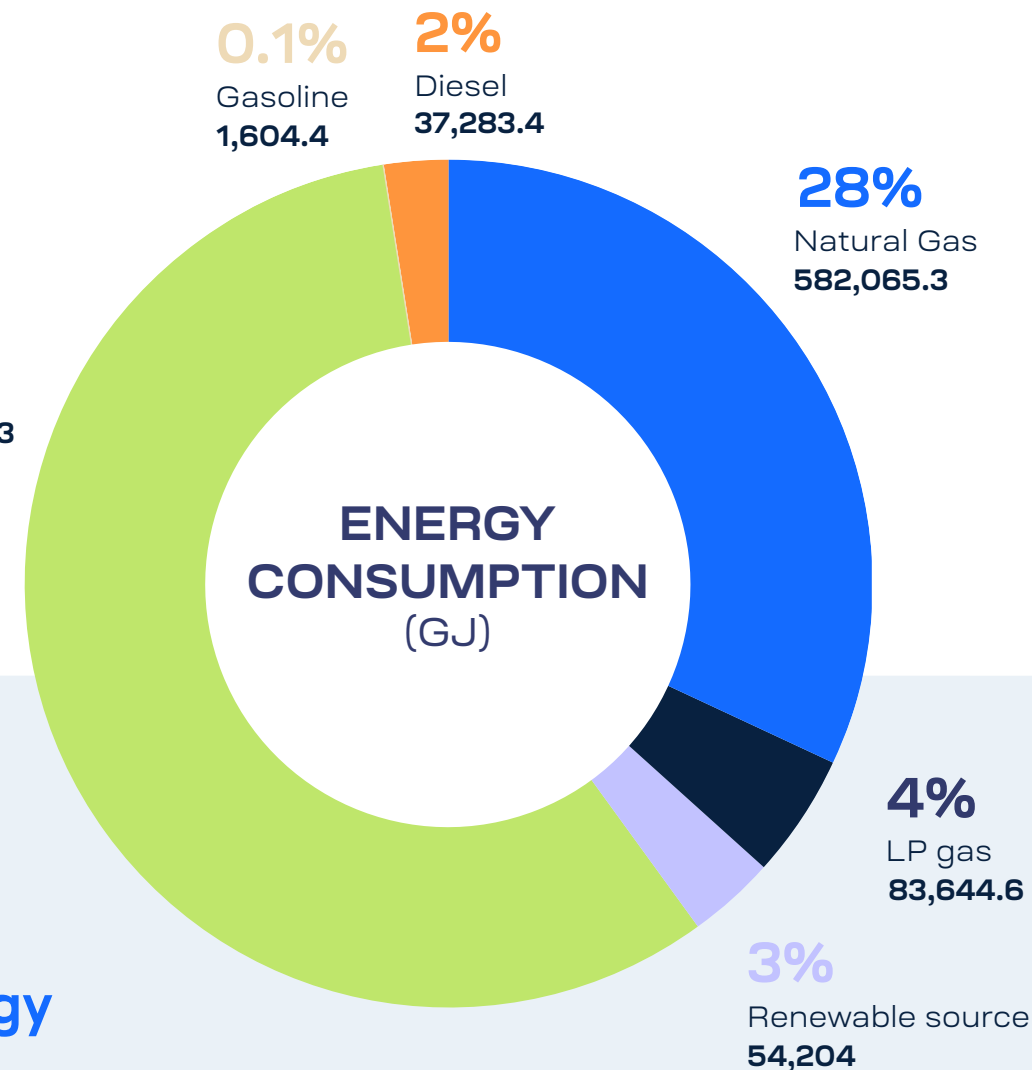


# Climate Change and Energy Ecoefficiency

GRI 302-1, 302-3, 302-4, 305-1, 305-2, 305-4, 305-5

Striving to protect the environment, every facility has its own programs and initiatives to reduce energy consumption and carbon footprint. On a monthly basis, each plant uploads its consumption information into the corresponding calculation files. Subsequently, this information is consolidated into a global file that encompasses all company units for a comprehensive analysis and more effective management of our energy resources.

In line with our continued commitment to improving energy efficiency, we aim to obtain the ISO 50001 certification next year. This certification **will help us establish a robust energy management system and further improve our performance in this area.**



Total energy consumption  
**2,101,845.2 GJ**

Energy intensity  
**754.9** GJ/MILLION US DOLLAR

**8.9%** REDUCTION VS 2021 BASELINE



To achieve our 2030 target, we are planning to implement necessary initiatives, such as calculating cost and budget for building the energy mix to increase renewable and clean energy, preparing for the ISO 50001 certification for our manufacturing sites, quoting LED lighting changes and installing automated metering system and EHSS software, among others. All these initiatives are aligned with our business plan and will enable us to comply with our Sustainability Linked Bond commitment.

### Emissions<sup>1</sup>

Scope 1:  
81,165.01 tons CO<sub>2</sub>e

**-8.4% VS  
2019 BASELINE**

Scope 2:  
122,388.14 tons CO<sub>2</sub>e

**-16.3% VS  
2019 BASELINE**

Total emissions:  
203,553.15 tons CO<sub>2</sub>e

**-13.3% VS  
2019 BASELINE**

Emissions intensity:  
73.11 tons CO<sub>2</sub>e/million US dollar

**-6.23% VS  
2019 BASELINE**

<sup>1</sup> Please refer to our Basis of Reporting, located immediately after the Assurance Statement, at the conclusion of our sustainability report.



