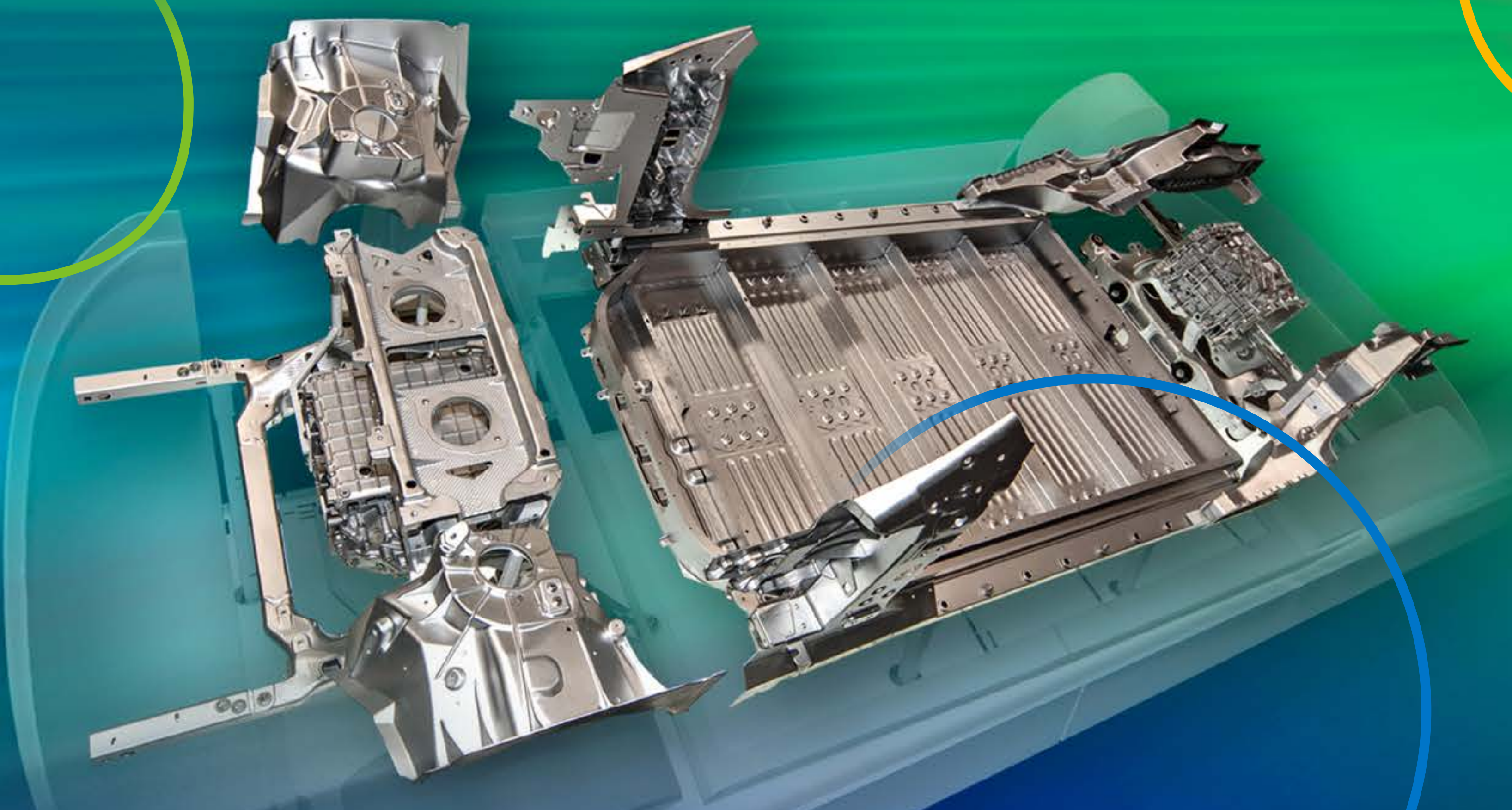
# 2022 ANNUAL REPORT



Nemak

Innovative Lightweighting


## CONTENT



*GRI Standards: 2 - 1/6*

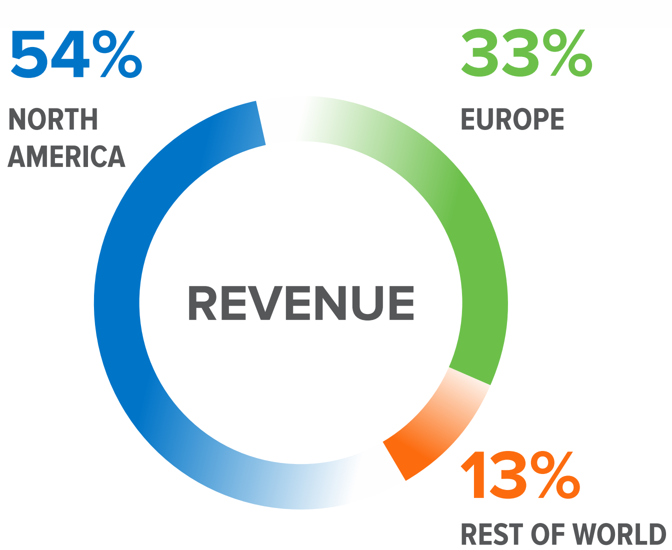
Nemak, S.A.B. de C.V. ("Nemak") is a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for e-mobility, structure & chassis, and ICE powertrain applications. In 2022, the Company employed approximately 24,000 people at 38 production facilities worldwide and generated revenue of US$4.7 billion.

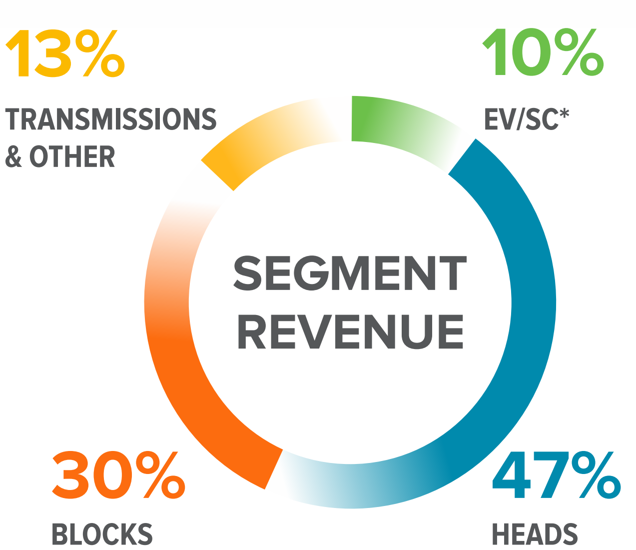
**For more information about Nemak, visit: https://www.nemak.com**


# Nemak at a glance

*GRI Standards: 2 - 1/6*

Nemak's manufacturing footprint spans 38 plants strategically located in 15 countries




*E-Mobility, Structure & Chassis

# Product portfolio

*GRI Standard: 2-6*

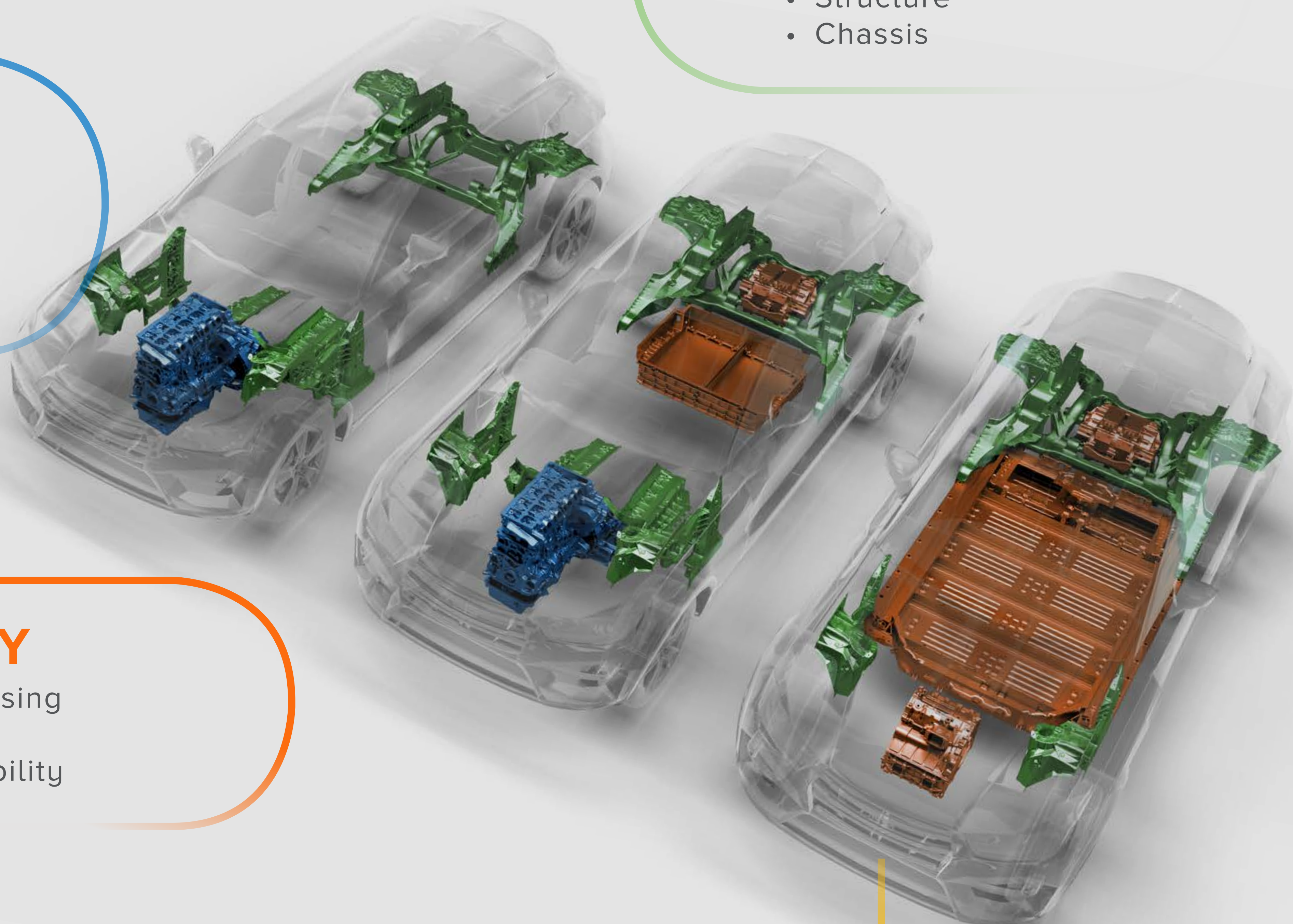
## STRUCTURE & CHASSIS

- Structure
- Chassis

## ICE POWERTRAIN

- Cylinder Heads
- Engine Blocks
- Transmission
- Other ICE Powertrain
- Other Auto Parts*

**Parts not specified in other categories*



## E-MOBILITY

- Battery Housing
- E-Drive
- Other E-Mobility

# Financial highlights

*GRI Standard: 201-1*

| MILLIONS OF US DOLLARS | 2022 | 2021 | % CHANGE |
|---|---|---|---|
| Volume (M. Eq. Units) | **39.5** | 35.7 | 10.5 |
| Total revenues | **4,667** | 3,798 | 22.9 |
| Gross profit | **505** | 471 | 7.2 |
| Sales & administrative expenses | **-292** | -247 | 18.2 |
| Other income (expense), net | **-26** | 5 | -620 |
| Operating income | **186** | 229 | -18.8 |
| Interest expenses | **-75** | -112 | -33.0 |
| Interest income | **6** | 3 | 100.0 |
| Foreign exchange (loss) | **-10** | -20 | -50.0 |
| Financing expenses, net | **-79** | -129 | -38.8 |
| Participation in associates results | **-1** | -1 | 0.0 |
| Income tax | **-56** | -94 | -40.4 |
| Net income | **51** | 5 | 920.0 |
| EBITDA[1] | **542** | 567 | -4.4 |
| CAPEX | **468** | 360 | 30.0 |
| Net debt | **1,236** | 1,306 | -5.4 |

## VOLUME
*(millions of equivalent units)*


## TOTAL REVENUES
*(millions of US dollars)*


## EBITDA
*(millions of US dollars)*

# Letter to shareholders

*GRI Standard: 2-6*

**During 2022, Nemak capitalized on industry recovery and growth opportunities linked to the vehicle electrification trend to deliver a full-year guidance beat across key metrics. The Company harnessed prudent management, technological expertise, and business resilience to drive topline growth and make progress toward addressing cost volatility, notwithstanding a challenging operating environment.**

**Armando Garza Sada**
Co-Chairman of the Board of Directors

**Armando Tamez Martínez**
Chief Executive Officer

**Álvaro Fernández Garza**
Co-Chairman of the Board of Directors

Supply chain constraints—primarily related to the global semiconductor shortage—continued to weigh on customer light-vehicle production, although to a lesser extent than in 2021. New challenges arose, however, as the world grappled with levels of inflation not seen in decades. In the face of these headwinds, Nemak implemented operating efficiencies and flexibility initiatives, while engaging in commercial negotiations aimed at mitigating inflation-related impacts on its business.

Nemak forged ahead with its ramp-up of recently awarded business to supply parts for electric vehicles, launching new products in its e-mobility, structure & chassis (EV/SC) segment. Revenue in EV/SC applications reached approximately US$470 million, 24% higher than in 2021, while new contracts awarded during the year took Nemak's total accumulated order book in the segment to $1.60 billion annually, keeping the Company well on track to achieving its announced target of a $2 billion EV/SC order book by 2025.

During 2022, global light-vehicle production improved vis-à-vis 2021, although trends varied by region. Light-vehicle production rose 10% in North America as automakers worked to meet pent-up consumer demand; however, in Europe, this metric dropped 2%, due in part to temporary supply-chain disruptions linked to the war in Ukraine. Meanwhile, light-vehicle sales finished 8% lower in both the US and Europe compared to 2021, as supply chain constraints weighed on vehicle availability, particularly in the first half of the year. In Brazil, this same factor contributed to a 5% reduction in light-vehicle sales, whereas in China, government stimulus helped lift light-vehicle sales 4% higher for the year.

Nemak's consolidated volume improved by 11% compared to the previous year, mainly on increased customer light-vehicle production and new launches in the EV/SC segment. Revenue increased 22% over the

Net Income was US$51 million in 2022, up from US$5 million in 2021.

prior year, driven by higher volumes and aluminum prices. EBITDA finished 4% lower versus 2021, but 8% above full-year guidance issued in February, as commercial negotiations enabled the Company to partially offset impacts from inflation as well as the depreciation of the euro against the US dollar. In turn, EBITDA per equivalent unit was US$13.7 at year end, down 16% compared to 2021 but slightly higher than guidance.

Net Income was US$51 million in 2022, up from US$5 million in 2021. This increase was attributed in part to lower financing expenses and the absence of refinancing costs compared to 2021, when the Company refinanced long-term debt through two new bond issuances.

Capital expenditures were US$468 million, as Nemak prioritized investment in new product launches, primarily in its EV/SC segment. The Company continued to repurpose existing capacity traditionally used to produce parts for combustion-engine applications, for new business supplying electric vehicles. Additionally, it began the setup of three new plants—in Mexico, Germany, and the Czech Republic—that will come online between 2023 and 2024, with a total planned investment of US$200 million. These plants will be dedicated to producing battery housings for fully electric vehicles of global customers.

Nemak's Net Debt at the end of the year was US$1.2 billion, which was slightly lower than in 2021. Cash and cash equivalents totaled US$417 million, up from the US$282 million reported in 2021, mainly due to lower working capital at the end of the year and to the receipt of the proceeds from the Company's first-ever green bank loan. The proceeds from this bank loan will be used to fund investment projects in the EV/SC segment in 2023, and to refinance loans supporting investment made for this same purpose in 2022.

The three main debt rating agencies—Fitch, Moody's, and S&P—maintained their stable outlook on Nemak as well as their ratings on Nemak's debt. As of year-end 2022, these ratings were as follows: investment grade by Fitch, and one notch below investment grade by Moody's and S&P.

In recognition of Nemak's leadership role in providing innovation and cutting-edge technology to the automotive industry, the Company received several awards, including GM Supplier of the Year for the twentieth time. The Company was also recognized by Altair and the Center for Automotive Research for its lightweight "Nemalloy" and for its commitment to sustainable processes, spotlighting its Melting Center in Monterrey, where secondary materials—principally aluminum scrap—are processed and repurposed to create sustainable manufacturing alloys.