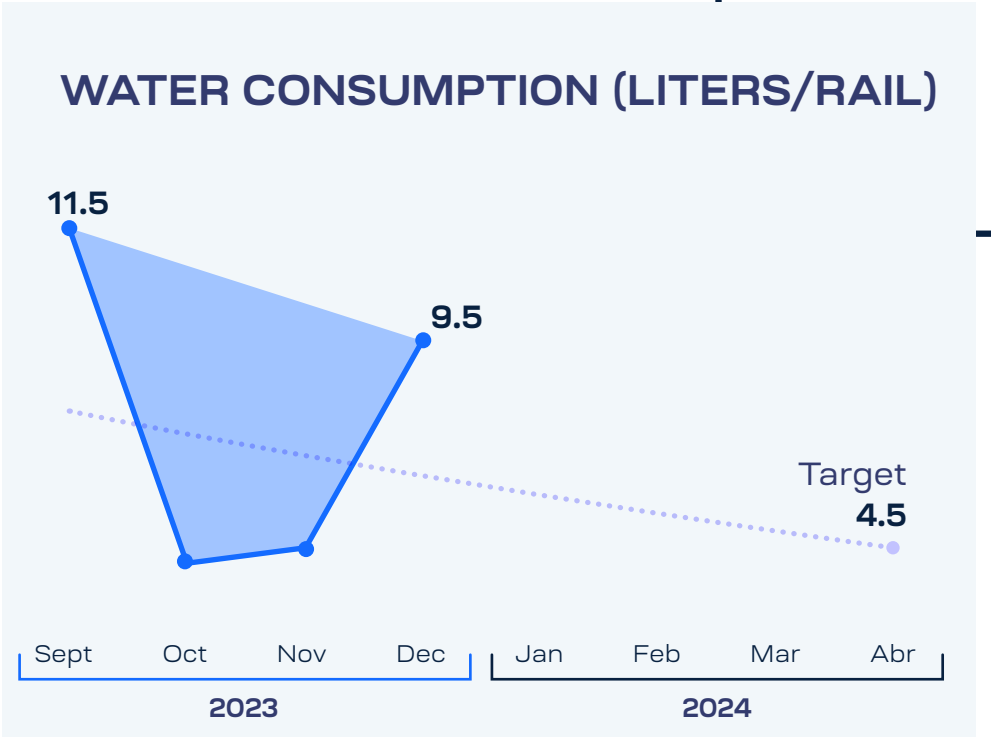
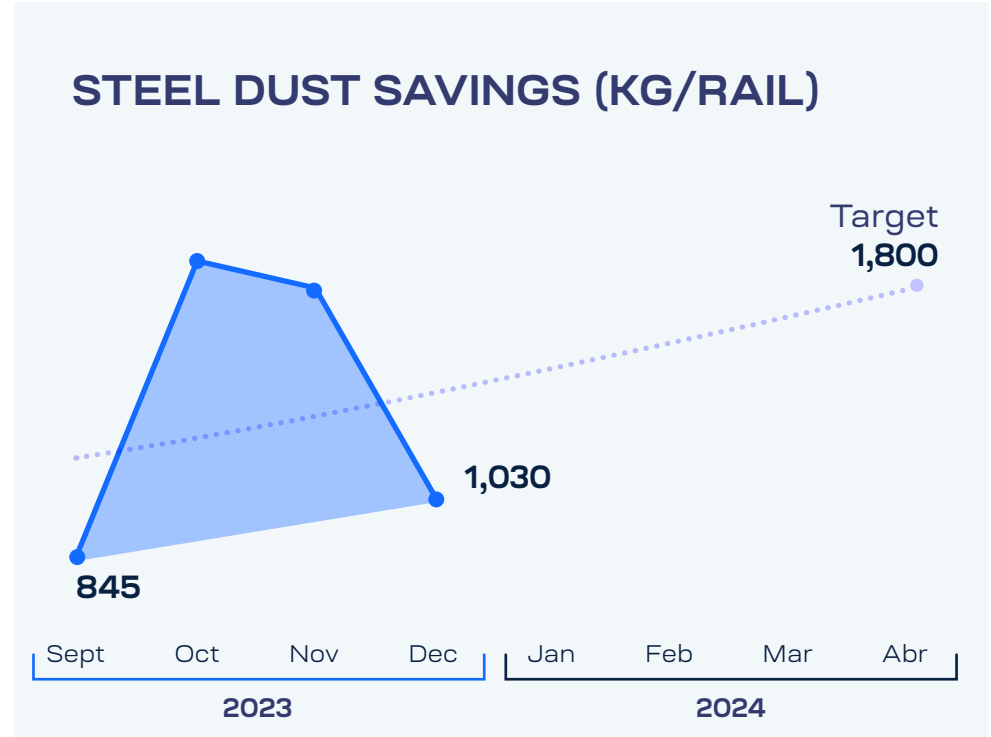
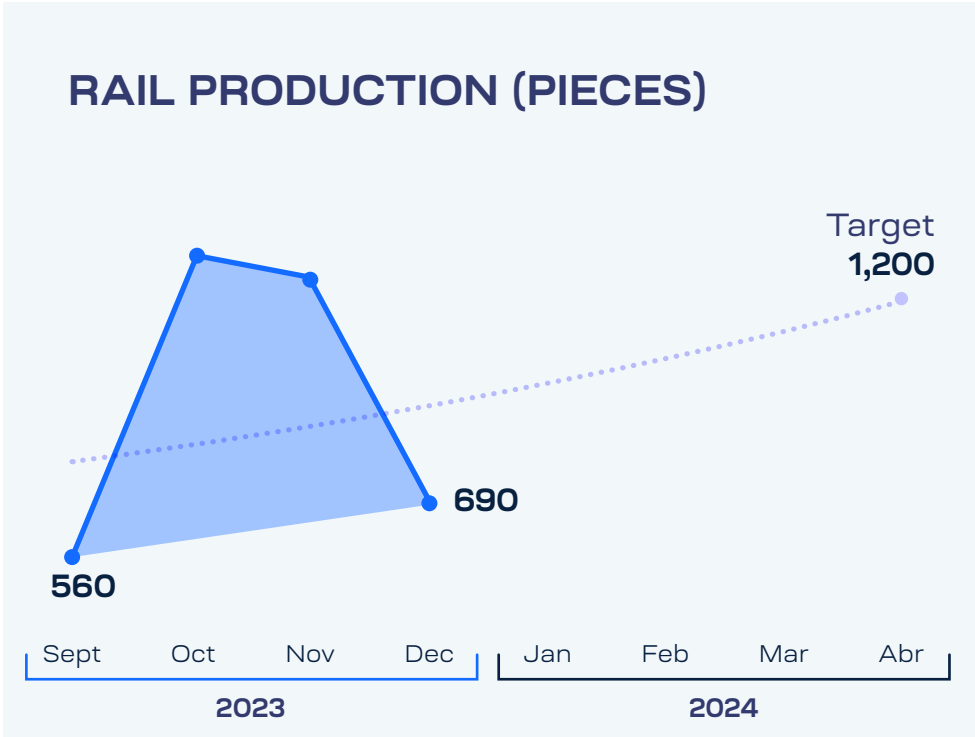
# Rail Ecotreatment

The Induction Heat Treatment Technology was developed with the aim of expanding the use of treated side rails in regions outside of North America, particularly Brazil, where a client was interested in introducing this competitive advantage. This development was carried out in collaboration with a research center in Mexico and an industrial partner in the United States of America. From the first prototypes, the results were promising.

Metalsa decided to take the step towards industrialization and constructed a pilot cell, with the objective of subjecting the technology to a manufacturing environment. After certain adjustments and improvements (which were

patented by Metalsa), the technology was successfully approved, and the first customer to receive products from this cell was Paccar.

Thanks to the repeatability and homogeneity of the heat treatment process, it was demonstrated that a side rail treated to higher mechanical properties is feasible. Currently, a collaboration is ongoing with the industrial partner with whom the technology was developed, aiming to advance the technology with all the improvements made by Metalsa, while simultaneously increasing speed and reliability.





# Water Management

GRI 303-1, 303-2, 303-3, 303-4, 303-5

At Metalsa we mainly use water during the painting process, except for those plants that do not have the procedure or carry it out without water. In addition, we use water for bathrooms, kitchens and irrigation of green areas. The main sources of water extraction are mainly municipal water, well water and/or industrial water purchases for our operations and we account for these withdrawals on each of our manufacturing plants.

After use, water is directed to an internal treatment plant prior to discharge. Periodic chemical analyzes are carried out in accordance with local legislation to measure the quality of the water we discharge. We are currently improving our treatment plant processes so all our facilities comply with all applicable legislation requirements relating to chemicals in wastewater.

**In Mexico, we comply with discharge regulations in accordance with NOM-002-ECOL-1996**, which establishes the maximum permissible limits of contaminants in wastewater discharges to urban or municipal sewage systems.

During 2023, we developed the Water management strategy, which establishes clear objectives and a road map that strives to:

-  Improve Metalsa's practices related to water management.
-  Reduce consumption in our industrial processes.
-  Minimize the risks associated with water use.

The strategy contributes and is aligned with Metalsa’s sustainability 2030 and 2050 targets. We intend to meet our targets and that these efforts will make a significant contribution to sustainable water management, both for the company and for the communities of which we are a part. Therefore, we use the methodology “context-based water targets”, divided into two phases:

01

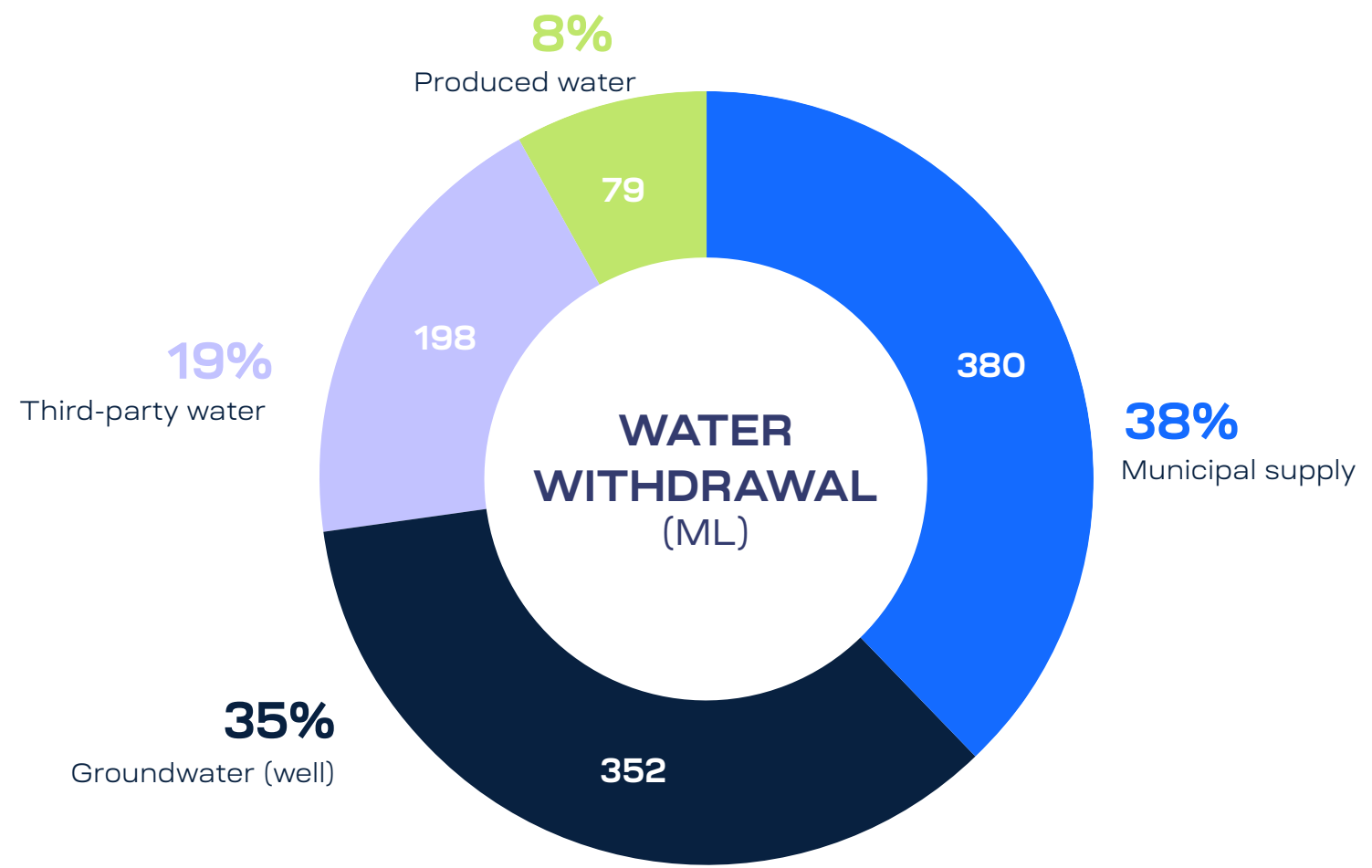
**Collection and understanding:**

We carry out a risk analysis and a questionnaire regarding water maturity of the site in question.

02

**Strategy and targets:**

We identify shared water challenges in the basin and stakeholders’ priorities. With this input, we set targets at the local level that are relevant and achievable.



Total water withdrawal: 1,009 ML;

**-26% VS  
2021 BASELINE**

Total water discharged: 52.02 ML;

**-24% VS  
2021 BASELINE**

**Total water consumption: 956.98 ML**

ML: Megaliters (1ML = 1 million liters)

# Waste Management

GRI 306-1, 306-2, 306-3, 306-4, 306-5

Each manufacturing site has its own waste management process. Overall, at Metalsa we monitor the total production of waste including production processes and support processes (offices, cafeterias, warehouses). We classify waste into hazardous and non-hazardous; the former are divided into confined and co-processed; and non-hazardous ones into recyclables and landfill. Consequently, all waste is separated more uniformly and arranged according to the local legislation of each location.



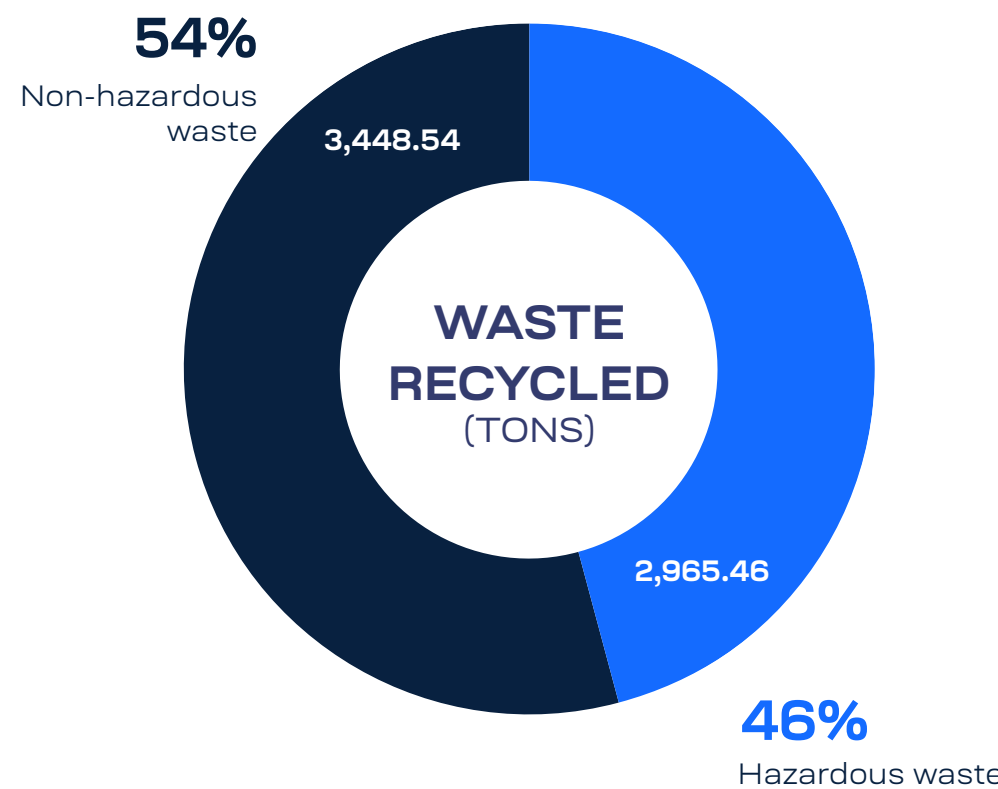
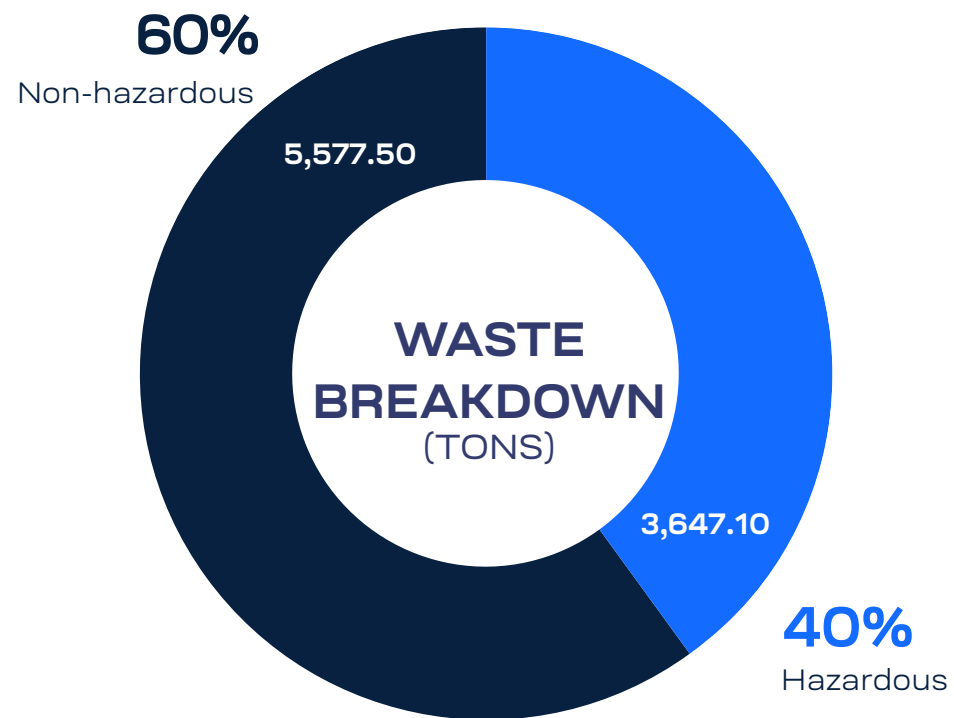
**9,224.60 TONS OF WASTE GENERATED**



**6,413 TONS OF WASTE RECYCLED**

Hazardous waste: Paint chips, empty containers, petroleum and phosphate sludge, used oil, used gloves.

Non-hazardous waste: Wood, aluminum, PET, cardboard and welding roll packaging and general garbage that is sent to the landfill.



Hazardous waste is only recycled at the Roanoke facility with an external supplier. Non-hazardous waste is recycled at all facilities, whether within each site or with external suppliers.

Of the remaining waste that was not recycled, 682 tons of hazardous waste were sent to incineration, while 2,129 tons of non-hazardous waste were sent to landfill.