During the year, Nemak also made progress toward implementing its overall sustainability agenda. Thanks in part to the Company's efforts to assess and mitigate its environmental impacts across its operations, it received the CDP's (formerly the Carbon Disclosure Project) top Supplier Engagement Rating of "A" while maintaining a "B" rating in the CDP's internationally recognized Climate Change assessment. Additionally, for the fourth consecutive year, Nemak was selected to be part of the Dow Jones Sustainability MILA Pacific Alliance Index, which is comprised of leading sustainability-driven, publicly listed companies. Altogether, these recognitions help illustrate Nemak's commitment to creating and delivering sustainable processes and manufacturing solutions.

Nemak was also recognized for its practices and policies designed to attract and retain top talent. In this area, the Company's operations in the United States, Mexico, and Germany all received the Top Employer certification, showcasing its commitment to foster an innovative, people-centric culture.

Amidst the industry's ongoing shift toward vehicle electrification, Nemak reaffirms its commitment to deliver cutting-edge lightweighting solutions that are tailor-made to address customer needs. Moreover, the Company's footprint, customer relationships, and talent position it to continue to push the boundaries of innovation in process and product design in next-generation vehicles, helping to move sustainable mobility forward.

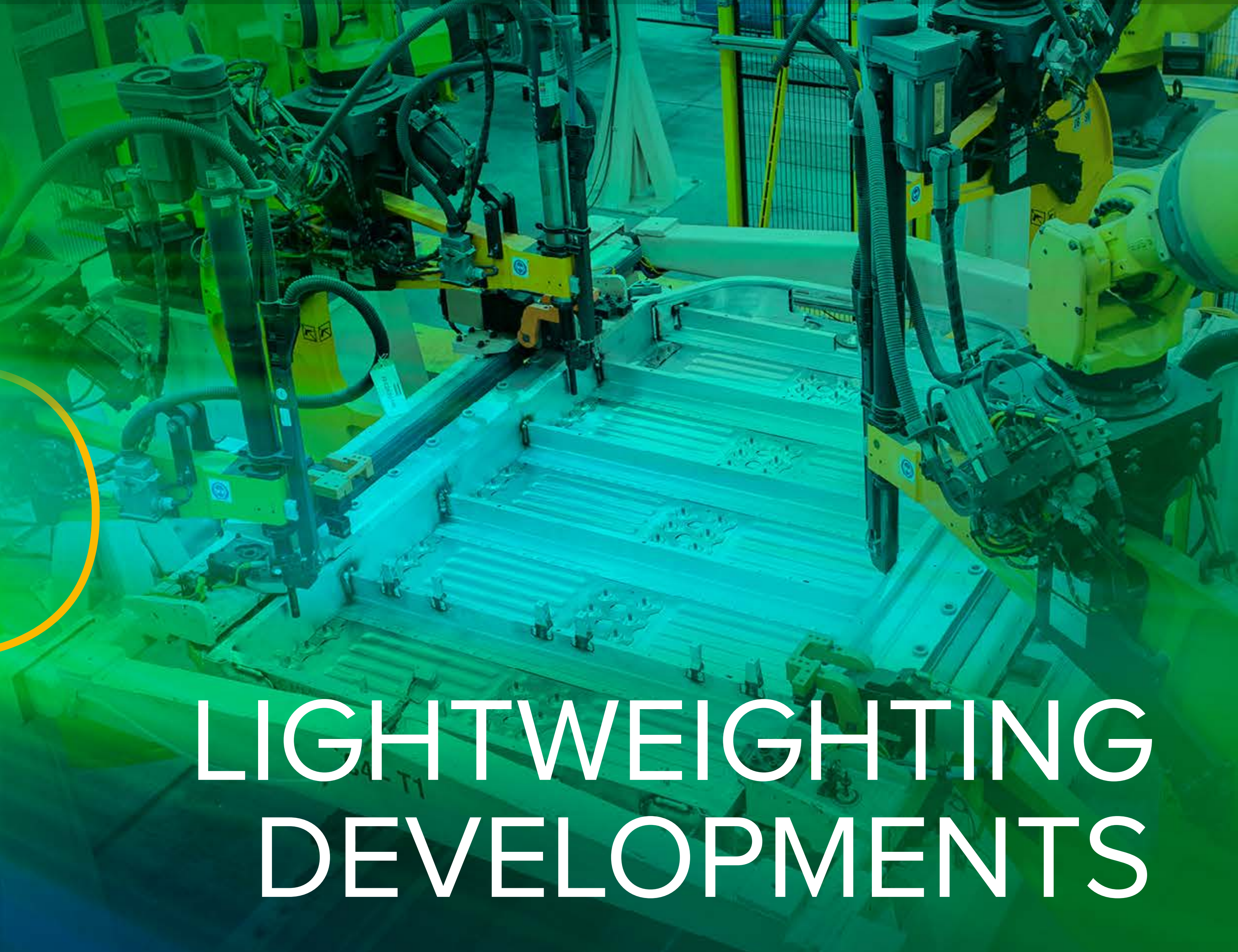
We would like to thank all our stakeholders—including our customers, suppliers, employees, shareholders, and members of the communities where we operate—for their trust in Nemak. As we address the opportunities and challenges before us, we will seek to enhance our focus on delivering leading-edge performance and technology, while continuing to drive long-term value creation in support of the needs of our customers, industry, and society as a whole.

San Pedro Garza Garcia, N.L. Mexico
January 31, 2023

**Álvaro Fernández Garza**
Co-Chairman of the Board of Directors

**Armando Garza Sada**
Co-Chairman of the Board of Directors

**Armando Tamez Martínez**
Chief Executive Officer



**~US$1.60 B**

annually in contracts to produce EV/SC applications

# LIGHTWEIGHTING DEVELOPMENTS

During 2022, the Company continued to ramp up production in this new segment, generating revenue of US$470 million in EV/SC applications, which represented a 24% increase compared to the previous year.

Given the mobility industry's ongoing transition toward electrification and lightweighting, automakers are increasingly demanding a wider range of competencies and execution capabilities across their supply base. In the case of Nemak, this trend is helping drive an unprecedented wave of new business opportunities, with the Company's total addressable market in e-mobility, structure & chassis (EV/SC) applications expected to grow from approximately US$12 billion currently to US$36 billion by 2030.

During 2022, the Company continued to ramp up production in this new segment, generating revenue of US$470 million in EV/SC applications, which represented a 24% increase compared to the previous year. It also had its best-ever year for capturing new business opportunities to produce these parts, growing its order book in EV/SC applications from US$1.05 to US$1.60 billion annually, a more than 50% increase year-over-year. Moreover, the Company is pursuing a pipeline of potential new opportunities in this segment for approximately US$2 billion annually.

Nemak successfully launched new EV/SC applications across its regions, while simultaneously harnessing its expertise in lightweight design to provide customers with end-to-end solutions, from product conception and development all the way to mass production. For the year, key milestones in implementing Nemak's technology roadmap included:

The Company is pursuing a pipeline of potential new opportunities in this segment for approximately US$2 billion annually.

The Company's total addressable market in e-mobility, structure & chassis (EV/SC) applications is expected to grow from approximately US$12 billion currently to US$36 billion by 2030.


Awarded new business to supply structural parts for fully electric applications of a European OEM featuring low-$CO_2e$ alloys developed in-house by Nemak.

- Initiated setup of three new plants—in Mexico, Germany, and the Czech Republic—dedicated to producing battery housings for fully electric vehicles of global customers. The Company's awarded business at these facilities totals approximately US$350 million in annual revenue.
- Installed a state-of-the-art Engineering Center in Germany that specializes in developing cutting-edge joining and assembly processes for EV/SC applications. This facility is home to cross-functional teams working to accelerate development cycles and to enhance co-design processes behind the rollout of innovative lightweighting solutions for next-generation electric vehicles of global customers.
- Executed full design process—from virtual simulations to physical component validation and testing—for cast chassis components used in newly launched, fully electric vehicles of a premium European OEM, thereby enabling the customer to achieve its 30% weight reduction target for the components.
- Awarded new business to produce e-motor housings using its patented Rotacast® technology for fully electric SUV applications of a European OEM.
- Awarded new business to supply structural parts for fully electric applications of a European OEM featuring low-$CO_2e$ alloys developed in-house by Nemak.
- Initiated series production in China of subframes for fully electric vehicles of a global OEM. These parts feature tailor-made cast solutions developed by Nemak, supporting customer efforts to reduce the weight, and therefore improve the energy efficiency of these vehicles.
- Awarded new business for more than US$100 million annually to produce parts for structure and chassis applications across North America, Europe, and Asia for fully electric vehicles of global customers. Nemak will harness processes and technology it has traditionally used for combustion-engine applications to meet customer requirements for these parts.
- Harnessed material and product expertise to develop a patented, lightweight design for large and complex cast battery housings for fully electric vehicles. Nemak's solution enables the customer to replace extrusions with a highly integrated, single-piece part at competitive cost.

**~70%**

of the Company's products manufactured from recycled aluminum.

# SUSTAINABILITY

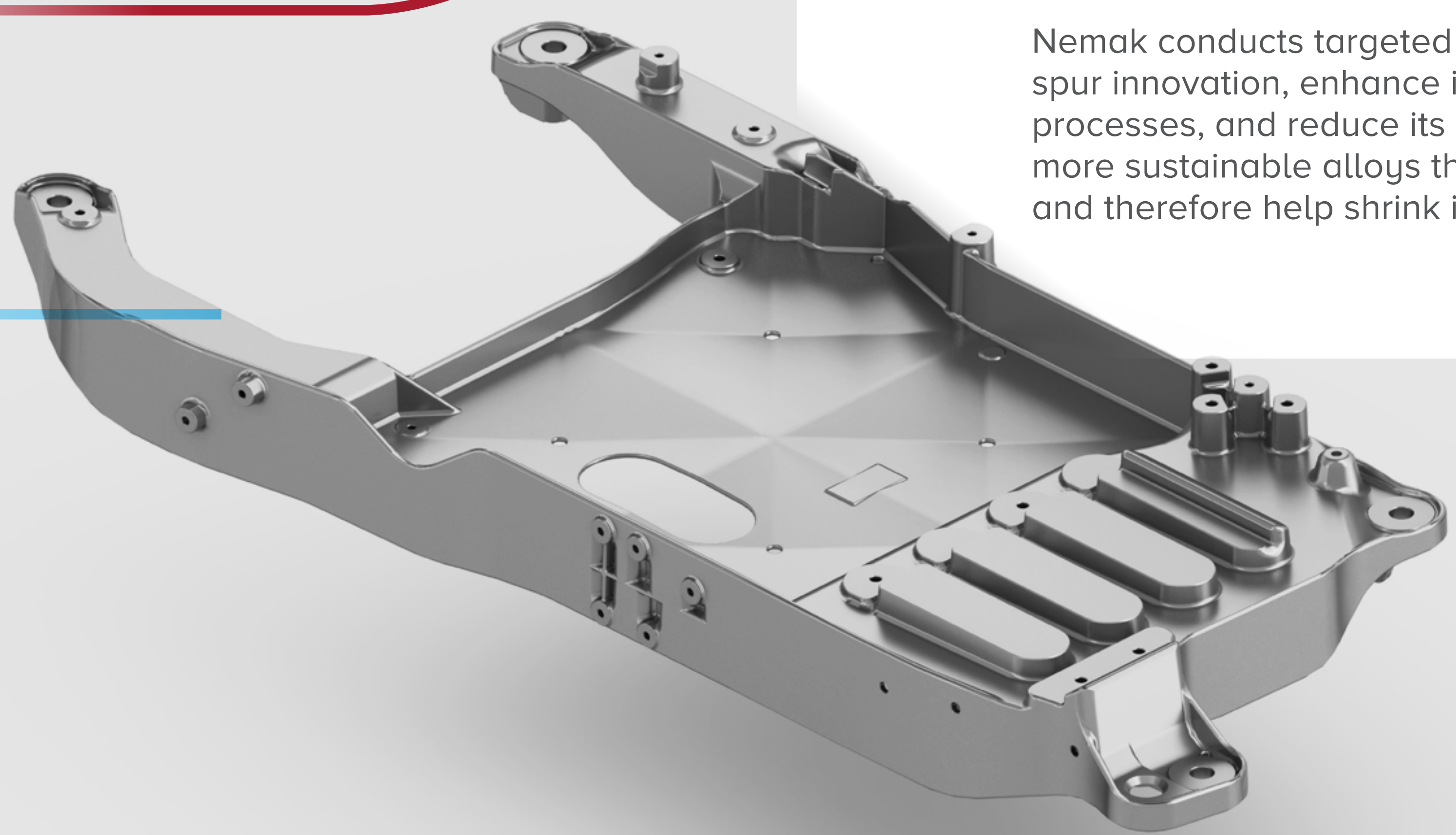
**Together, we make sustainable mobility possible.**
Nemak aims to be a pacesetter in the automotive industry's shift toward sustainable, emission-free mobility. It is committed to systematically enhancing its energy efficiency and increasingly embracing circular economy principles. The Company's vision of sustainability encompasses its people and nearby communities as well. Nemak continously looks for new ways to further enhance employee safety, well-being, and diversity. In addition, it strives to be an exemplary corporate citizen of the communities in which it operates production facilities.

Nemak estimates that the total addressable market of its e-mobility, structure & chassis (EV/SC) segment will be worth $36 billion by 2030.

## INNOVATION PROPELS SUSTAINABILITY

Nemak uses its technology and expertise in lightweighting to accelerate the transition to sustainable mobility. The demand for e-mobility components is growing apace, and meeting this demand is a key element of the Company's corporate and sustainability strategy. Nemak estimates that the total addressable market of its e-mobility, structure & chassis (EV/SC) segment will be worth $36 billion by 2030. This market includes components with high added value, such as battery housings for fully electric and plug-in hybrid vehicles, e-motor housings, and structural parts such as longitudinal members, shock towers, and subframes.

Nemak conducts targeted research and development (R&D) to spur innovation, enhance its existing e-mobility products and processes, and reduce its emissions. It also develops new and more sustainable alloys that contain more end-of-life materials and therefore help shrink its products' carbon footprint.



## 2022 SUSTAINABILITY HIGHLIGHTS

In 2022, Nemak again furthered its agenda to make mobility more sustainable by:

- Joining the Aluminium Stewardship Initiative (ASI), a game-changing alliance dedicated to establishing comprehensive sustainability standards along the aluminum value chain
- Improving its EcoVadis rating to Gold (top 5% of the industry and top 2% in sustainable procurement)
- Delivering product carbon footprints to key customers by applying Life Cycle Assessment (LCA) methodologies
- Developing a Decarbonization Maturity Model to fine tune and implement Nemak's Climate Strategy for 2030 and beyond
- Obtaining independent verification of its Scope 1 and 2 emissions for 2019 to 2022
- Reducing carbon emissions by 20,000 $CO_2e$ metric tons by implementing projects approved by the Decarbonization Capex Committee
- Achieving CDP ratings of "B" for Climate Change and "A" for Supplier Engagement
- Developing a Global Biodiversity Policy and Standard
- Initiating the 'Women Belong' Business Resource Group to enhance gender diversity
- Conducting social impact assessments and stakeholder dialogues worldwide in order to define a Corporate Citizenship Strategy
- Dialoguing openly and forthrightly with communities near its facilities to identify key local and global philanthropic needs

## ABOUT NEMAK'S SUSTAINABILITY REPORTING

Nemak continually improves and expands the quality and scope of its data in order to provide more transparency. The reporting period for this report is January 1 to December 31, 2022. The information cited in the Global Reporting Initiative (GRI) content index refers to the relevant GRI standards. This report also complies with the reporting recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) and requirements of the Sustainability Accounting Standards Board (SASB).

# Sustainability Strategy

*GRI 3-3*

In 2022, Nemak implemented its Sustainability Strategy and made good progress toward its environmental, social, and governance (ESG) targets. This is reflected in the consistent improvements in its ratings by organizations like CDP, EcoVadis, and CSA.

Nemak is commited to being a pioneer in promoting sustainable mobility. It intends to make its product portfolio progressively more sustainable, to enhance its energy efficiency, and to continue innovating to meet and exceed the expectations of its customers and stakeholders. Nemak's Sustainability Strategy, which it developed in 2020, was based on the findings of a materiality assessment that identified the areas of sustainability most impactful to the Company. The Strategy sets ESG targets that are essential for addressing these topics and accelerating the Company's sustainability journey. It is articulated in a Sustainability Roadmap, which defines milestones for each key topic that Nemak seeks to address by 2030.