# PROSPERITY



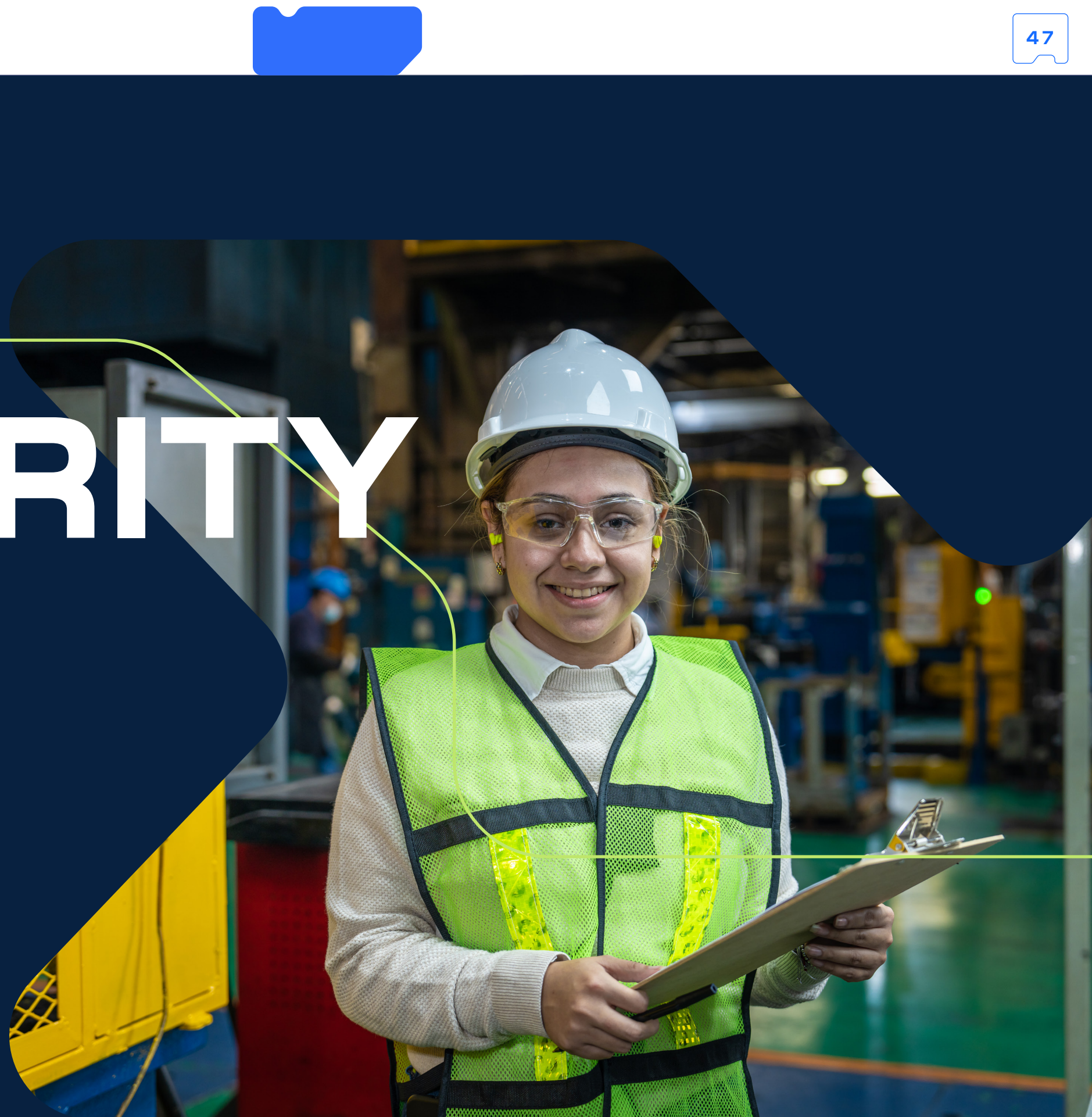
## 2023 Highlights:

✔ Pilot Social Programs & Scholarships in El Talar and Owensboro

✔ Shared Value Project Deployment in Apodaca

✔ Health & Safety Management Systems (ISO 45001:2018) certification on all manufacturing sites

We strive to create a positive relationship with the communities where we operate, contributing to enhance their quality of life and economic development.



# Community Engagement

GRI 413-1

## Community development programs

### Mexico

Apodaca, Saltillo and Pabellón

✓ 7,706 benefited people through 23 programs

- Rapunzel Movement
- Food Volunteering
- Childrens Day Volunteering
- Earth Challenge
- Adopt a School
- Blood Donation Campaign
- Cap recollection Campaign
- Adopt a Tree
- Give Christmas a Meaning
- Zaber Foundation
- RenuevaT
- Personal Finance Talks
- Entrepreneurship Market: Valentines Edition
- Entrepreneurship Market: Mothers Edition
- Entrepreneurship Market: Fathers Edition
- Entrepreneurship Market: Christmas Edition
- Metalsafest
- Developing Talents
- Entrepreneurship Market: Patriot Edition
- Women’s Cancer Prevention Campaign
- ANSPAC
- Inspiring Women Campaign
- Congruence Movement

### Argentina

✓ 1,969 benefited people through 18 programs

- Spark your talent: Dual High School Programs
- Spark your talent: Vocational Orientation
- Spark your talent: Short Learning Practice
- Spark your talent: Local High School Support Equipment
- Scholarships: Long Internship Universities
- Scholarships: University scholarships coverage
- Scholarships: University quotation discounts
- Welding Workshop
- Several donations
- Gasoline for local police

### India

✓ 1,370 benefited people through 9 programs

- Installation of solar lights in the local village
  - Infrastructure development of the local schools
  - Educational development at local schools
  - Health & Hygiene: awareness & support
  - Sponsoring skill improvement
  - Traditional cultural promotion
  - Sustainable environment in and around business
  - Ration distribution to home for seniors
  - Tuberculosis elimination program
  - Maintenance of zoo and program for adoption of pets
  - Government initiated projects
- In addition, these programs benefitted 160,000 members of local communities.



## USA

✔ 8,604 benefited people through 16 programs

- Spark your talent: Short Learning Practice
- Scholarships: University Scholarships Coverage
- Scholarships: Long-Internship Universities
- Youth Sports Sponsorships
- Engineering Co-op Program
- Toys for Tots
- Local Community College support (ECTC)
- Local High School Support
- Accessible Recycling Dock Sponsorship
- Hardin County Schools Co-op Program
- Blood Drive in partnership with the Red Cross
- Forgotten harvest
- Volunteers of America
- Gleaners' community food bank
- WKRBC Blood Mobile
- Aaron McNeil's Food Handout
- Adopt A Child

## Thailand

✔ 611 benefited people through 232 programs

- Green Star Award
- Open shop in factory
- Blood donation
- HAAD SAI KAEW Summer Beach Run
- Support to local school
- Health check-ups
- Check DAM Project
- Community development program
- Promotion of activities from learning center
- Planting trees

## Brazil

✔ 104 benefited people through 6 programs

- Electrical training
- Craft workshops
- Inductive training for young people
- Welding formation





# Business RESULTS



Metals



# About METALSA

GRI 2-1, 2-6

METALSA S.A.P.I. de C.V. is the automotive subsidiary of Grupo Proeza. Proeza Group is a portfolio management company with more than 65 years of experience, nurturing a portfolio of companies recognized for their reliability, innovation and contribution to the development of its collaborators toward a better society.

# Revenues: US \$2.78 BILLION

**14** manufacturing plants | **8** countries | **11,298** collaborators | **23** facilities



# Metalsa takes great honor to be part of Grupo Proeza



Leading manufacturer of automotive components specialized in chassis structures for light and commercial vehicles.



VC firm that invests in early-stage start-ups exclusively in the mobility sector, aiming to transform the global mobility industry to be more efficient, safety-focused and environmentally friendly.



Agro-industrial business focused on producing quality fruit juice. Technical assistance to citrus growers and plant genetics for production of high-quality trees.



Digital transformation and communication solutions with a strong position in the power electric sector.



Healthcare platform mainly composed by Premiere Healthcare Professionals, a market leading platform in nurse staffing with over 25 years of experience serving hospitals in the U.S.