The Sustainability Strategy was approved by Nemak's Sustainability Committee, which meets on a regular basis to review the strategy, material topics, and the Company's level of ambition.

**Vision**

Together, we make sustainable mobility possible

**Process to define Nemak's Sustainability Strategy**

- Defined material topics for Nemak
- Defined Nemak's ESG Sustainability Framework based on materiality analysis
- Defined targets for 2030 in each material area

**Results and ongoing review of Nemak's Sustainability Strategy**

- Nemak's Sustainability Roadmap based on the Sustainability Framework, with KPIs tracked annually for each material topic
- Approved and reviewed annually by the Sustainability Committee

# Sustainability Framework

*GRI 3-3*

Nemak's Sustainability Strategy enables it to propel technological advances, to accelerate the shift to e-mobility, and to safeguard its employees, the environment, and nearby communities. The Company updated its Materiality Assessment and Stakeholder Dialogue in 2021 in order to ensure that its Sustainability Strategy addresses its material topics. This update served as the foundation for designing the Sustainability Framework.

Nemak's Sustainability Framework is built on three key ESG foundations, which allocate the material topics to the appropriate business areas.

Nemak is dedicated to creating value for its stakeholders by steadily improving its ESG performance and systematically integrating sustainability principles into its corporate strategy. This approach is consistent with the core values of its Global Code of Conduct:

**Customer focus**

**Innovation**

**Trust and collaboration**

**Respect and responsibility**

| Environment & Climate Innovation | People & Communities | Value Chain Engagement & Business Integrity |
|---|---|---|
| **Material Topics** | | |
| Climate Protection | Occupational Health & Safety | Responsible Supply Chain Management |
| Circularity | Diversity & Inclusion | Sustainable Leadership |
| Innovation & Products | Talent Development & Well-Being | Business Ethics |
| | Corporate Citizenship | |

# Nemak's Sustainability Roadmap for 2030

*GRI 3-3*

Nemak's Sustainability Roadmap sets goals for each key material topic and specifies target values for 2030. These objectives allow the Company to track progress and continually review and optimize its strategy.

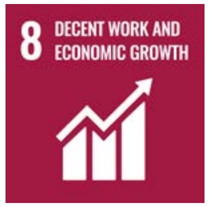
**Nemak believes it can play a critical role in the transition towards sustainable mobility, driving a better world today and in the future. The Company creates lasting value for its stakeholders by integrating sustainability into daily business practices. Together, we make sustainable mobility possible.**

| | UN SDG Alignment | Key Material Topics | Target value 2030 |
|---|---|---|---|
| **Environment and Climate Innovation** | 9.2<br>9.4<br>12.2<br>13.1<br>13.2 | Climate protection | • Reduce Scope 1 and Scope 2 emissions by 28% by 2030 based on 2019; Scope 3 by 14%<br>• Energy efficiency: ISO 50001 at all facilities<br>• Renewable energy percentages: 25% by 2025, 75% by 2030 |
| | | Circularity | • Increase the recycling quota of new product groups<br>• Minimize water withdrawals<br>• Reduce the volume of solid waste by implementing waste reduction and recycling programs |
| | | Innovation and products | • Conduct Life Cycle Assessments (LCA) for each product category and technology<br>• Increase electrified portfolio to 60% |
| **People and Communities** | 4.4<br>4.5<br>4.7<br>8.5<br>8.7<br>8.8 | Diversity and inclusion, training and development | • Create an inclusive culture that reflects the diversity of the communities in which the Company operates<br>• Increase female representation across all levels in the organization |
| | | Occupational health and safety | • Reduce the frequency and severity of incidents measured by year-over-year reduction in Total Recordable Incident Rate (TRIR) (20%)<br>• 10% year-over-year reduction of incidents that result in temporary or permanent lost time or restrictions |
| | | Corporate citizenship | • Continuously strive to implement stakeholder tools and mechanisms of interaction and shared value-creating opportunities |
| **Value Chain and Business Integrity** | 12.6<br>12.8<br>13.2<br>13.3 | Business ethics | • Continuous improvement in governance and sustainability practices, using external ratings and the ASI as benchmarks and guiding principles |
| | | Supply chain management | • Critical supplier screening via EcoVadis<br>• Full implementation of the Global Code of Conduct<br>• 100% of aluminum suppliers certified by the ASI |
| | | Sustainable leadership | • Achieve "A" Level from the Carbon Disclosure Project (CDP)<br>• Continuous inclusion in the Dow Jones Sustainability Indices (DJSI)<br>• Maintain "Gold" rating in Ecovadis |

## NEMAK'S CONTRIBUTION TO UN SDGs

To ensure that Nemak's Sustainability Strategy and Roadmap support the achievement of the United Nation's Sustainable Development Goals (SDGs), Nemak has strived to ensure that its material topics align with the SDGs. The Company's efforts are primarily focused on supporting the following SDGs: Quality Education (SDG 4); Industry, Innovation and Infrastructure (SDG 9); Responsible Consumption and Production (SDG 12); Climate Action (SDG 13); and Decent Work and Economic Growth (SDG 8).


**GOAL 4 QUALITY EDUCATION:** Nemak enables and empowers its employees to continually advance their personal and professional development through learning and development opportunities. Nemak also supports local communities through collaborations with universities and schools.




**GOAL 8 DECENT WORK AND ECONOMIC GROWTH:** Nemak pursues ambitious growth targets along with good working conditions, a competitive pay scheme, and a key focus on its employees' health and safety.


**GOAL 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE:** Innovation is the basis for future growth and the development of environmentally friendly products. Nemak therefore makes significant investments in innovation initiatives and creates incentives inside and outside the organization to encourage the generation of new solutions and ideas.


**GOAL 12 RESPONSIBLE CONSUMPTION AND PRODUCTION:** Nemak seeks to reduce the consumption of natural resources by eliminating waste from its production processes. Furthermore, the Company continues to integrate sustainability criteria into its purchasing procedures.


**GOAL 13 CLIMATE ACTION:** Nemak's Sustainability Strategy focuses on consistently reducing greenhouse gases both at its own production sites and throughout the value chain, while being more aware of the environmental implications of its products throughout the entire lifecycle.

In line with the SDGs, Nemak is also a signatory to the UN Global Compact and provided its second Communication on Progress (COP) in 2022.

# Materiality Assessment and Stakeholder Dialogue

*GRI 3-1*

To ensure that Nemak's Sustainability Strategy tackles the most material issues for the Company, Nemak regularly performs a comprehensive materiality assessment. This process fosters open and effective dialogue with the Company's stakeholders and pinpoints the most critical issues for the Sustainability Strategy to address. The assessment further ensures that the Company considers the latest impacts of new environmental, social, and economic realities. It also takes account of rapidly changing sustainability legislation and ESG platform requirements, including the Sustainability Accounting Standards Board (SASB) materiality map for the automotive industry.

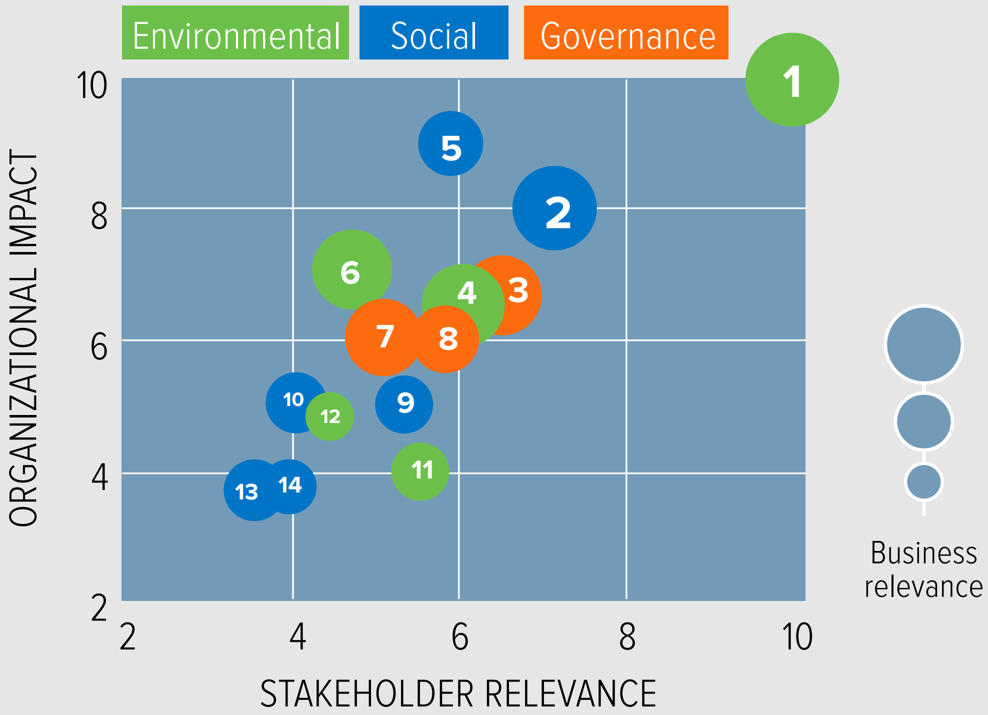
The Company performs this assessment every three years, with the next one planned for 2024. During its last assessment in September 2021, Nemak incorporated a wide range of different standpoints by interviewing external stakeholders, including shareholders, employees, customers, suppliers, community members, and non-governmental organizations. Based on the findings, the Company identified and ranked material topics from the perspectives of stakeholder relevance, organizational impact, and business relevance. The results of these interviews delivered the basis for Nemak to create its current materiality matrix.

## MATERIAL TOPICS

*GRI 3-1/2*

The materiality matrix established 14 material areas that underpin Nemak's Sustainability Framework and Sustainability Strategy. The Company made no adjustments to its material topics during the reporting period. In order of relevance and based on the materiality assessment conducted in 2021, Nemak's material topics are:

1) Climate protection
2) Product quality and safety
3) Supply chain management
4) Innovation
5) Occupational health and safety
6) Circularity
7) Sustainable leadership
8) Business ethics
9) Labor practices
10) Diversity and inclusion
11) Waste management and hazardous materials
12) Water management
13) Training and development
14) Corporate citizenship



In between materiality assessments, the Company maintains constant dialogue with stakeholders to track market signals and evolving regulations, and to identify new or changing material topics. Nemak takes note of and carefully considers such changes for future assessments. It also addresses emerging topics in between assessments. For example, investors have made an increasing number of requests for information about the Company's biodiversity efforts, highlighting the topic as one of growing importance. Therefore, the Company drafted a Global Biodiversity Policy in 2022, and will make further advances in this area in 2023. The next materiality assessment will also include biodiversity as a new material topic. Responding swiftly to feedback like this is crucial to keeping Nemak's Sustainability Strategy attuned to stakeholders and broader society.

In alignment with the latest GRI reporting standards, this report has a chapter dedicated to each of Nemak's material topics. Within these chapters, Nemak provides an overview of the impacts on its stakeholders of each material issue, followed by an explanation of the Company's management approach and progress on the topic. Material topics identified as having an increased likelihood of impacting the human rights of Nemak's stakeholders include climate protection, supply chain management, occupational health and safety, labor practices, diversity and inclusion, and water management.

## STAKEHOLDER ENGAGEMENT

*GRI 3-3, 2-29*

The Company regularly engages with the stakeholders most impacted by its operations or those upon which it relies most for its business and sustainability success. This engagement allows Nemak to gain feedback about its current performance, helping to guide its future strategic and sustainability decisions.

To ensure that any interaction with stakeholders respects and protects all parties' human rights, employees receive regular training on the Company's Global Code of Conduct, including a no-bias section. This training encourages employees to be aware of and sensitive to various cultural and social issues, including those that arise while engaging with stakeholders. Please see the chapter Business Integrity for more information on how Nemak trains employees.

Nemak's ongoing and open dialogue with its stakeholders builds strong relationships, leadership, and accountability throughout its value chain.

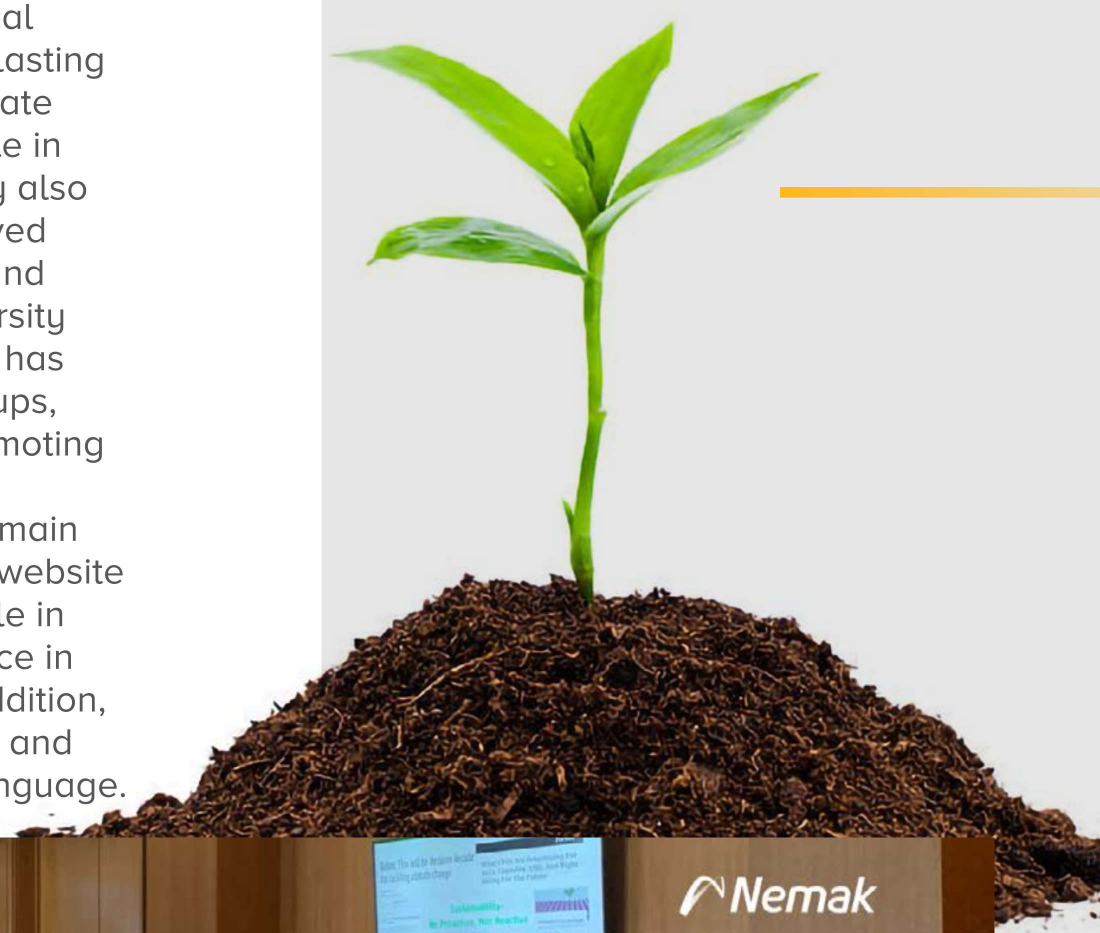

Nemak defines its stakeholders as any individuals or organizations that directly impact or are impacted by its activities. The Company examines each link of its value chain—from mining commodities used in manufacturing, to the final end users of its products—to identify specific stakeholders. The stakeholders with which Nemak continuously engages include, but are not limited to:

| | Customers | Investors | Suppliers | Employees | Communities |
|---|---|---|---|---|---|
| **Form of engagement (related to sustainability topics)** | Customer meetings<br>Customer requests<br>Materiality assessment<br>Social impact assessment | Annual Report<br>Quarterly calls<br>Sustainability-linked bonds (SLBs)<br>Investor Day / Analyst Day<br>Materiality assessment<br>Social impact assessment | EcoVadis assessments<br>Commitment letters<br>Supplier meetings (sustainability roundtables)<br>Materiality assessment<br>Social impact assessment | Sustainability workshops & training<br>Business Resource Groups<br>HSE / Sustainability Week<br>Materiality assessment<br>Social impact assessment | Local initiatives<br>Refer to the People and Communities section of the Annual Report for more information<br>Social impact assessment |
| **Reasons for engagement** | Improve customer confidence that Nemak will achieve its Sustainability Strategy<br>Actively engage and align with customer expectations<br>Feedback on Nemak's sustainability performance | Increase confidence in Nemak and its sustainability commitments to encourage further investment | Raise awareness of Nemak's initiatives and encourage customers to align with the Company's sustainability objectives | Increase employee awareness and motivation to proactively engage with sustainability topics<br>Align Company and employee sustainability values | Support the communities in which Nemak operates<br>Educate community members about the Company and its activities<br>Learn from communities and raise awareness about their local issues |
| **Frequency of engagement** | Regular, weekly | Regular, weekly to monthly | Regular, weekly to monthly | Regular | Regular (depending on local initiatives) |

Protecting the climate and reducing emissions were the topics most frequently raised by Nemak's stakeholders in 2022. Stakeholders sought greater transparency about the Company's emissions and evidence that Nemak is proactively rolling out its Climate Strategy. Nemak's emissions reduction progress attracted further investor attention after the Company issued sustainability-linked bonds (SLBs) in 2021. Both investors and bondholders remain informed about Nemak's progress to meet all bond requirements. Nemak continues to invest in enhancing energy efficiency and growing its renewable energy share. At the same time, the Company is working with suppliers and the R&D Department to use more low-carbon and secondary materials in its processes.