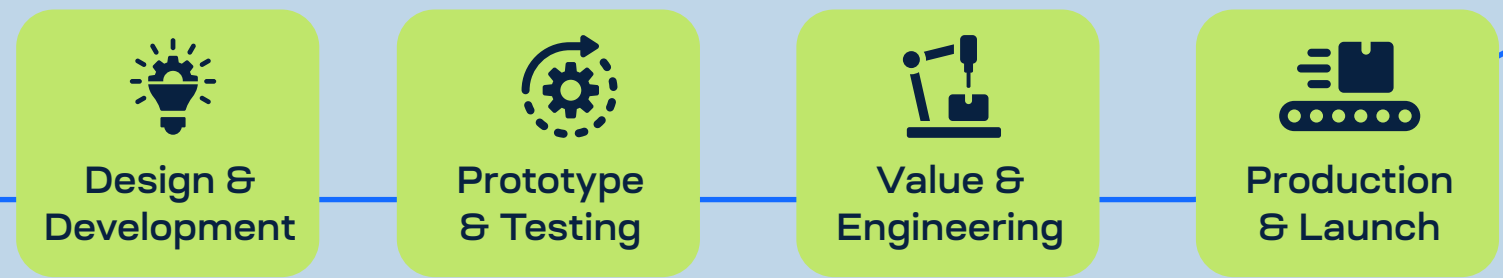
Founded in 1956 by don Guillermo Zambrano Jr., **we are a family-owned company built on a solid humanistic culture.**



# Our Services and Products

GRI 417-1

Metalsa manufactures chassis and body structure components for light and commercial vehicles. Furthermore, we provide additional services such as:

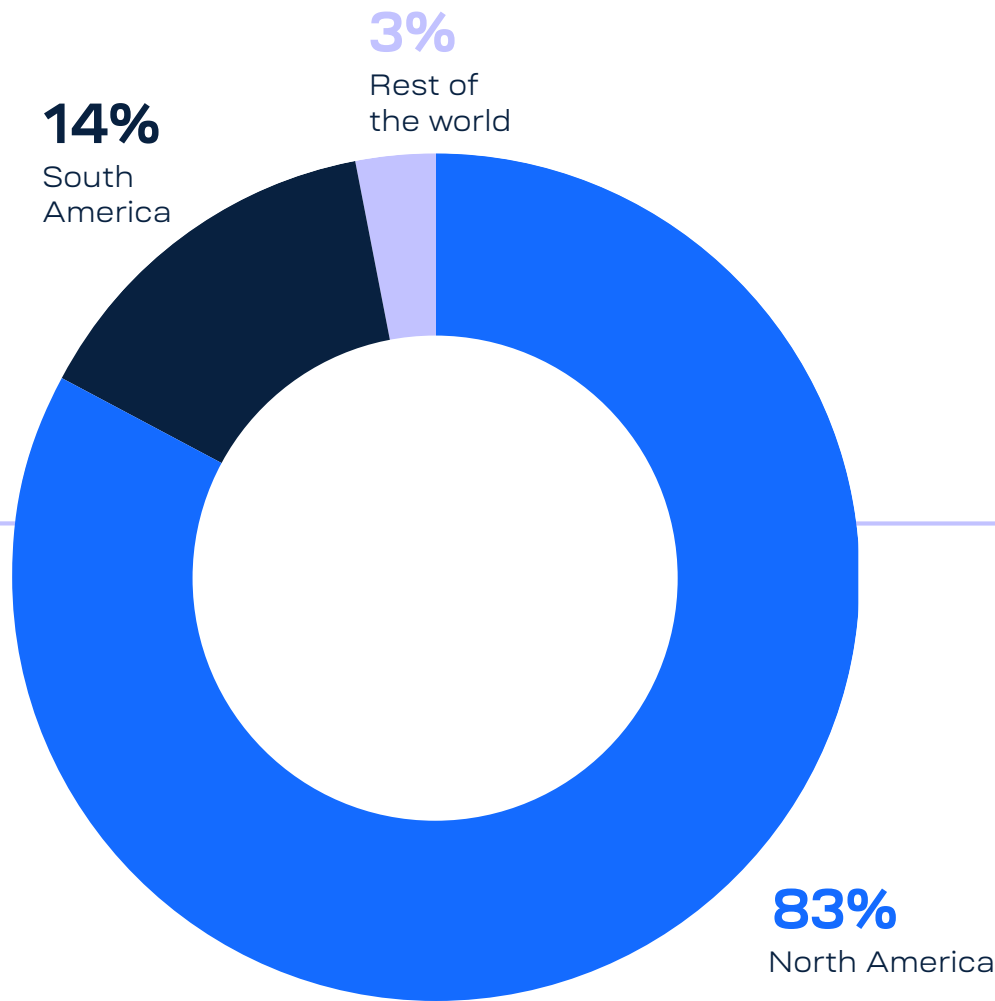


We supply products and solutions for multiple customers worldwide in several brands and markets, from basic utility vehicles through high luxury vehicles.

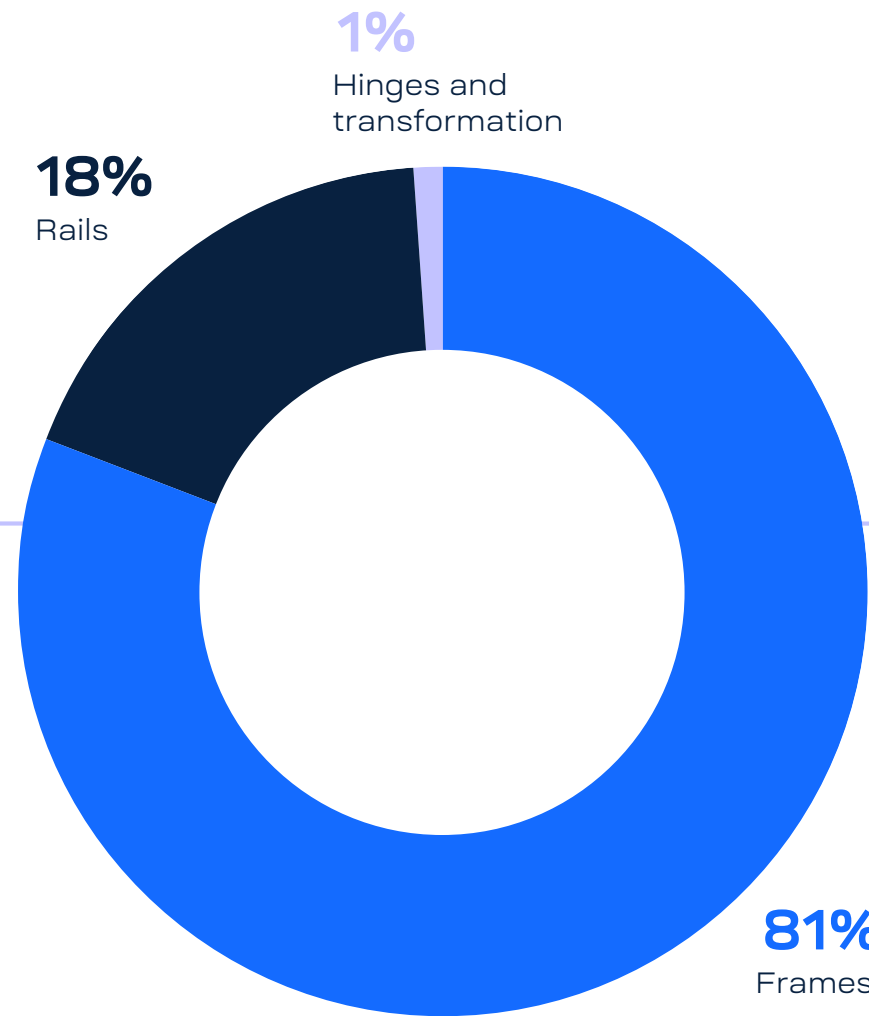
“We prioritized meeting customer requirements with quality products. This commitment to customer satisfaction is integral to Metalsa’s long-term vision, especially during challenging times. During 2023, **we implemented various strategies to address talent shortages, production fluctuations, and cost mitigation.**”

Jorge Garza  
Metalsa Co.