Nemak builds resilient relationships with its suppliers and customers to respond to sustainability challenges. Strong relationships at every link of the value chain reinforce the Company's ambition to offer high-quality products that meet and surpass customer expectations. They also enable Nemak to continue delivering business and sustainability success, especially in light of global challenges, such as the energy crisis and negative macroeconomic trends. The Company's engagement has many facets, from open dialogue and commitment letters, to EcoVadis assessments, events, and supplier roundtables. More broadly, the Company actively collaborates with its value chain on sustainability topics to support achievement of the UN Sustainable Development Goals (SDGs).

Nemak organizes and participates in local corporate citizenship initiatives to forge lasting ties with communities. These actions create direct lines of communication with people in the places where Nemak operates. They also encourage employees to be more involved and informed about local perspectives and issues. Nemak's current focus is on Diversity and Inclusion. To this end, the Company has launched internal campaigns, focus groups, and community initiatives related to promoting female representation in the automotive industry and within the region. Nemak's main communication channels—its Company website and the annual report—are also available in four languages to reach a broad audience in the communities where it operates. In addition, information is distributed through emails and face-to-face events, often in the local language.

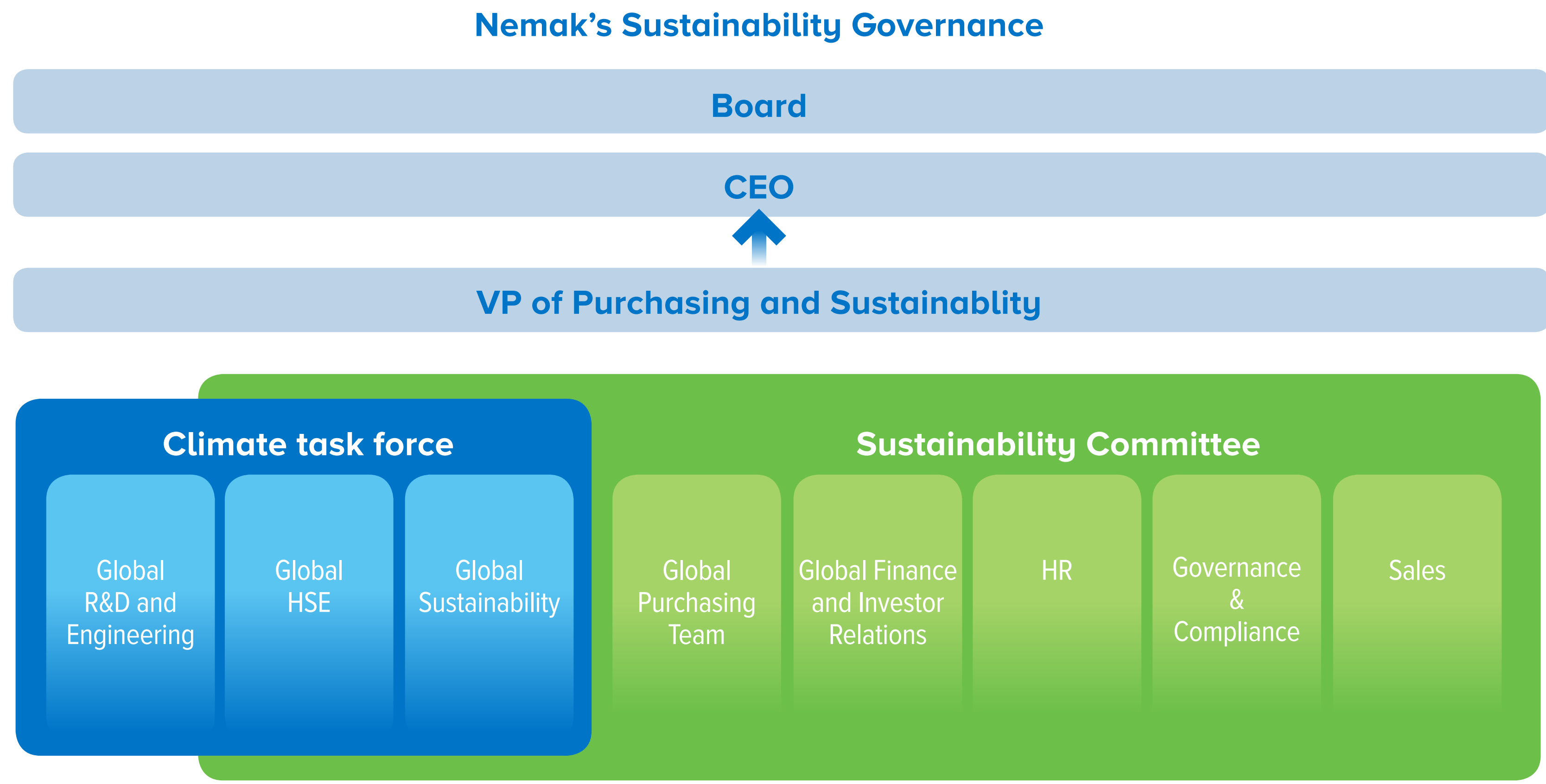


# Sustainable Leadership

*Material aspect: Sustainable Leadership*
*GRI 3-3*

Nemak wants to be a pacesetter that steers the automotive industry towards mitigating its negative impacts on the environment, society, and communities. Working closely with key stakeholders is an essential step in this direction. The Company regularly sources external feedback, such as sustainability ratings and frameworks (e.g. CDP, CSA, EcoVadis, and the UN Sustainable Development Goals), to evaluate the effectiveness of its sustainable leadership in comparison to its peers and competitors. This process also identifies potential gaps and areas for improvement at Nemak.

To accelerate its achievements, Nemak created a dedicated Global Sustainability Team in 2020, led by the Global Sustainability Senior Manager. This Team interfaces with all relevant departments, such as Operations, HSE, Purchasing, HR, Business Development, and R&D. Nemak strives to integrate sustainability into all functions to improve its sustainability performance and culture.




## KEY ROLES AND RESPONSIBILITIES

*GRI 3-3, 2-9/12/13*

### Chief Executive Officer

The CEO is in charge of all sustainability-related matters, including making long-term strategic decisions, setting the Company's priorities, aligning roles, and defining responsibilities related to this topic. The CEO meets monthly with the Vice President (VP) of Purchasing and Sustainability and the Global Sustainability Senior Manager, who report on Nemak's sustainability progress. The CEO provides overall guidance on the Company's long-term strategic goals and framework, and consults with external stakeholders, such as investors and shareholders, to study trends in the medium- to long-term future. The CEO also oversees and evaluates critical decisions based on the climate-related risks and opportunities identified by Nemak. At regular management meetings, the CEO works with the Executive Management Team to review, validate, and discuss the Company's strategic, operational, and sustainability targets and due diligence processes. If necessary, the Executive Management Team makes adjustments to its efforts to deliver improvements on a global scale.

## Vice President of Purchasing and Sustainability

Reporting directly to the CEO, the Vice President (VP) of Purchasing and Sustainability is a C-suite officer who supervises and implements Nemak's Sustainability Strategy (including climate-related issues and targets). The VP of Purchasing and Sustainability chairs the Sustainability Committee and the Climate Task Force, and regularly consults the CEO and the Co-Chairmen of the Board to ensure that all strategic decisions related to sustainability align with the Company's long-term business objectives. This VP guides the execution of the Company's key sustainability priorities by breaking down long-term goals, such as its net-zero goal, into regional and functional targets. The VP also oversees the implementation and execution of ASI certification. Additionally, the VP ensures that the sustainability priorities of senior leadership are consistent on a global level and that departments have the support and resources they need to achieve their objectives. By leveraging strong ties with purchasing, the VP can significantly influence supply chain topics related to sustainability, including frameworks for sourcing decisions based on related Scope 3 emissions. The VP of Purchasing and Sustainability is also responsible for the annual reporting process. Working together with the CFO and CEO, the VP conducts a final review and provides definitive approval for report publication. Along with externally communicating the Sustainability Strategy, the VP is responsible for facilitating internal communication efforts as head of the Sustainability Committee and the Climate Task Force.

## Global Sustainability Senior Manager

The Global Sustainability Senior Manager (GSM) leads Nemak's Sustainability Team and is a member of the Sustainability Committee and Climate Task Force. The GSM is responsible for continuously developing and implementing the Sustainability Strategy in line with the UN Sustainable Development Goals. This role steers external communication efforts related to sustainability, including ESG ratings, annual reporting, and customer and investor requests. Furthermore, the GSM is in charge of ASI certification, working closely with individual plants and regions to monitor their progress towards targets established in line with Nemak's sustainability goals. The GSM also oversees the development and implementation of Science Based Targets, including the execution of Nemak's Climate Strategy on a site-based, regional, and global level. The GSM works closely with HSE, Finance, HR departments, and others to facilitate the integration of sustainability topics into Nemak's daily operations.

## Global HSE Director

The Global HSE Director leads the Health, Safety, and Environment (HSE) Management Team and is a member of the Sustainability Committee and Climate Task Force. Together with the VP of Purchasing and Sustainability and the Global Sustainability Senior Manager, the Global HSE Director supports the development and implementation of Nemak's Sustainability Strategy at a global and plant level. The Global HSE Director is responsible for Nemak's Health, Safety and Environmental performance, and for tracking progress at all sites. Moreover, this role manages global performance standards, such as audits, and leads and supervises major global energy efficiency projects to reduce the Company's $CO_2e$ impact. For more details on the roles and responsibilities of the HSE Management Team, please refer to the Environment and Climate Innovation and People and Communities sections.

## Sustainability Committee and Climate Task Force

Nemak's Sustainability Committee was created to ensure alignment of the Sustainability Strategy across all departments. It also approves key sustainability decisions before they are presented to the CEO. This Committee meets every eight weeks and is chaired by the VP of Sustainability and Purchasing, and it is led by the GSM. It includes representatives from the following areas: Global Health, Safety and Environment (HSE), Purchasing, Sales, Governance and Compliance, Human Resources, and Finance & Investor Relations.

The Climate Task Force's mission is to develop the Climate Strategy and supervise its implementation throughout Nemak. Led by the VP of Purchasing and Sustainability, the Task Force comprises leaders from Global HSE, Global Purchasing, and Global R&D. Within the Task Force, the Global HSE Director is responsible for measuring and tracking Nemak's emissions progress, as well as implementing emissions management programs. The Global Purchasing Manager is in charge of driving Nemak's purchasing behavior towards sustainability criteria, which has resulted in integrating sustainability principles into most of the Company's purchasing decisions. In addition, the Global Purchasing Manager defines and executes the renewable energy strategy globally and communicates the Company's sustainability commitments to suppliers to ensure consistency with Nemak's Climate Strategy. The Global R&D Director drives continuous innovation in production processes by developing, among others, alternative production technologies, smart and efficient product designs, and alternative fuels.

## Decarbonization Capex Committee

In 2021, Nemak introduced a Decarbonization Capex Committee to manage the approval process for climate-related investments and $CO_2$ reduction efforts at the Company's manufacturing sites. The VP of Purchasing and Sustainability, the VP of Manufacturing and Product Development, the VP of Business Development and Transformation, and the CFO serve as members of this Committee.

In 2022, the Company's emissions-abatement initiatives included the following:

- Investments in internal power generation capabilities
- Improved use of waste heat generated in production processes
- Targeted control of furnaces to adapt to fluctuating production outputs
- Use of state-of-the-art components (e.g., optimized burners, compressors)
- Switch to LED lighting

During 2022, Nemak focused on short-term energy efficiency initiatives such as installing LED lighting and metering systems for improved data management. These initiatives enabled the Company to avoid approximately 20,000 tons of $CO_2e$ in 2022.

CDP DISCLOSURE INSIGHT ACTION

GOLD 2022 ecovadis Sustainability Rating

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

### Nemak's Performance in ESG ratings

| Rating provider | Rating 2022 | Rating 2021 | Rating 2020 |
|---|---|---|---|
| CDP Climate change | B | B | C |
| CDP Water | B- | B- | B- |
| CDP Supplier Engagement | A (Leaderboard) | A (Leaderboard) | A- |
| CSA | 55 points, 93rd percentile | 45 points, 79th percentile | 41 points, 69th percentile |
| EcoVadis | Gold | Silver | Bronze |

## EXTERNAL RATINGS AND RANKINGS

Anticipating and acknowledging the growing demand for transparency, Nemak participates in various rating schemes, including the S&P Global Corporate Sustainability Assessment (CSA), the CDP, the EcoVadis Assessment, and other disclosure platforms. The Company draws on the results of such assessments to identify key areas of improvement for its Sustainability Strategy and to benchmark itself against the performance of its peers and competitors.

Nemak's participation in the CDP and CSA began in 2016. Since then, the Company has significantly improved its scores across all ESG ratings, as well as in the three different CDP assessments (climate change, water, and supplier engagement). In 2022, the Company received a Gold Medal in the EcoVadis assessment – significant progress from its Silver Medal ranking in 2021. Nemak also made a 10-point improvement in the CSA compared with 2021. These results were the foundation for the Company's inclusion in the 2022 DJSI MILA Pacific Alliance for the fourth consecutive year. It is the only automotive business included in this Alliance. The Company received an overall grade of "B" in its CDP rating, maintaining its performance from the previous year.

In 2022, the Company received a Gold Medal in the EcoVadis assessment - ranking it within the top 5% of all evaluated companies.

# Environment and Climate Innovation

**Nemak's approach to sustainability is to steadily and simultaneously improve itself and the industry. The Company intends to cut its Scope 1 and 2 carbon emissions by 28% by 2030 (relative to 2019). This target is aligned with the Paris Agreement and has been validated by the Science Based Targets initiative. Moreover, Nemak aims to be net carbon-neutral by 2050 at the latest.**

It is also committed to making its operations more energy efficient and to strengthening its circular economy principles. The automotive industry is transitioning to sustainable mobility, and Nemak is helping propel this trend. Lighter vehicles consume less energy, regardless of their propulsion technology. The Company therefore focuses on manufacturing innovative, lightweight products for fuel-efficient vehicles. It also aims to become a leading producer of components for electric vehicles, which are essential for a sustainable transportation sector.

In 2021, Nemak performed a materiality assessment to evaluate the Company's most material risks and opportunities. This comprehensive process ranked issues based on their importance to key stakeholders, such as investors, customers, suppliers, communities, and employees. The findings subsequently steered the development and adjustment of Nemak's Sustainability Strategy – ensuring that it surpasses stakeholders' expectations and is fully aligned with the Company's long-term objectives for transformation. Nemak has created dedicated teams and resources to proactively manage those environmental issues that have been identified as material, such as climate protection, circularity, waste management, and water management. As a responsible steward, the Company systematically works to reduce its environmental footprint and limit the risk of adverse impacts from its operations. Specifically, Nemak is focusing on lowering its emissions and energy consumption while adopting a closed-loop approach towards using raw materials, water, and waste management throughout its operations.

Nemak is fully aware of the importance of a Just Transition as the world moves towards net-zero emissions and a climate-resilient economy. The Company plans to integrate Just Transition principles into its Climate Strategy and its engagement with stakeholders in the near future. Moreover, Nemak already fosters job creation in the value chain for electric vehicles and works to mitigate any environmental impacts of its business on the communities where it operates.