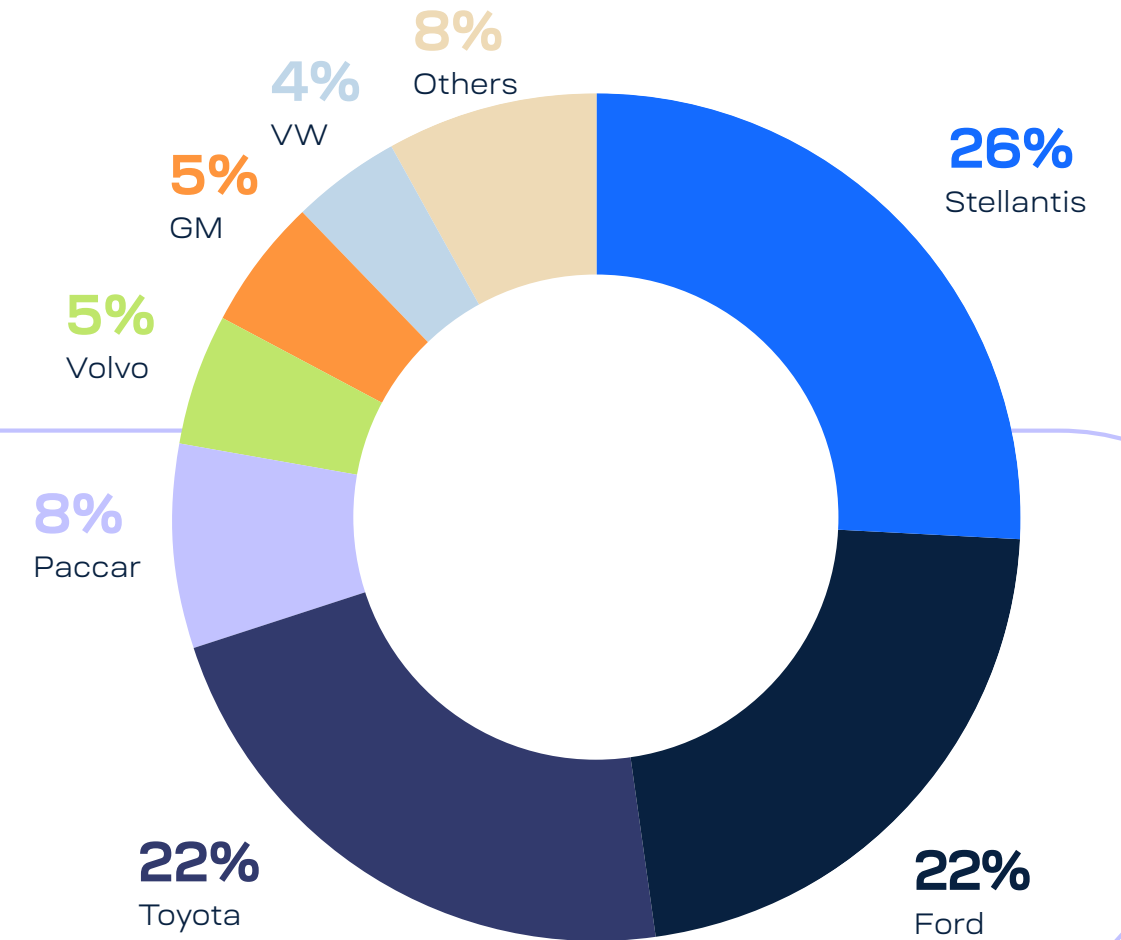
### SALES BY REGION



### SALES BY PRODUCT



### SALES BY CUSTOMER



We receive our customers' requirements through the different platforms in relation to reports on the chemical composition of our products, compliance with environmental regulations, as well as the inclusion of conflict minerals. The Commercial, Engineering, Purchasing, and EHS&S areas participate in the construction of the different reports.

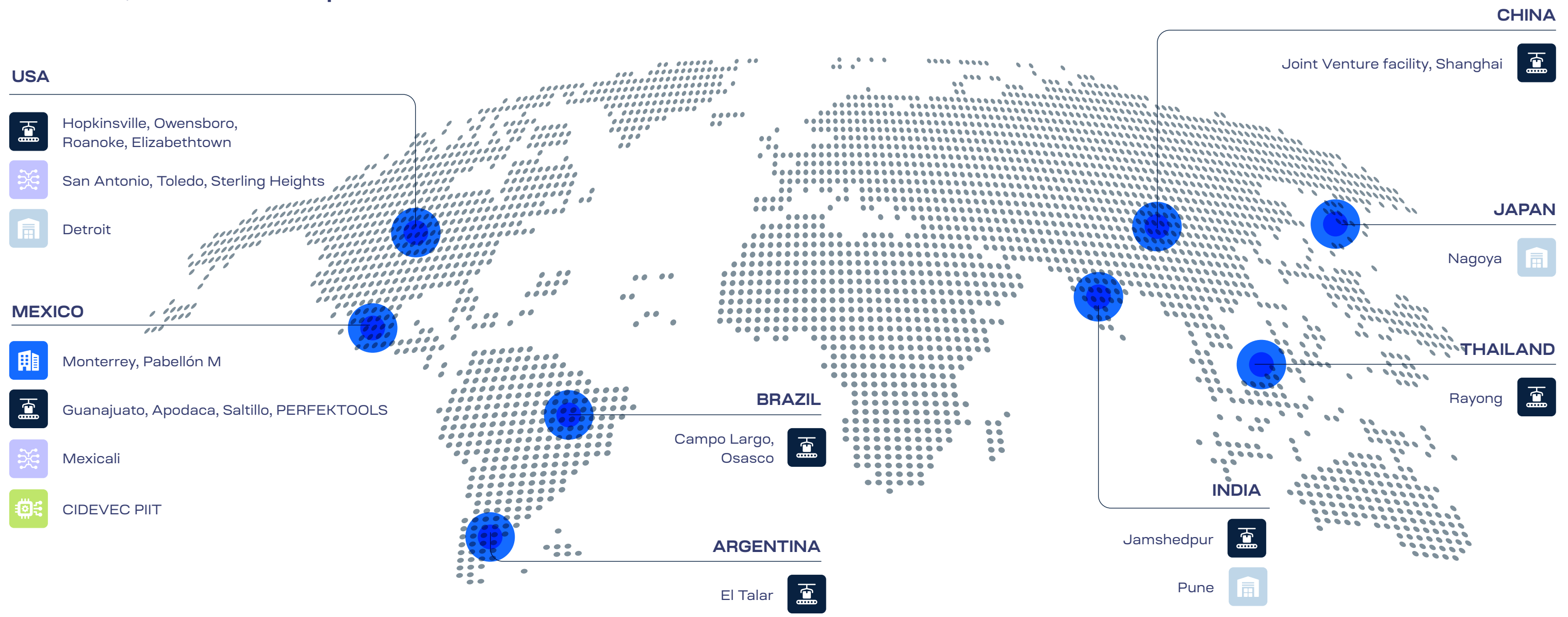
We disclose information regarding the safety, substances, materials and minerals of our products to our clients. These include:

- Full Material Disclosure (IMDS)
- EU REACH SVHC
- EU End-of-Life Vehicle (ELV)
- Road Vehicles – Recyclability and Recoverability
- Conflict Minerals (3TG & Cobalt)

# Market Presence

We have operations in **Mexico, the United States, Brazil, Argentina, India, Thailand, China and Japan.**

-  **CENTRAL OFFICE**
-  **MANUFACTURING PLANTS**
-  **TECHNOLOGY CENTER**
-  **SEQUENCING PLANT**
-  **COMMERCIAL OFFICE**



# Financial Highlights

GRI 201-1

Innovation and adaptability remained central themes in Metalsa’s strategy. We adopted a proactive approach, anticipating and addressing volatility through scenario planning and targeted innovation projects. Notably, the development of a flexible production line in Guanajuato exemplified Metalsa’s commitment to innovation in response to evolving market demands.

**“We implemented scenario planning to navigate volatility effectively.** Our innovation projects focused on addressing customer needs and enhancing productivity, such as the flexible production line in Guanajuato, catering to both electric and internal combustion vehicles.”

Oswaldo Lozano  
**Metalsa CFO**

	2022	2023	22 vs 23 (%)
<b>Direct economic value generated (revenue)</b>	2,684,132	2,784,171	3.73
<b>Economic value distributed</b>	3,203,586	3,466,584	7.58
<b>Economic value retained</b>	<b>-519,454</b>	<b>-682,413</b>	23.87

\*Amounts in millions of dollars.





# About this Report

GRI 2-2, 2-3, 2-4, 2-5

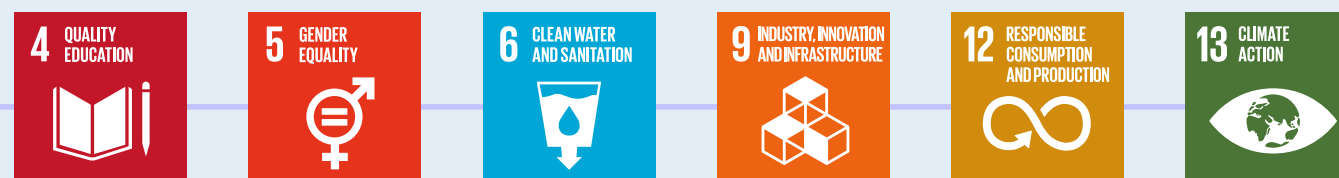
In accordance with our commitment to sustainability, we disclose our 2023 Sustainability Report, which outlines our performance on economic, environmental, social and governance topics during the period between January 1<sup>st</sup> and December 31, 2023, for all of Metalsa's operations worldwide. There are no restatements of information unless otherwise identified.