## Overall management approach

*GRI 3-3, 2-23*

Nemak strives to develop, adopt, and deploy industry best practices, technology, and innovations to reduce GHG emissions, prevent pollution, and comply with local environmental regulations. The Company has outlined a strategy for all material topics related to the environment. Furthermore, it has established local and global targets for climate protection (including reducing emissions and improving energy efficiency), waste management, water management, and circularity. The Company makes tangible improvements to its environmental management approach year after year.

Nemak operates in accordance with ISO 14001 and ISO 50001 management systems, and all of its manufacturing sites currently hold ISO 14001 certification. Nemak is also a member of the Aluminium Stewardship Initiative (ASI), an organization that works with aluminum producers, users, and stakeholders to foster responsible production, sourcing, and stewardship. As such, the Company implements ASI principles and criteria to manage sustainability and environmental issues throughout the aluminum value chain. The Company has developed the following policies to embed operating principles relating to the environment in the way it manages its business. All of these policies have been approved by the CEO and the VP of Manufacturing and Product Development:

- Global HSE Policy
- Global Sustainable Purchasing Policy
- Global Code of Conduct

These policies incorporate Nemak's core values of customer focus, trust and collaboration, innovation, respect, and responsibility. The Company has put in place mechanisms and management teams to ensure that these policies are successfully rolled out. For example, the Global HSE Management System regularly monitors the Global HSE Policy, and the Purchasing Business Support Team makes sustainable purchasing decisions guided by the Global Sustainable Purchasing Policy.

Nemak relies on the Cradle-to-Gate Life Cycle Assessment (LCA) methodology to guide its Sustainability Strategy and improve its understanding of the environmental impacts of its products throughout the entire value chain. The Cradle-to-Gate approach measures each product's environmental and climate impacts from the extraction of raw materials to delivery to customers. Nemak has successfully conducted LCAs for three of its product categories and aims to have completed Cradle-to-Gate LCAs for all electrified portfolio products by 2030. At the same time, Nemak actively provides key customers with information about the carbon footprints of products, demonstrating its ability to apply LCA methodologies on demand.

The Company routinely engages with key stakeholders to discuss and assess potential environmental risks. These discussions deliver continuous improvements to its environmental approach and create transparent communication channels. Nemak also regularly conducts environmental risk assessments for topics related to the climate, water, and waste, including performing scenario analysis in line with TCFD recommendations. All of these findings are thoroughly discussed with the Executive Management Team and functional departments, which in turn work collaboratively to develop risk mitigation action plans. Additionally, Nemak has expanded the scope of its environmental risk assessments to include the topic of biodiversity. The Company has created a Global Biodiversity Policy that will integrate biodiversity principles into its overall management approach in the upcoming year.

## Organization and responsibilities

Nemak integrates sustainability principles into all its functions, assigning responsibility for environmental management to different management levels across multidisciplinary teams. At the upper management level, Nemak's Vice President (VP) of Purchasing and Sustainability is a C-suite officer who regularly consults with the CEO and is responsible for the Company's Sustainability Strategy. In the first quarter of 2023, it was decided that the VP of Manufacturing and Product Development will oversee Global Health, Safety, and Environment (HSE) topics, including the work of the Global HSE Director. Nemak's global environmental management efforts are led by the HSE Management Team, which collaborates with its manufacturing operations and its Global Sustainability, Human Resources, Finance, Procurement, Sales, and Engineering Departments.

The HSE Management Team is responsible for developing the HSE Strategy and implementing the Environmental Management System. Each operating site reports relevant environmental management system activities to a regional HSE Manager, who in turn reports to the Global HSE Director. The Company's Decarbonization Capex Committee authorizes all sustainability projects and investments related to reducing emissions, including energy efficiency, metering, green energy, and other decarbonization projects. The CFO, the VP of Manufacturing and Product Development, the VP of Business Development and Transformation, and the VP of Purchasing and Sustainability are all members of this Committee.

# Climate Protection and Climate Innovation

*SDG 13: Climate Action*
*Material aspect: Climate Protection*
*GRI 3-3, 302, 305*

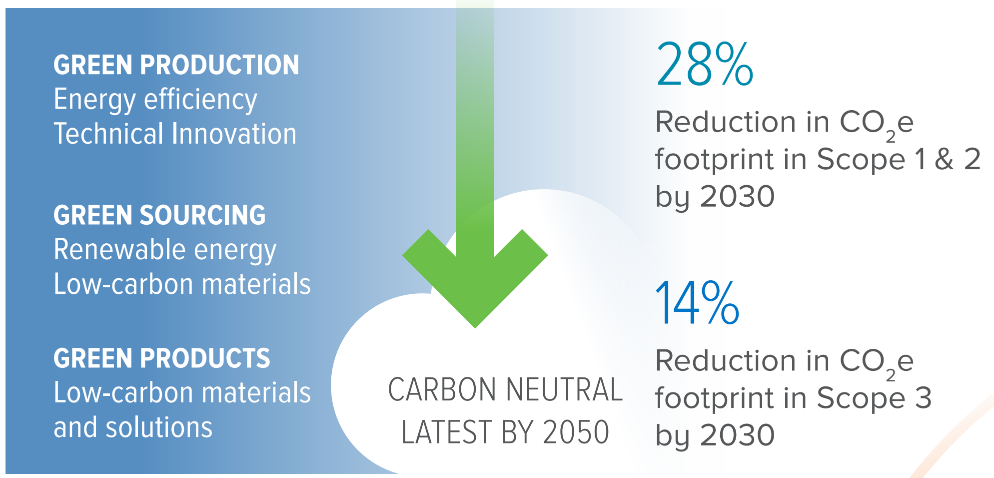
Climate change mitigation and achieving the Paris Agreement's target of limiting the global temperature increase to 1.5°C will be one of the most pressing challenges in the years ahead. As an energy-intensive business, Nemak is fully aware of its responsibility to reduce its carbon dioxide equivalent ($CO_2e$) greenhouse gas (GHG) emissions to ensure that its operations and business principles are consistent with a 1.5°C scenario. Reflecting its societal and regulatory ambitions, Nemak has identified climate protection as one of its most important material topics. The Company is actively developing and implementing innovative practices and technologies to support broader industry trends, and to pioneer the transition towards a net-zero emissions economy. Nemak aims to reduce its own emissions by enhancing energy efficiency, using renewable energy, and encouraging decarbonization throughout the entire value chain. Alongside developing products in its electrification portfolio, Nemak is focusing on using lightweight materials to reduce vehicle weight and thus the emissions produced by a vehicle during its use phase. Overall, Nemak is dedicated to reducing direct Scope 1 and Scope 2 emissions occurring at the Company's sites, and Scope 3 emissions generated by Nemak's suppliers.

## Nemak's ambitions

*GRI 2-19*

Based on different projections of volume development, energy consumption, and growth scenarios, Nemak has developed a holistic Climate Strategy that includes mid-term targets to 2030, and the ambition to become carbon neutral by 2050 or earlier. In March 2021, the Science Based Targets Initiative (SBTi) officially validated Nemak's targets, marking a significant milestone in the Company's climate journey. Although the validated SBTi targets are set to a well-below 2°C world, Nemak's overall transition plan and long-term strategy are in line with supporting a 1.5°C world, with its aim to be Net Zero by 2050.

The Company has set the following targets for reducing its greenhouse gas emissions:




Nemak is commited to achieving its SBT targets and becoming carbon neutral by 2050, or earlier.

The Company aims to source at least 25% of its energy demand from renewable resources by 2025, with the objective rising to 75% by 2030.

In 2022, Nemak contracted Apex Companies, LLC (Apex) to perform a limited assurance process for its Scope 1 and 2 GHG emissions in accordance with ISO 14064-3. This external verifier checked the collection, aggregation, and analysis methodology used by Nemak for these GHG emissions and audited sample data, including energy invoices and supplier-specific emissions factors. Apex confirmed that Nemak had prepared an updated Scope 1 and 2 GHG emissions statement in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. Both Scope 1 and 2 verified GHG emissions values were found to be lower than previously reported for all years (2018 – 2021), including the 2019 baseline year for the Company's Science Based Targets (SBTs). Since the results of the emissions verification process exceeded the 5% maximum threshold allowed by the SBTi, Nemak submitted an updated target in June 2022, which was fully approved by the Science Based Targets initiative in February 2023. Scope 1 and 2 emissions reported for 2022 have been verified following the same process. For the official verification documents, please visit: https://www.nemak.com/sustainability/#sustainabilityPolicies

Scope 3 values were also subject to a target update with the SBTi as a result of improved data quality from suppliers.

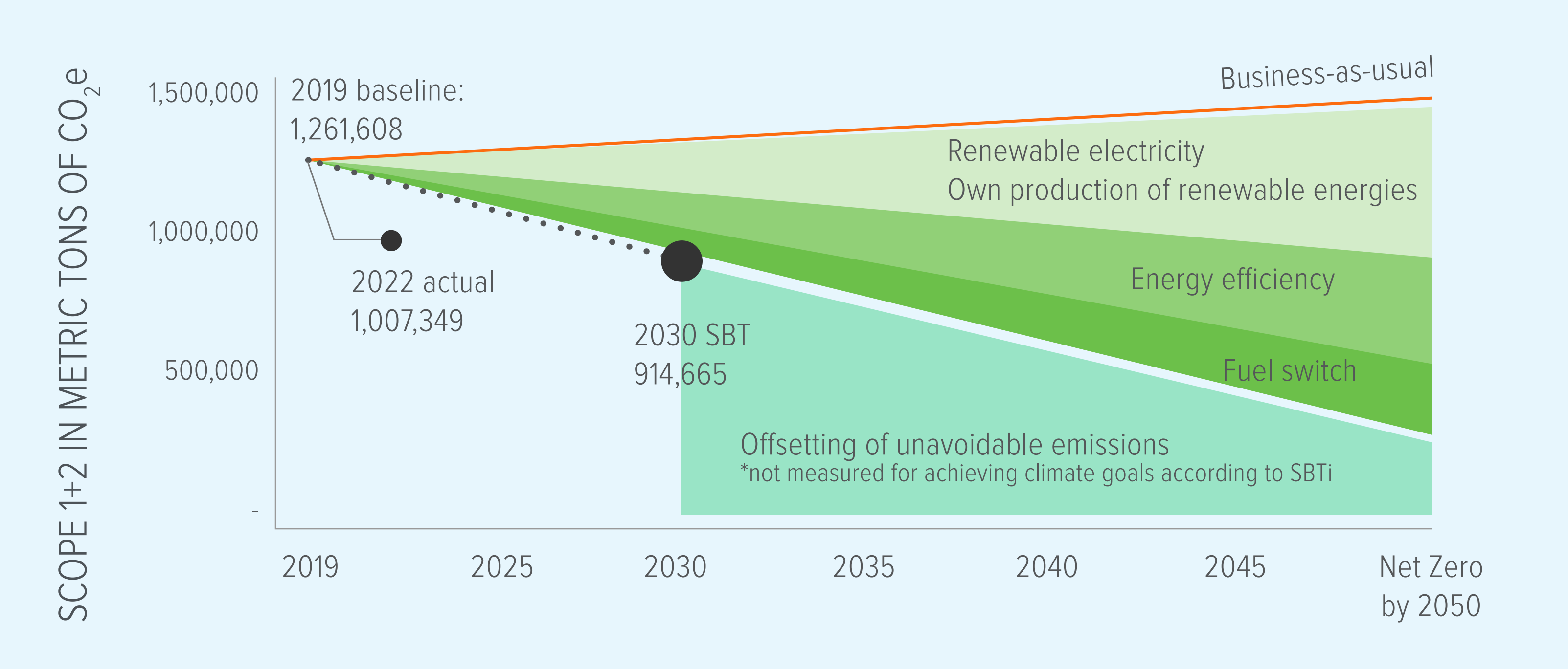
As an industry leader, Nemak has developed an internal business transition plan to shift its product portfolio to support zero-emission mobility and make product manufacturing more efficient. To achieve these objectives, Nemak has focused its strategy on three key aspects – Green Production, Green Products, and Green Sourcing. The Company is investing in improving energy efficiency, buying renewable electricity, developing low-carbon products and solutions, and switching towards more sustainable fuel in its production processes.

As part of its overall Climate Strategy, Nemak is working to advance the energy transition by increasing the percentage of renewables in its energy mix.

To incentivize the delivery of its Climate Strategy, Nemak has integrated the achievement of climate-related targets into its compensation via annual performance-related bonuses. This bonus system strives to reward, retain, and motivate key employees, including top managers group-wide. Moreover, it fairly compensates them by aligning their interests with the Company's operating performance. Sustainability criteria, including its emissions reduction targets for Scope 1 and 2, are one of many factors included in its award mechanisms.

In June 2021, Nemak issued two sustainability-linked bonds (SLBs) - one for US$500 million with a ten-year maturity and another for €500 million with a seven-year maturity. As part of each issuance, Nemak has committed to achieving its Scope 1 and 2 emission targets, setting ambitious science-based targets to achieve sustainability performance targets (SPTs) that are core to its business. Pursuant to the SLBs, Nemak will aim to deliver an 18% reduction in its Scope 1 and 2 emissions by 2026 relative to a 2019 baseline; this goal is aligned with its plans to reach a 28% reduction by 2030, all of which were approved by the Science Based Targets initiative (SBTi).

## NEMAK'S INTERNAL PATHWAY AND MEASURES TOWARDS DECARBONIZATION




Nemak continues to improve its management process for climate-related risks and opportunities, adhering to TCFD recommendations.

## CLIMATE-RELATED RISKS AND OPPORTUNITIES

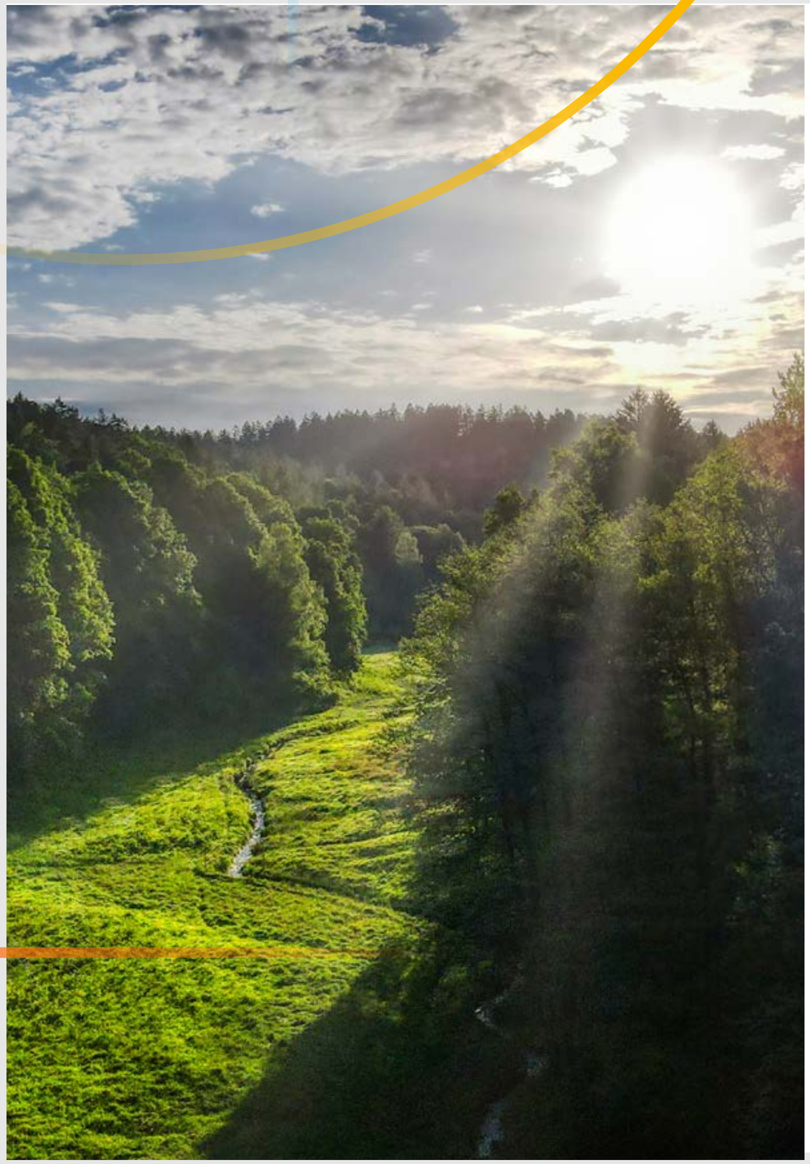
Understanding and assessing the inherent risks of climate change and the financial implications of both climate change and the transition to Net Zero is critical to Nemak's climate ambitions. The Company therefore conducts transition and physical climate risk assessments to understand and quantify climate-related risks and opportunities. The results are integrated into overall business management, strategic planning, and decision-making processes, which improves stakeholder value and fosters greater levels of transparency. Nemak began implementing the recommendations of the Task Force on Climate-Related Financial Closures (TCFD) in its Sustainability Strategy in 2021, and continues to improve its management process for climate-related risks and opportunities.