This report was prepared in reference to the 2021 Standards of the Global Reporting Initiative. Due to the issue of a sustainability-linked bond, we are committed to verifying the intensity of our base 2019 emissions, complying with the published framework. The decision to issue a SLB was approved by the highest government bodies, including our parent company. Hence, only GHG emissions intensity data is externally assured by a third party: ERM CVS. The rest of the information provided in this report is reviewed for accuracy by our ESG team.



## CONTRIBUTION TO SDGs

We are committed to **contribute to the 2030 Agenda and the Sustainable Development Goals (SDG)**. This agenda was approved in September 2015 by heads of state and member countries of the United Nations. The 2030 Agenda explicitly calls on the business sector to align its operations to ensure sustainable and inclusive development. **The 169 goals set for 2030 are the guide so that our sustainability strategy really has a positive impact on our stakeholders and future generations.**



In line with our materiality assessment's results, we selected the 6 key SDGs and goals **we impact the most with our operations and in which our contributions can be the most substantial.**



# GRI Content Index

**DECLARATION OF USE** Metalsa, S.A.P.I. de C.V. presents the information listed in this GRI content index for the period from January 1 to December 31, 2023, using the GRI Standards as a reference.

GRI 1 USED GRI 1: Foundation 2021

GRI Standard	Content	Page, direct response or reason for omission	
<b>1. THE ORGANIZATION AND ITS REPORTING PRACTICES</b>			
GRI 2: General disclosures 2021	2-1	Organizational details	51
	2-2	Entities included in the organization’s sustainability reporting	57
	2-3	Reporting period, frequency and contact point	57
	2-4	Restatements of information	57
	2-5	External assurance	57
<b>2. ACTIVITIES AND WORKERS</b>			
GRI 2: General disclosures 2021	2-6	Activities, value chain and other business relationships	23, 51
	2-7	Employees	25, 27
	2-8	Workers who are not employees	We have 490 workers who are not collaborators, 370 interns and 120 sub-contractors
<b>3. GOVERNANCE</b>			
GRI 2: General disclosures 2021	2-9	Governance structure and composition	18
	2-10	Nominating and selecting the highest governance body	18
	2-11	Chair of the highest governance body	18
	2-12	Role of the highest governance body in overseeing the management of impacts	20
	2-13	Delegation of responsibility for managing impacts	20

GRI Standard	Content	Page, direct response or reason for omission	
	2-14	Role of the highest governance body in sustainability reporting	15
	2-15	Conflicts of interest	21
	2-16	Communication of critical concerns	All concerns are communicated to the Board through quarterly meetings, monthly reports to the Board and the permanent communication among the Chairman, committee members and executives. Metalsa does not have critical concerns recorded.
<b>GRI 2: General disclosures 2021</b>	2-17	Collective knowledge of the highest governance body	18, 20
	2-19	Remuneration policies	The remuneration schemes are not linked to the organization's performance in terms of ESG, with the exception of our CEO and CFO, the latter being the executive directly responsible for ESG issues.
	2-21	Annual total compensation ratio	Average annual compensation of all employees in Mexico: MXN \$16,306.00 Ratio of total annual compensation for the highest-paid employee to the average annual compensation of all employees: 61.5%
<b>4. STRATEGY, POLICIES AND PRACTICES</b>			
	2-22	Statement on sustainable development strategy	6
	2-23	Policy commitments	21
	2-24	Embedding policy commitments	21
	2-25	Processes to remediate negative impacts	22
	2-26	Mechanisms for seeking advice and raising concerns	22
<b>GRI 2: General disclosures 2021</b>	2-27	Compliance with laws and regulations	During 2023, our facility in Elizabethtown had environmental fines amounting to US. \$703,600 due to non-compliances with the maximum daily concentration limit of heavy metals in the water discharge according to the city's permit for wastewater. We are currently working on remediation plans to avoid recurrences in future years (see Planet chapter).
	2-28	Membership in associations	We belong: In Mexico, to CLAUT Nuevo León, CLAUT Coahuila, CLAUT Guanajuato / Querétaro, INA, COPARMEX, CAINTRA, COMC. In the United States to: MEMA / OESA, Bluegrass Automotive Manufacturers Association. In Argentina to AFAC. In Brazil to SINDIPECAS and SINEAS

GRI Standard		Content	Page, direct response or reason for omission
<b>5. STAKEHOLDER ENGAGEMENT</b>			
GRI 2: General disclosures 2021	2-29	Approach to stakeholder engagement	13
	2-30	Collective bargaining agreements	25
<b>GRI 3: MATERIAL TOPICS 2021</b>			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	11
	3-2	List of material topics	11
	3-3	Management of material topics	11
<b>GRI 200: ECONOMIC STANDARDS</b>			
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	56
	201-2	Financial implications and other risks and opportunities due to climate change	38
	201-3	Defined benefit plan obligations and other retirement plans	30
	201-4	Financial assistance received from government	We do not receive any financial help from the government.
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	30
	202-2	Proportion of senior management hired from the local community	The breakdown of senior management hired from local communities is as follows Mexico: 1.15% USA: 0.51% India: 0.08% Argentina: 0.07% Brazil: 0.07% Thailand: 0.02%
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	23
GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption	22
	205-2	Communication and training about anti-corruption policies and procedures	22
	205-3	Confirmed incidents of corruption and actions taken	There were no incidents of corruption in 2023.
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There were no legal actions for anti-competitive behavior, anti-trust or monopoly practices.

GRI Standard	Content	Page, direct response or reason for omission	
<b>GRI 300: ENVIRONMENTAL STANDARDS</b>			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	41
	302-3	Energy intensity	41
	302-4	Reduction of energy consumption	41
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	44
	303-2	Management of water discharge-related impacts	44
	303-3	Water withdrawal	44
	303-4	Water discharge	44
	303-5	Water consumption	44
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	40
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	40
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions.	41
	305-2	Energy indirect (Scope 2) GHG emissions.	41
	305-4	GHG emissions intensity	41
	305-5	Reduction of GHG emissions	41
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	46
	306-2	Management of significant waste-related impacts	46
	306-3	Waste generated	46
	306-4	Waste diverted from disposal	46
	306-5	Waste directed to disposal	46
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	23

GRI Standard		Content	Page, direct response or reason for omission
<b>GRI 400: SOCIAL STANDARDS</b>			
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	30
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Depending on the circumstance and location, one- or two-weeks' notice is required.
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	31
	403-2	Hazard identification, risk assessment, and incident investigation	31
	403-3	Occupational health services	31
	403-4	Worker participation, consultation, and communication on occupational health and safety	31
	403-5	Worker training on occupational health and safety	31
	403-6	Promotion of worker health	31
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	31
	403-8	Workers covered by an occupational health and safety management system	31
	403-9	Work-related injuries	109 accidents, 0.88% rate 0 deaths
	403-10	Work-related ill health	6 men and 6 women presented cervical pain from bad posture. We took measures by developing training course on these topics to avoid recurrences.
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	34
	404-2	Programs for upgrading employee skills and transition assistance programs	34
	404-3	Percentage of employees receiving regular performance and career development reviews	34
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	27
	405-2	Ratio of basic salary and remuneration of women to men	27

GRI Standard		Content	Page, direct response or reason for omission
GRI 406: Nondiscrimination 2016	406-1	Incidents of discrimination and corrective actions taken	27 During 2023, there were two incidents of discrimination in the USA. These are not confirmed and we are investigating the cases to provide appropriate corrective measures.
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	21 During 2023 there were no operations or suppliers where the rights to freedom of association was at risk.
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	21 During 2023 there were no operations or suppliers with child labor incidents.
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	21 During 2023 there were no operations or suppliers with forced labor incidents.
GRI 413: Local communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	48
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	23
GRI 415: Public Policy 2016	415-1	Political contributions	We act with the highest ethical standards portrayed in our Code of Conduct. In this document, we assert that we shall not make any contribution to political parties, movements or committees, political or union organizations, or to their representatives and candidates.
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	We have no programs of these type since we are a B2B company.
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	During 2023, there were no incidents related to the health and safety of our products.
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	53
	417-2	Incidents of non-compliance concerning product and service information and labeling	During 2023 there were no incidents related to our product's information.
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	We have a Data Protection Policy, privacy notices, manual of retention and disposition of documents procedure, Personal Data Protection Manual, and International Data Protection Policy. These contain general privacy practices and guides for the processing of any personal data in all of Grupo Proeza's jurisdictions and state the appropriate security measures applicable for the protection of personal data. During 2023, there were no incidents related to customer privacy or losses of data.