### Climate scenario modeling

*GRI 3-3, 201-2*

Nemak rigorously analyzes transition risk and opportunity scenarios based on the most impactful climate-related risks and opportunities. This process covers the entire organization and focuses on the transitional risks related to electrification and carbon taxation. The Company refines this model annually to reflect the latest market projections and developments. In addition, in 2022, Nemak conducted a physical risk assessment using a representative sample of facilities to gain a deeper understanding of the potential threats arising from long-term shifts in temperature. Nemak will expand the scope of its physical risk assessment in 2023 to include all of its operating sites. The Global Finance Department, the Sustainability Committee, and the Board of Directors all use the scenario analysis process as a key decision-making mechanism. The process also quantifies climate risks and opportunities, thereby reinforcing work to craft a long-term strategy and climate transition plan.

The first emerging transition risk relates to the automotive industry's rapid and accelerating shift towards electrification. In 2022, around 90% of Nemak's revenue came from vehicle applications with internal combustion engines (ICE). Nemak knows that it faces both risks and significant opportunities as electric vehicles (EVs) become more widespread throughout the market. The Lightweighting Developments chapter contains more information about the measures Nemak has already taken and its long-term electromobility targets.



The second transition risk relates to the rising costs associated with external carbon pricing systems, including the evolution of carbon taxation and emission trading systems. Nemak has carefully assessed the potential impacts that carbon pricing will have on its future growth, as its core business involves purchasing significant volumes of electricity, natural gas, and fuel. Different carbon-pricing schemes are already in place in several of Nemak's markets, and the Company expects more ambitious climate policies to be implemented in the future. As a result, there is a growing risk that increasing costs associated with carbon emissions could negatively impact Nemak's operating expenses.

As a global company, Nemak holds assets in regions that are exposed to physical climate risks, such as wildfires, floods, and heat stress. These risks may result in production downtime due to various factors, such as workers suffering from heatstroke, damaged or destroyed assets, and collapsed supply chains.

Nemak has conducted a physical risk assessment based on the IPCC's RCP 8.5-degree scenario to better understand the potential impacts of rising temperatures worldwide. The Company critically evaluated heat stress, flood, and wildfire risks for five strategically important sites to understand the statistical probability of acute and chronic climate-related events at these locations. Nemak has used the findings to add various measures related to climate protection, the circular economy, and the supply chain to its Sustainability Strategy. More information can be found in Nemak's TCFD Index, as outlined below.

## Nemak's TCFD Index

*GRI Standards 201-2*

| TCFD/ Recommendation | Key points |
|---|---|
| **Governance** | |
| **Describe the board's oversight of climate-related risks and opportunities.** | The Board of Directors evaluates the overall performance of Nemak's sustainability efforts at least once every two years, and considers climate-related risks and opportunities when reviewing Nemak's business strategy. For example, the Board actively discusses climate-related topics such as emerging environmental regulation, changing market demands, and shifts in the Company's product portfolio. With the issuance of two Sustainability-Linked Bonds (SLB) in 2021, vigilance over climate-related issues has increased, as the SLB framework is directly linked to Nemak's emission abatement performance, processes and frequency, by which the Board and/ or Board Committees (e.g., audit, risk, or other committees) are informed about climate-related issues. |
| | A dedicated member of the Board of Directors is responsible for oversight of strategic alignment and integrating the Sustainability Strategy with the overall business strategy. This individual's responsibility is to support long-term plans and investment spending for Nemak's transition towards becoming a climate-neutral company. The Global HSE department actively monitors the company's $CO_2$ emissions on a global level and reports on progress against its Science Based Targets, actively communicating results to investors and the Board of Directors. |
| **Describe management's role in assessing and managing climate-related risks and opportunities** | Nemak's CEO provides guidelines on the Company's long-term strategic goals and framework and consults with external stakeholders, such as investors and other shareholders, to study trends in the mid- to long-term future, including assessing climate-related risks and opportunities. The CEO establishes the Company's vision, incorporating the results of the climate assessment into the decision-making process. |
| | Together, the Executive Management Team is responsible for evaluating the identified climate-related transition risks and opportunities. The Executive Management Team is constantly apprised of any climate-related risks that need to be addressed in the strategic decision-making process. To identify the most pressing and impactful climate-related risks and opportunities, a structured analysis is performed every two years. The results of this assessment are presented to the VP of Purchasing and Sustainability, the Sustainability Committee, and the Climate Task Force and reviewed with the CEO and the Chairman of the Board. Based on the identification and confirmation of climate-related risks and opportunities throughout the Company, the VP is responsible for integrating the results into the sustainability vision, and for implementing sustainability principles into Nemak's business strategy.<br><br>In 2022, Nemak introduced the practice of conducting climate-related physical risk assessments, and evaluated the threat of heat stress, floods and wildfire at five of its key strategic sites. The physical risk assessment was conducted in conjunction with a third-party consultant under the supervision of the Global Sustainability Senior Manager and the Global Finance Director. As a result of the study, a series of response measures were identified by the Global HSE Director and presented to the Sustainability Committee, including the VP of Purchasing and Sustainability. |
| | The Global Sustainability Senior Manager, Global Finance Director, and Global HSE Director work together to identify and assess climate-related risks and opportunities, including preparing a financial assessment of the impacts of climate-related transitional risks for the organization and conducting a physical risk assessment. |
| | The Sustainability Committee and Climate Task Force, both headed by the VP of Purchasing and Sustainability, oversee and assess the results of identified climate-related risks and opportunities, and they manage Nemak's Climate Strategy and emission-reduction activities. The Sustainability Committee and the Task Force comprise internal environmental, social and governance leaders and experts. Specific information on reducing Nemak's Scope 1, 2 and 3 emissions are provided by the Energy Engineering Community and the Decarbonization Capex Committee. The Global Sustainability Senior Manager supports these processes and oversees the emissions target-setting, progress, and implementation. In some cases, the Company includes other internal and external resources to support its environmental performance objectives. For more details on the Company's sustainability governance structure, please see p. 87-88 of this report. |

| TCFD/ Recommendation | Key points |
|---|---|
| **Strategy** | |
| **Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**<br><br>Time horizons are defined by Nemak as:<br>1) Short, 1-3 years<br>2) Medium, 3-5 years<br>3) Long, 5-10 years | **Opportunities:**<br>• (Medium – Long term) Dynamic market shift towards electrification, opening new markets, new products, new customers, and new technologies<br>• (Short term) Improvements in operating efficiency and performance<br>• (Short term) Use of financial instruments linked to sustainability (ex: sustainability-linked bonds)<br><br>**Risks:**<br>• (Medium) Current and emerging regulations on carbon emissions, including implicit and explicit carbon-pricing schemes<br>• (Short – Medium) Market and reputation, stringent requirements from customers and stakeholders<br>• (Short – Long) Acute and chronic physical changes, risk of impacts from extreme weather events and catastrophes, and long-term land changes |
| **Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.** | The outcome of Nemak's climate-related assessment is discussed at all levels of upper management, including with the CEO, VP of Purchasing and Sustainability, and the Sustainability Committee. The assessment leads to considering and integrating all identified climate risks and opportunities in strategic, financial, and mitigation planning.<br><br>Overall, climate-related risks and opportunities have increased the pressure for Nemak to invest in decarbonization in its own production chain, as well as in the value chain. Nemak has begun to adapt its product portfolio and processes to meet the needs of the growing electrification market, and to increase its engagement with the supply chain on climate-related topics.<br><br>In response to climate-related issues and the need for global action, Nemak has committed to achieving Net Zero Emissions by 2050 and to Science Based Targets (SBT) to reduce Scope 1 and 2 emissions by 28%, and Scope 3 emissions by 14% by 2030, based on 2019 levels. To achieve these targets, Nemak has defined a strategy based on three pillars: Green Products, Green Production, and Green Sourcing. It has also developed a Decarbonization Maturity Model (DMM), which includes establishing specific targets in the areas of Life Cycle Assessment (LCA), renewable energy share, and various others. With the DMM, Nemak strives to narrow down specific targets based on regional and local circumstances to ensure the decarbonization strategy's implementation is successful on an aggregated global level. However, it is important to note that as part of Nemak's material issues, the aspects of this strategy apply not only to Climate Protection, but also to Circularity, and Waste and Water Management. As a result, Nemak established specific environmental targets in all of these areas, as outlined in its Sustainability Roadmap 2030. |

| TCFD/ Recommendation | Key points |
|---|---|
| **Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.** | Nemak continually improves its understanding of climate-related risks and opportunities, by conducting transitional and physical risk and opportunity assessments on an annual basis. To evaluate the financial impact of climate-related risks and opportunities such as electrification and current and emerging carbon regulations, Nemak conducts a scenario analysis for a business-as-usual (BAU) scenario, and a 1.5°C IPCC scenario. Nemak relies on assumptions from diverse sources, such as the IEA, World Bank, NGFS climate scenario database, as well as its own market projections. To improve its understanding of the potential impacts of increasing global temperature, Nemak conducted a physical risk assessment based on an IPCC RCP 8.5°C scenario for five of its strategically important sites. The Company assessed heat stress, flood, and wildfire risks, evaluating the statistical probability that acute and chronic climate events at these locations would occur, considering a 2050 timeline.<br><br>Based on the results, Nemak can take appropriate actions to mitigate the potential impact of climate-related risks and support positive impacts arising from climate-related opportunities. For example, the physical risk assessment results indicate that the site in García, Mexico is the location that is most exposed to potential threats. Indeed, heat stress is already part of Nemak's risk assessment for all regions and is monitored regularly. To decrease the impact of heat stress, Nemak has responded by implementing engineering controls in facilities' general ventilation systems, and it has implemented spot cooling by using local exhaust ventilation at points of high-heat production. In addition, local weather conditions are checked frequently throughout the day, and non-essential tasks are postponed when heat warnings are issued. Although the geographic location of the site indicates a high risk of wildfire, wildfire risk at the facility itself is low as the area is classified as a desert location, far from forests and preservation areas. The Environmental Management System (EMS) at this site is ISO 14001-certified and includes the wildfire risk assessment. In addition, every year the Company performs a flora inventory so that it can monitor and protect species located in the area near the facility.<br><br>Nemak integrates the transitional and physical risk and opportunity assessment results into short-, medium-, and long-term strategic, business, financial, and sustainability planning. The Company continues to improve and increase the scope of the scenario analysis exercise on a yearly basis to ensure that the impacts of climate-related risks and opportunities are well understood, and that Nemak can respond quickly and effectively. In the future, Nemak plans to expand the scope of its physical risk assessment to include all of its facilities. |
| **Risk Management** | |
| Describe the organization's processes for identifying and assessing climate-related risks | Through consultation with internal management, including the VP of Purchasing and Sustainability, Global Sustainability Senior Manager, HSE Director, and Global Finance and Investor Relations Director, Nemak has created an inventory with all relevant climate-related transition risks, which is updated on a yearly basis. Based on a quantitative evaluation by Nemak's management, including the CFO and all VPs, climate-related risks are ranked by magnitude and financial impact. The most relevant and pressing climate-related risks are evaluated using a scenario analysis, in line with TCFD recommendations, yielding financial impact values. In addition, Nemak maintains an ongoing dialogue with its stakeholders that is centered on listening and understanding expectations in relation to the Company's sustainability activities, including any relevant information on climate-related risks.<br><br>When conducting physical risk assessments, Nemak relies on the expertise of external consultants who have an extensive understanding of climate modeling based on IPCC projections. The analysis evaluates the probability of heat stress risk, flood risk, and wildfire risk based on the geographic location of the sites and using a 2050 timeline. The calculated risks per site are divided into different classes (no risk, low risk, medium risk, high risk, very high risk). Considering a variety of different factors, such as levels of precipitation and prolonged exposure to high temperatures, the risk level is determined based on an index that defines the probability of the future climate exceeding the mean value of the current climate. The results of this assessment are presented to the Global HSE Director, and to the Sustainability Committee. If necessary, potential mitigative actions are discussed with the Global HSE Team and the Global Sustainability Team. |

| TCFD/ Recommendation | Key points |
|---|---|
| **Describe the organization's processes for managing climate-related risks.** | The climate-related risk inventory, scenario analysis, physical risk assessment, and materiality analysis are presented and discussed with the CEO, VP of Purchasing and Sustainability, the Sustainability Committee, and the Climate Task Force. The ongoing dialogue with external stakeholders on climate-related topics further supports and reaffirms the outcomes of this process. Findings from this multi-dimensional assessment pinpoint the areas that need improvement, and those that will have the greatest impact on climate protection. The Company uses this information to determine the focus of Nemak's climate strategy and goals. The results and impacts of this process, along with the defined climate change strategy, including Nemak's commitment to the SBTi, are further integrated into business, strategic, and financial decisions. |
| **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.** | As ESG topics become more relevant, Nemak continuously adapts its business and sustainability strategy in response to market shifts and changing stakeholder expectations. From the results of the climate-related risk analysis and the scenario analysis, Nemak actively considers and takes appropriate actions based on the findings to mitigate the impacts of such risks. This includes integration of climate-related topics, including emissions, water and waste, into the overall process of risk management and business planning. In addition, Nemak locations that are ISO 14001, 45000 and 50001-certified have third-party certification audits and surveillance audits conducted every two years between certifications. Overall, Nemak's shifting focus and prioritization of sustainability topics is evident in the Company's significant improvement in 2022 in ESG ratings, including EcoVadis and S&P's Corporate Sustainability Assessment (CSA). |
| **Metrics and Targets** | |
| **Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.** | To track its environmental performance, Nemak uses metrics such as its energy intensity, emissions, share of renewable energy, use of renewable materials, and more. Nemak recognizes that Circularity, and Waste and Water Management are also critical parts of addressing climate-related issues. As a result, Nemak has established specific environmental targets in all these areas, as outlined in its Sustainability Roadmap 2030. For comparable metrics, please refer to the Environmental and Climate Innovation section on pages 30-34 of the 2022 Annual Report.<br><br>Nemak uses insights from the internationally recognized Life Cycle Assessment (LCA) methodology to help the Company understand where most of its global warming impacts originate. As Nemak's product portfolio evolves, the Company continues to deepen its LCA approach, with the goal of completing LCAs for all product categories in the short term. |
| **Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.** | Please see page 42 of the 2022 Annual Report for a detailed breakdown of Nemak's Scope 1, 2 and 3 emissions, as well as the related risks. |

| TCFD/ Recommendation | Key points |
|---|---|
| **Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.** | As a fundamental pillar of Nemak's Climate Strategy, the Company has committed to Science Based Targets (SBT) to reduce Scope 1 and 2 emissions by 28%, and Scope 3 emissions by 14% by 2030, based on 2019 levels. To achieve these Scope 1 and 2 goals, Nemak tracks and focuses on environmental management, including energy efficiency under the ISO 50001 standard. Nemak is working towards having 100% of its facilities ISO 50001-certified Additionally, the Company recognizes the potential of renewable energy in attaining its climate goals and mitigating the impacts of climate-related risks. Based on its Sustainability Roadmap 2030, Nemak is implementing measures to reduce its global renewable energy use by 25% by 2025, and 75% by 2030. For more information on Nemak's emissions progress, please refer to the Environmental and Climate Innovation section of this Annual Report.<br><br>In reference to Scope 3 emissions, Nemak tracks the use of recycled material in its products, which currently stands at approximately 70%. In line with circular economy principles, the Company is developing technology and processes to increase recycled content in new product groups, especially those relevant to the rapidly expanding EV market. Additional investments are being made in R&D to ensure the usability and quality of Nemak products made from recycled alloys. Nemak maintains strong relationships with its suppliers through constant communication, supporting and encouraging them towards higher levels of transparency in ESG topics, including climate change. For example, Nemak requires key suppliers to take part in EcoVadis as a screening practice, and it establishes specific score thresholds that key suppliers must meet to continue working with the Company. EcoVadis provides comprehensive and globally recognized ESG ratings on companies' sustainability performance that allows them to assess the ESG performance of their global suppliers. In addition, to help manage its climate-related risks and opportunities within the supply chain, the Company plans to certify all of its aluminum suppliers to the ASI standard by 2030. Nemak also requires that critical suppliers adhere to the principles of the Science Based Targets initiative (SBTi), align their commitments with the Company's emissions reduction targets, report to the Carbon Disclosure Project (CDP), and adopt an energy certification program equivalent to the ISO 50001. |

## GREENHOUSE GAS EMISSIONS

*GRI 3-3, 305*

### Management approach

*GRI 3-3*

Lowering emissions is a foundational principle of Nemak's Climate Strategy. The Company is therefore reducing its climate footprint by enhancing energy efficiency, increasing the use of renewable energy and alternative fuels, and engaging with suppliers to decrease the carbon footprints of their products.