# Assurance Statement

## Independent Limited Assurance Report to Metalsa S.A.P.I. de C.V.

ERM Certification & Verification Services Limited ("ERM CVS") was engaged by Metalsa S.A.P.I. de C.V. ("Metalsa") to provide limited assurance in relation to the selected information set out below and presented in the Metalsa Sustainability Report 2023 (the "Report").

Engagement summary	
Scope of our assurance engagement	<p>Whether the 2023 information and data for the following selected disclosures are fairly presented in the Report, in all material respects, in accordance with the reporting criteria.</p> <p><u>Environmental Indicators</u></p> <ul style="list-style-type: none"> <li>Greenhouse Gas (GHG) Emissions Intensity: Total Scope 1 and Scope 2 (location-based) GHG Emissions in tCO2e per million USD of revenue (tCO2e/USDm)*</li> </ul> <p>* We place reliance on the financial assurance conducted on revenues as they are presented in the 2023 10-K filing. Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Report.</p>
Reporting period	1st January 2023 to 31st December 2023
Reporting criteria	<ul style="list-style-type: none"> <li>Metalsa's internal reporting criteria and definitions;</li> <li>WBCSD/WRI GHG Protocol (2004, as updated January 2015) for the Scope 1 and 2 GHG emissions.</li> </ul>
Assurance standard and level of assurance	<p>We performed a limited assurance engagement, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board.</p> <p>The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.</p>
Respective responsibilities	<p>Metalsa is responsible for preparing the Report and for the collection and presentation of the information within it, and for the designing, implementing and maintaining of internal controls relevant to the preparation and presentation of the Report.</p> <p>ERM CVS' responsibility is to provide a conclusion to Metalsa on the agreed scope based on our engagement terms with Metalsa, the assurance activities performed and exercising our professional judgement.</p>

**Our conclusion**  
Based on our activities, as described below, nothing has come to our attention to indicate that the 2023 data and information for the disclosures listed under 'Scope' above are not fairly presented in the Report, in all material respects, in accordance with the reporting criteria.

**Our assurance activities**  
Considering the level of assurance and our assessment of the risk of material misstatement of the Selected Information a multi-disciplinary team of sustainability and assurance specialists performed a range of procedures that included, but was not restricted to, the following:

- Evaluating the appropriateness of the reporting criteria for the Selected information;

- Conducting interviews with relevant staff to understand and evaluate the management systems and processes (including internal review and control processes) used for collecting and reporting the selected disclosures;
- Reviewing a sample at corporate level of a sample of qualitative and quantitative evidence supporting the reported information;
- Conducting analytical reviews of the year-end data submitted by all locations included in the consolidated 2023 group data for the selected disclosures which included testing the completeness and mathematical accuracy of conversions and calculations, and consolidation in line with the stated reporting boundary;
- Performing a virtual visit to a Metalsa facility/production site in the U.S. and an in-person visit to a Metalsa facility/production site in Mexico to review source data and local reporting systems and controls;
- Evaluating the conversion and emission factors and assumptions used; and
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

**The limitations of our engagement**

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

**Our independence, integrity and quality control**

ERM CVS is an independent certification and verification body accredited by UKAS to ISO 17021:2015. Accordingly we maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our quality management system is at least as demanding as the relevant sections of ISQM-1 and ISQM-2 (2022).

ERM CVS applies a Code of Conduct and related policies to ensure that its employees maintain integrity, objectivity, professional competence and high ethical standards in their work. Our processes are designed and implemented to ensure that the work we undertake is objective, impartial and free from bias and conflict of interest. Our certified management system covers independence and ethical requirements that are at least as demanding as the relevant sections of the IESBA Code relating to assurance engagements.

ERM CVS has extensive experience in conducting assurance on environmental, social, ethical and health and safety information, systems and processes, and provides no consultancy related services to Metalsa in any respect.



Heather I. Moore  
Partner, Corporate Assurance  
Malvern, PA

May 10, 2024

On behalf of:

ERM Certification & Verification Services Limited  
[www.ermcvs.com](http://www.ermcvs.com) | [post@ermcvs.com](mailto:post@ermcvs.com)



# Basis of Reporting

This section provides the reporting criteria for greenhouse gas (GHG) emissions indicators presented in Metalsa's 2023 Sustainability report.

## Guidance and Boundary

Metalsa measures and discloses its Scope 1 & Scope 2 in accordance with the following guidance and standards:

- World Resources Institute (WRI)/ World Business Council for Sustainable Development's (WBCSD), The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol).
- For Scope 1 & Scope 2 GHG emissions calculations, Metalsa selects a reporting boundary encompassing all operational facilities under its direct operational control, with the ability to directly influence emissions-generating activities.

## Scope 1 GHG emissions

Scope 1 encompasses direct emissions that occur from sources in operations within the organizational boundary. Due to its operations, Metalsa Scope 1 GHG emissions consist of combustion, process, and fugitive sources.

Metalsa's calculation of Scope 1 GHG emissions primary data are obtained from internal records backed up by invoices, utility bills, and metering systems (wherever applicable). Fuel types included in Scope 1 GHG emissions are natural gas, Liquefied Petroleum Gas (LPG), gasoline, diesel, gasoil, and welding gases (CO<sub>2</sub>).

Our facilities located in Mexico, the United States, and Argentina comprehensively report emissions from all aforementioned fuel sources, utilizing emissions factors selected from the 2023 Environmental Protection Agency (EPA) Center for Corporate Climate Leadership GHG Emission Factors Hub. It is important to note that GHG emissions are commonly reported in units of Carbon dioxide equivalent (CO<sub>2</sub>e). The emission factors provided by EPA have not been pre-converted to CO<sub>2</sub>e. To achieve this conversion, emissions are multiplied by the corresponding Global Warming Potential (GWP) values listed in the table below:

Gas	100-Year GWP
CH <sub>4</sub>	28
N <sub>2</sub> O	265

Conversely, our manufacturing sites in Brazil, India, and Thailand exclusively consume LPG and welding gases (CO<sub>2</sub>). The emission factors sourced for these sites are derived from documentation published by local jurisdictional authorities. To ensure consistency across this latter group of jurisdictions, we use the heat content (Net Calorific Value) of each fuel for conversion to the emission factor unit specified by the respective jurisdiction.

## Scope 2 GHG emissions

Scope 2 emissions are indirect GHG emissions that occur from energy consumption, where the energy is produced by another entity. These emissions include those associated with the generation of steam, heat, cooling, or purchased electricity utilized by the reporting organization. In the case of Metalsa, its Scope 2 GHG emissions originate solely from purchased electricity.

Metalsa's employs the location-based method to calculate its Scope 2 GHG emissions. This consists of using the emissions intensity of the local grid where electricity

Country	Emission factor (tCO <sub>2</sub> e/kWh)	Source
Argentina	0.000459	Secretaría de Energía – Cálculo del Factor de Emisión de la Red
Brazil	0.0000385	Sistema Interligado Nacional do Brasil
India	0.000716	Central Electricity Authority
Mexico	0.000438	Registro Nacional de Emisiones RENE
Thailand	0.0004401	Thailand Greenhouse Gas Management Organization
United States	0.000422566 – SRTV eGRID region 0.000474503 – RFCW eGRID region	EPA eGRID Power Profiler

## Reporting Boundary changes and exclusions

Metalsa's reporting boundary encompasses all operational facilities under its direct operational control. This includes manufacturing plants, distribution centers, and corporate offices. There have been no major changes in the reporting boundary compared to FY2022.

The decision to exclude the Guanajuato site from Metalsa's reporting boundary reflects its status as a new facility with no existing emissions to be incorporated into its carbon inventory. 2024 will mark the first operational year for Guanajuato and its corresponding emissions will be integrated into Metalsa's carbon accounting.



# Contact

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For any questions regarding Metalsa's sustainability initiatives and reporting please contact:

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