Nemak breaks down its strategic approach to decarbonization into tangible areas of action through its Decarbonization Maturity Model, which can be evaluated and improved at a global, regional, and plant level.

**Nemak's Decarbonization Maturity Model**

- LCAs: Developing Cradle-to-Gate Life Cycle Assessments to understand the environmental impact of its products and processes
- Energy Efficiency: Reducing energy use and consumption by increasing operating efficiency and Capex investment in decarbonization projects.
- Renewable Energy: Maximizing the percentage of renewable energy in its overall energy portfolio
- Scope 3: Increasing the use of secondary materials and reducing the footprint per ton of material purchased
- Fuel Switch: Investing in technology that supports the transition to low-carbon energy
- Organization: Creating an effective organizational design to successfully manage the transition towards decarbonization, including attaining relevant qualifications, career paths, and succession plans.

The Company uses projections of its volume development, energy consumption, and growth scenarios to track progress towards its mid-term targets to 2030 and towards its ambition to reach Net Zero by 2050 or earlier. Nemak reviews its long-term strategy annually and proactively adjusts market projections to reflect the latest trends and data.

Nemak seeks to ensure that its organizational structure supports the transition to net-zero, guiding its path towards sustainable mobility.

## Organization and responsibilities

The Board of Directors has ultimate oversight over the execution of Nemak's Climate Strategy and decarbonization activities. C-suite executives, including the CEO, ensure implementation of the Climate Strategy and make strategic adjustments in response to changing market conditions. In 2022, Nemak created a designated role for transformation management that reports directly to the CEO (the VP of Business Development and Transformation). This role is also responsible for supporting Nemak's transition plan towards Net Zero from the perspective of e-mobility and business transformation.

Nemak has created the Decarbonization Capex Committee to support its climate targets and direct funds towards strategic investments aimed at lowering GHG emissions.

This Committee comprises the VP of Purchasing and Sustainability, the VP of Manufacturing and Product Development, the VP of Development and Transformation, and the CFO. It oversees the approval process for climate-related investments, including $CO_2e$ reductions at the Company's manufacturing sites. At the Committee's recommendation, Nemak plans to spend between US$15 million and US$20 million annually on sustainability-related Capex until 2030.

The Energy Engineering Community supports the Decarbonization Capex Committee by providing specific inputs for financial and environmental impacts and contributions to meeting emission reduction targets for Nemak's Scope 1 and 2 emissions.

The VP of Purchasing and Sustainability and the related team are responsible for purchasing renewable energy globally and supporting Nemak's in-house energy generation projects. The majority of Nemak's Scope 3 emissions stem from the purchase of aluminum (Scope 3.1 purchased goods and services). The VP of Purchasing and Sustainability and the related team are therefore in charge of reducing Scope 3.1 emissions. Nemak also seeks to embed world-class performance standards across all links in its supply chain while reducing environmental impacts. Please visit the Responsible Supply Chain Management chapter to learn more about the management of GHG emissions within Nemak's supply chain.

At an operational level, the HSE Management Team is responsible for managing Scope 1 and 2 emissions, energy, and waste-related categories within Scope 3. The Team supervises work to enhance energy efficiency, reduce emissions through energy management, and execute decarbonization projects. Team members also track the progress and implementation of these measures. In parallel, the Global Sustainability Senior Manager oversees the Company's climate targets related to SBTi.

Nemak tracks its $CO_2e$ emissions at a global and local level following the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. The Company has developed a rigorous internal procedure to standardize the reporting of GHG emissions across its own sites.

## Progress and measures

*GRI 305-1/2/3/5*

The first step to reducing emissions is to have a clear picture of where they come from. As is commonly the case in the automotive industry, Nemak's Scope 3 emissions from its value chain account for the majority of its overall emissions. Scope 1 and Scope 2 emissions associated with internal operations account for 30% of Nemak's total carbon footprint, whereas 70% are the result of supply chain activities. During 2022, Nemak recorded a 3.5% decrease in its Scope 2 market-based emissions, largely as a result of the purchase of renewable energy and implemented energy efficiency measures; 75% of sites purchased renewable energy. In contrast, Scope 1 emissions increased by 3.8% due to higher volume compared to 2021. Nonetheless, as of the end of 2022, Nemak had achieved 20% of its SBTi target for Scope 1 and 2 emissions reductions for 2030, based on a 2019 baseline.

Category 3.1 'Purchased Goods and Services' makes the biggest contribution to Scope 3 emissions. Within 3.1, aluminum, alloys, and scrap are the most important materials by far, with an overall contribution of 80% to total Scope 3.1.

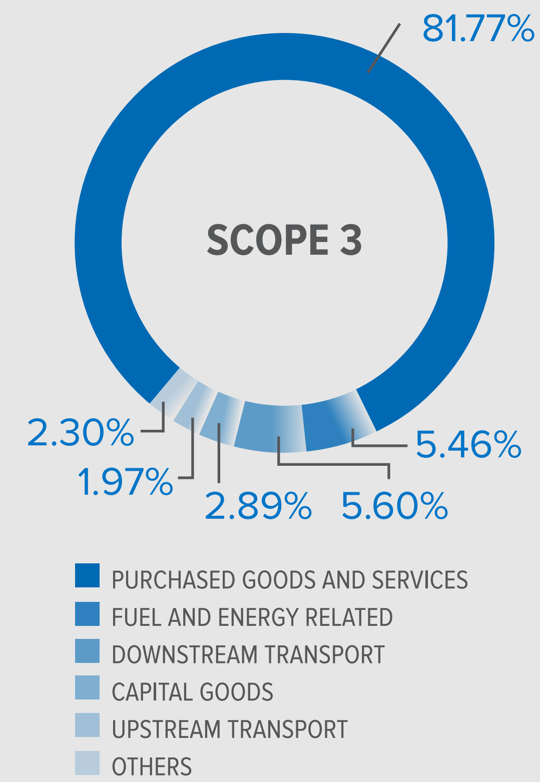
Scope 3 emissions increased by 8% in 2022 compared with the previous year. While the majority of Scope 3 categories stayed at comparable levels to 2021, category 3.1, and more specifically aluminum, alloys, and scrap, primarily fuelled the growth in Scope 3 emissions. The rise of Scope 3 was due in part to an increase in Nemak's volume and therefore materials purchased, as well as a higher average emissions factor for Mexico, where a large share of Nemak's production is located. However, from an intensity perspective, Nemak's Scope 3 intensity ($CO_2$e/ton produced) decreased by 3% compared to 2021.

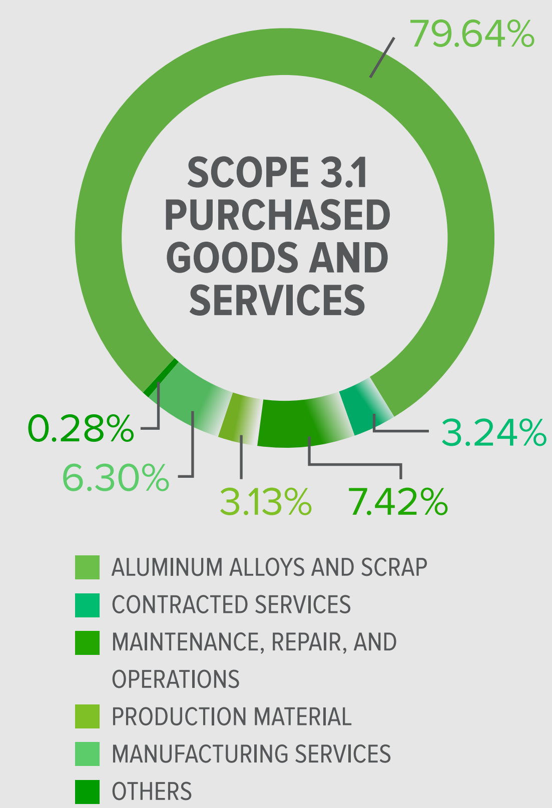
The Company actively engages with suppliers to reduce its global carbon footprint and drive progress towards its Net-Zero goal. The raw materials used in Nemak's products, primarily aluminum, are responsible for 82% of supply chain-related emissions. Circular economy principles are therefore a critical aspect of Nemak's Climate Strategy. Since aluminum is 100% recyclable, Nemak is exploring a wide range of opportunities to increase the use of secondary alloys in its products and unlock the considerable potential to reduce related emissions from its portfolio.

**Emissions in tons $CO_2$e**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Scope 1* | 630,313 | 607,167 | 575,482 |
| Scope 2 (market-based) | 377,036 | 390,829 | 419,024 |
| Scope 2 (location-based) | 493,904 | 480,826 | 486,262 |
| Scope 3** | 4,176,353 | 3,884,050 | 3,155,352 |
| **Total***** | **5,183,702** | **4,882,046** | **4,149,858** |

**Scope 1 covers fuels, excluding process and refrigerants emissions.*
***Scope 3 values differ from what was previously reported as a result of improved data quality. These value were verified with SBTi.*
****Total uses Scope 2 market-based emissions.*
*Scope 1 and 2 emissions for all reported years have been verified by a third party.*



In 2022, the Company created different opportunities to engage in dialogue and share knowledge while urging key members of its supply chain to decarbonize. For instance, Nemak asks its suppliers to optimize their data and has consistently replaced general emission factors with primary data. Please visit the chapter Responsible Supply Chain Management for more information on management approach, activities, and progress.

In support of the Company's energy efficiency and low-carbon efforts, its Decarbonization Capex Committee approved projects to reduce energy consumption and install energy-measuring devices. In addition to investments to improve energy efficiency, Nemak continues to invest in renewable energy to increase its share of the Company's overall energy mix.

During the year, Nemak launched several projects at its sites related to LED lighting, compressors, meters, energy-efficient motors, heat recovery systems to lower natural gas consumption, and measures to improve Overall Equipment Effectiveness (OEE). These projects resulted in total estimated annual savings of 20,000 tons $CO_2$e.


## ENERGY

*SDG 7: Affordable and Clean Energy*

*GRI 3-3, 302*

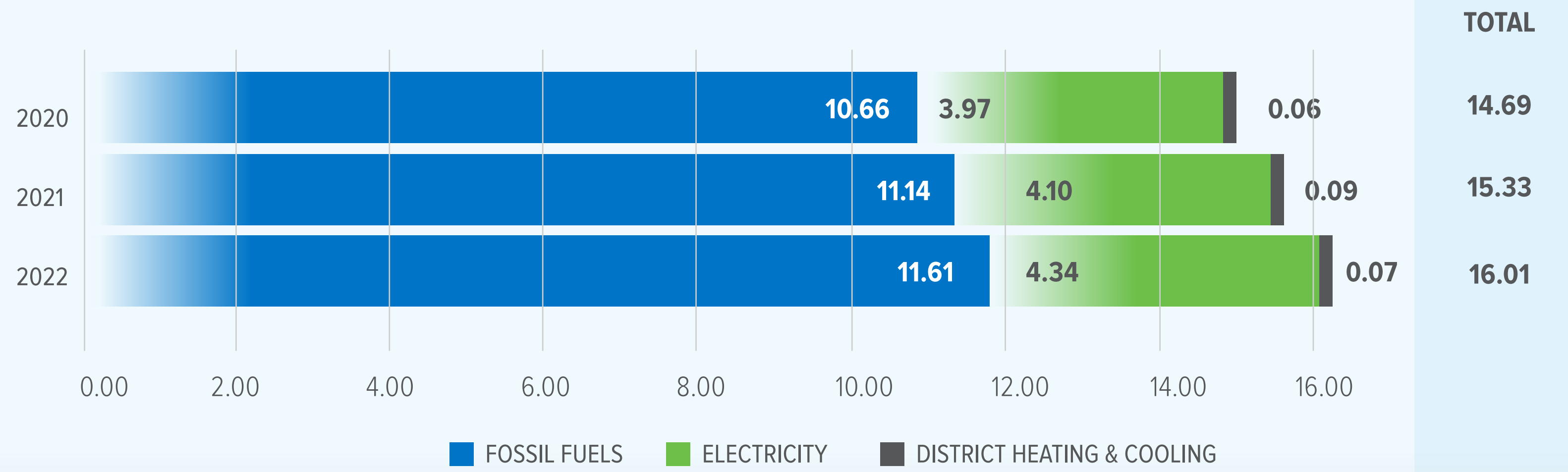
### Management approach

*GRI 3-3*

At its core, the Company's Energy Management Program focuses on eliminating energy waste by optimizing its use. Nemak invests in high-efficiency machinery and equipment, executing process controls to improve Overall Equipment Effectiveness (OEE) and implementing the ISO 50001 Energy Management System. The Company's Energy Management Program is led by the Energy Engineering Community and comprises Engineering and HSE Managers. The Energy Engineering Community is supported by the Sustainability Committee, the Decarbonization Capex Committee, energy managers, department heads and other subject matter experts. Its charter directs the team to identify projects and channel investments into energy efficiency, energy technology and innovation, self-generation, and the transition to low-carbon fuels.

Aside from investing in energy efficiency, another central pillar of the Climate Strategy entails increasing the share of renewables within Nemak's energy mix. The Company is doing so by focusing on its purchasing strategy, mainly for Scope 2 electricity, and by generating its own energy on-site. Nemak currently sources 17% of its energy mix from renewable energy sources and aims to raise this share to 25% by 2025 and 75% by 2030. Nemak has a long-term strategy to purchase renewable energy and safeguard its availability through Virtual Power Purchase Agreements (VPPAs) and Power Purchase Agreements (PPAs). The Company currently uses certificates such as GoOs (Guarantee of Origins) in Europe and I-RECs (International Renewable Energy Certificates) outside of Europe to bridge the gap until potential investment projects for VPPAs and PPAs are in place. Nemak is actively exploring high-quality and high-value solar or wind energy projects. The Company is also scrutinizing its new facilities for their renewable energy capabilities, with the goal of making them carbon neutral from the outset. All of these renewable energy investments are part of a holistic plan to reduce emissions throughout Nemak.

NEMAK'S ENERGY CONSUMPTION IN MILLIONS OF GJ




## Progress and measures

*GRI 302-1/3*

In 2022, the Company initiated a number of actions to advance and improve its energy management efforts. For instance, Nemak:

- Established the Energy Engineering Community
- Conducted ISO 50001 assessments and evaluations at all Mexican sites
- Partnered with the US Department of Energy for training on ISO 50001 implementation at US facilities, and
- Contracted a global energy management consultant to enhance performance and reduce risks within its energy supply chain

These initiatives will improve Nemak's energy performance and increase the current percentage of ISO 50001 certification from 48% to 100% of all manufacturing sites.

Nemak's locations in Linz, Austria, Most, Czech Republic and Etxebarri, Spain, draw their electricity from 100% renewable resources. In Monterrey, Mexico, 15% of the site's total energy comes from wind power. Moreover, Nemak significantly increased its share of renewable energy in all facilities globally and its contracts and certificates represent 731,585 GJ or approximately 17% of the Company's overall electricity consumption.

In 2022, Nemak approved Capex for several energy-efficiency projects to reduce Scope 1 and Scope 2 emissions. These projects included heat recovery and using the OEE measurement to identify energy wastage and productivity losses at assembly facilities; as a result of these projects, Nemak was able to reduce approximately 20,000 tons $CO_2$e emissions in 2022.

# BIODIVERSITY

*GRI 3-3, 304*

## Management approach

*GRI 3-3*

Nemak appreciates the environmental, social, and economic value of preserving natural areas and ecosystems. As such, the Company is deeply committed to conserving and promoting biodiversity at all of its global sites. In 2022, Nemak made biodiversity principles a critical element of its Environmental Management Program to measure and act upon impacts in this area.

To integrate biodiversity into this Program, Nemak has developed a Global Biodiversity Policy including a Biodiversity Standard for assessing operations, analyzing risks, developing action plans to mitigate risks, and reporting the results of conservation and preservation efforts. The Global Biodiversity Policy, which was published in the first quarter of 2023, meets the requirements of international standards for biodiversity, including GRI disclosure 304.

## Progress and measures

Each location that the Nemak Biodiversity Standard has identified as an affected area develops a detailed Biodiversity Action Plan. This Plan describes risks and opportunities and measures progress toward the Company's biodiversity objective of conserving ecosystems.

# Circularity

*SDG 12: Responsible Consumption and Production*

*Material aspect: Circularity*

*GRI 3-3, 306-1*

**Nemak strives to integrate circularity into its products and processes. As a company firmly committed to reducing waste and water usage at its plants, the Company also wants to increase the share of recycled materials used in product manufacturing.**

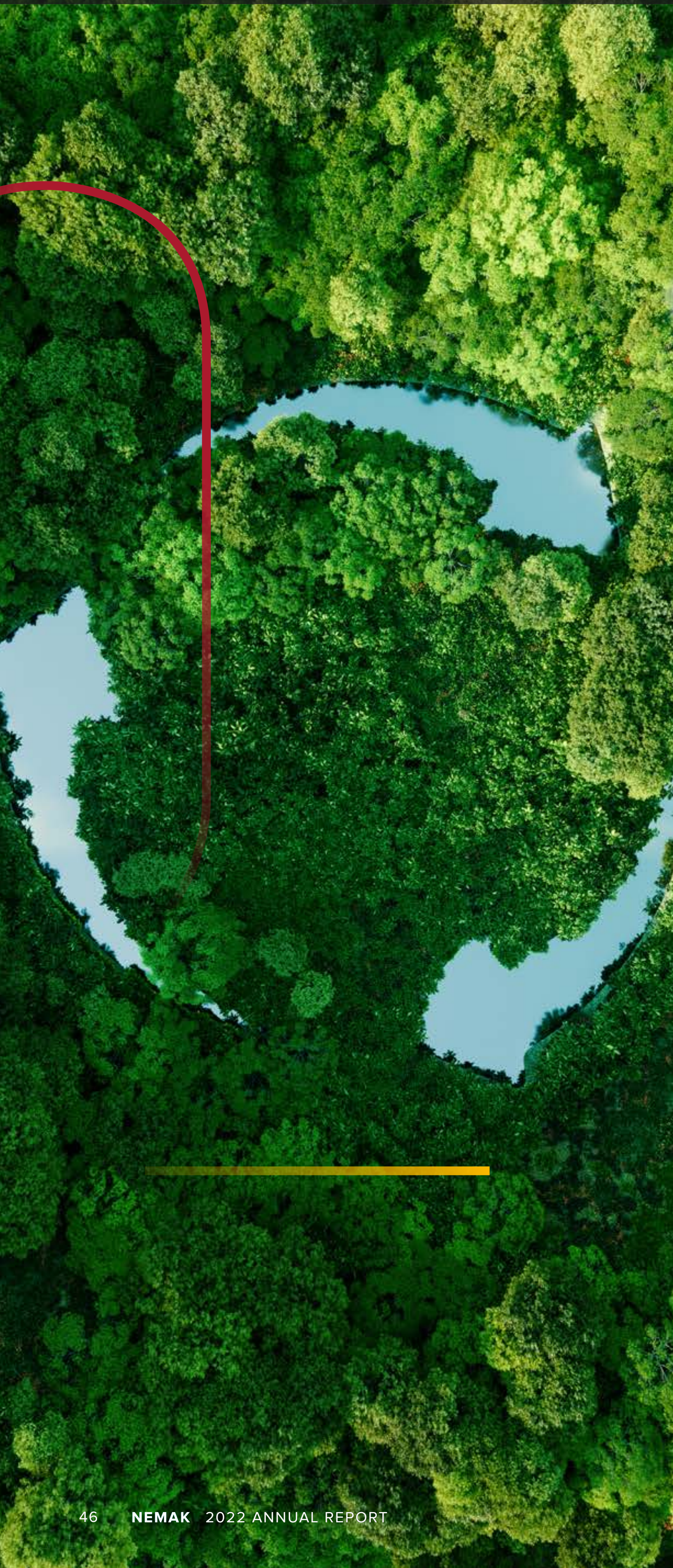
The Company operates in accordance with all waste-related regulations and laws to prevent pollution and avoid facing sanctions, paying economic penalties, or having to suspend activities. In Europe, Nemak complies with the provisions of all national and local waste regulations, including the US Waste Framework Directive. It also adheres to US EPA regulations and the Brazilian National Policy on Solid Waste in the respective countries. Nemak reduces waste volumes by eliminating and substituting materials, recovering shop floor by-products for reuse in the manufacturing process, and collecting waste for recycling by third parties.

Water management is an essential element of Nemak's environmental stewardship approach, even though water is not one of the main resources used at its facilities. Recognizing the inherent risks that water scarcity poses to the economy and society, Nemak is proactively taking steps to minimize its water consumption and maximize clean water discharge to help protect, restore, and enhance the natural environment.

## Nemak's ambition

As a member of an industry with a significant resource footprint, Nemak is enshrining circular economy principles in all its operations and in its downstream value chain. The Company designs products that maximize the reuse of aluminum and other materials, minimize waste and pollution at its locations, and contribute to the regeneration of natural ecosystems. Focusing on the application of circular economy principles, Nemak uses a high share of secondary materials in its manufacturing processes, relying on recycled aluminum as the main raw material used in its products. Currently, approximately 70% of Nemak's products contain recycled aluminum. Nemak plans to increase the usability of secondary alloys in its products year after year without compromising the technical specifications required by customers. For more information on Nemak's R&D in this topic, please refer to the Products and Innovation section.

Between now and 2030, the Company aims to raise the amount of recycled content in new products, minimize water withdrawals, and reduce the amount of solid waste it generates. The Company has set qualitative targets for circularity topics in its Sustainability Roadmap 2030, as it takes a more local approach to quantitative targets for waste and water management. Each ISO 14001-certified facility defines individual targets and key performance indicators based on its waste production, water consumption, and local legislation. To date, Nemak has not established goals to reduce water consumption within its supply chain.



## WASTE MANAGEMENT AND HAZARDOUS MATERIALS

*Material aspect: Waste management and hazardous materials*
*GRI 3-3, 301, 306*

### Management approach

*GRI 3-3, 306-2*

As a responsible steward, Nemak uses Life Cycle Assessments to identify and minimize the environmental impact of its products and maximize material efficiency. In alignment with the Company's Standard for Waste Management, Nemak recovers, recycles, and/or reuses aluminum and sand, wherever possible. Introduced in 2019, the Standard encompasses all Nemak locations and specifies minimum waste-related requirements, such as developing a waste inventory and process to plan, organize, and assess significant waste streams. Local HSE Managers receive support from regional and global HSE Teams in executing this standard and on all waste-related topics. Nemak adopts the precautionary principle to its waste and water management programs, where required by law. To avoid waste disposal, the Company continues to find opportunities to reuse and recycle resources. For example, Nemak recycles aluminum scrap, which is recovered on-site and sent off-site for treatment and further aluminum recovery.

Harnessing the power of research and development, the Company is pinpointing opportunities to use recycled aluminum in new product groups. This step has the potential to reduce the Company's carbon footprint by up to 90%.

The Company takes a proactive approach to engaging with its supply chain and encourages its suppliers to take similar steps to integrate circular economy principles into their production processes. Nemak also forges technical partnerships with its customers, for instance, providing advice on design and alloy composition in the development phase.

To protect and uphold human rights, Nemak does not use or source conflict minerals (defined by the OECD as tin, tungsten, gold, and tantalum). Additionally, it does not procure aluminum from conflict countries, as defined by the OECD and the US. As part of its commitment, Nemak has implemented a risk management process focusing on how critical suppliers' goods and services impact the Company's end products. These critical materials and services include vehicle components, manufacturing services, aluminum, and alloys. The HSE Department is responsible for verifying that suppliers follow legal requirements, that their permits are updated, and that they are not involved in using or sourcing conflict minerals. More information can be found in the Value Chain Engagement and Business Integrity chapter of this report.

## Progress and measures

*GRI 306-3/4/5*

In keeping with its commitment to circular economy principles, Nemak continued recycling metal from aluminum dross and reusing inorganic sand in its processes in 2022.

Waste generated increased vis-à-vis 2021, partially explained by the increase in volume. In addition, Nemak improved its accounting methods for waste streams in water, industrial, and chemical waste.

**65%**

of Nemak's waste is diverted from disposal, meaning it is sent to a third party to be reused, recycled or recovered.

**Waste generated in thousands of tons**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total waste generated*** | 1,074 | 940 | 290 |
| Sand-related | 711 | 621* | 108 |
| Aluminum and metal | 98 | 128 | 108 |
| Water/aqueous solutions or liquid | 68 | 27 | 17 |
| Oils/lubricants/emulsions | 81 | 92 | 15 |
| Industrial and commercial wastes not otherwise classified | 84 | 54 | 42** |
| Chemicals | 33 | 18 | 0 |
| Diverted from disposal: Waste that is diverted from disposal includes waste sent to any of the following recovery operations: preparation for reuse, recycling, other recovery operations | 707 | 778 | 119 |
| Directed to Disposal: Waste that is directed to any of the following disposal operations: incineration (with or without energy recovery), landfilling or other disposal methods | 367 | 162 | 147 |

** A new sand-related waste stream was added in 2021.*
***Waste treatment methods such as chemical and other treatment methods were not included in the waste treatment categories in 2020.*
**** Due to rounding error, individual waste categories do not equal the waste generated total.*

# WATER MANAGEMENT

*Material aspect: Water management*
*GRI 3-3, 303*

## Management approach

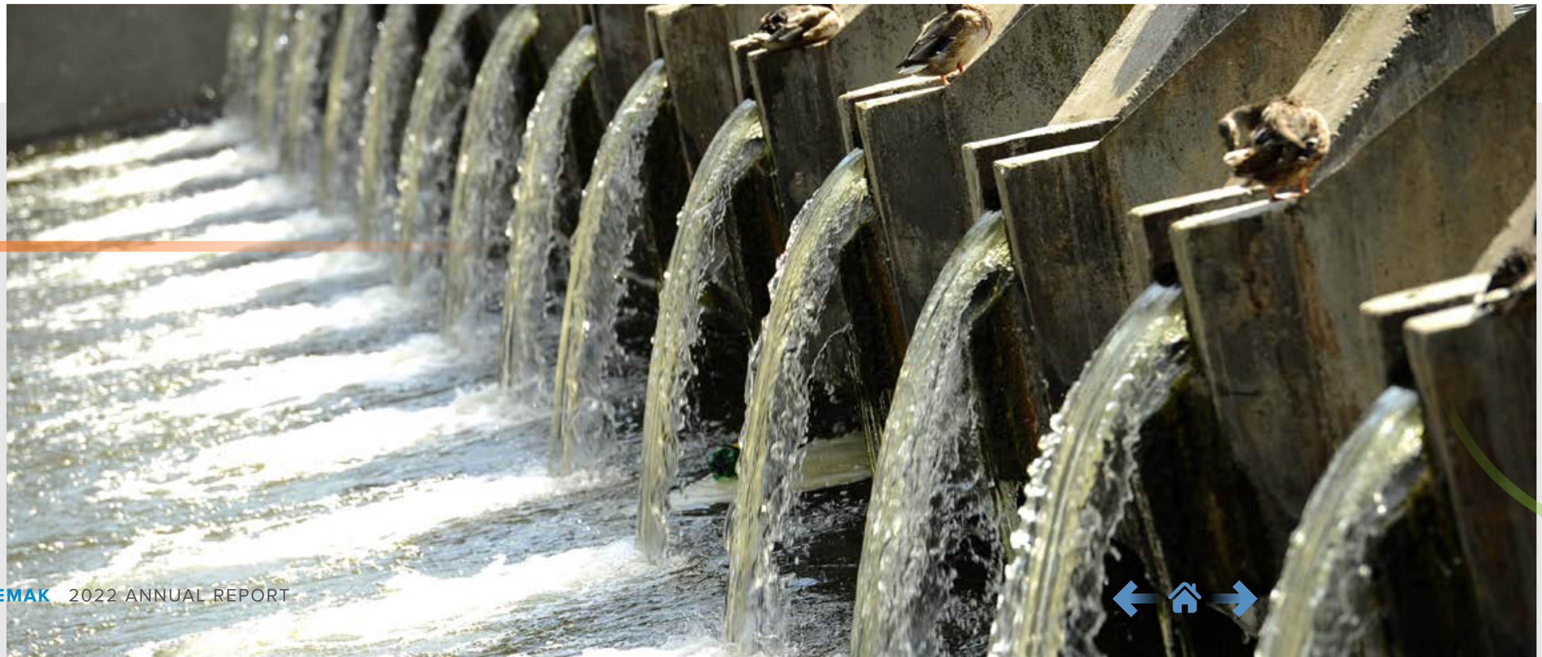
*GRI 3-3, 303-1/2*

Although Nemak does not use water intensively in its production processes, it recognizes that water scarcity is one of the most significant global risks facing the economy and society. Each Nemak location has developed water management plans to reduce water use that surpass local wastewater treatment standards. The sites carefully measure and monitor water use and discharge by volume, purity, and potential contamination, and all locations have implemented engineering controls to prevent water leaks. Some locations recover wastewater for internal reuse, while others use natural green spaces to manage surface water runoff.

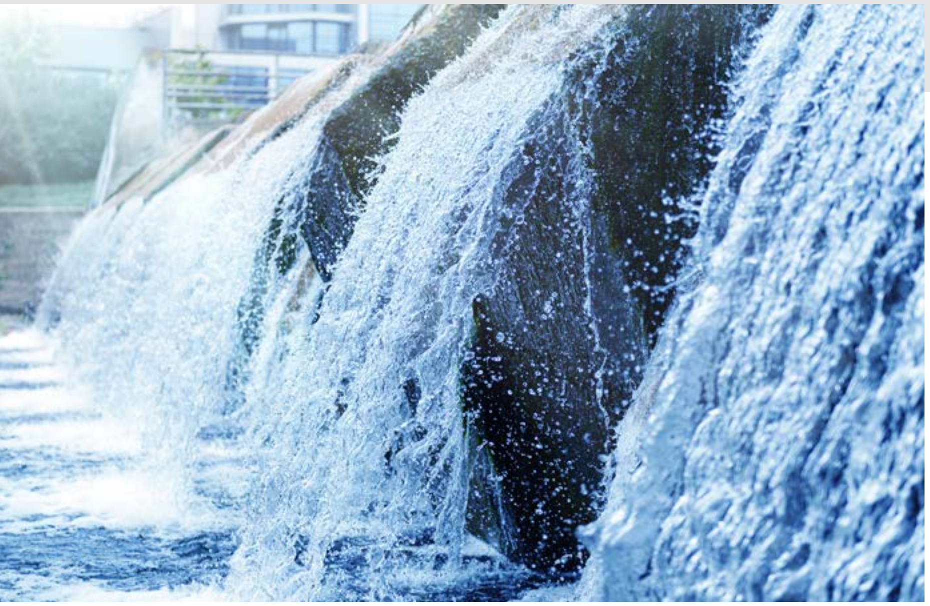
Nemak's facilities have 29 wastewater treatment plants or systems that remove contaminants and purify wastewater before it is discharged into local networks. Untreated wastewater is sent to local treatment facilities, while a small amount of water is included in other regulated waste, which is then collected and shipped to a third party for treatment and disposal.

Nemak's manufacturing sites primarily use water for cooling processes and sanitary facilities, drawing it from municipal sources, groundwater sources, or wells. The majority is returned to third-party suppliers for water treatment or enters the municipal sewerage system after pre-treatment, in compliance with local regulations. Water used but not discharged is lost to evaporation in the manufacturing process. Sanitary, washing, and cooling processes solely use water drawn from underground and third-party sources. All wastewater is treated either on-site or at off-site municipal wastewater treatment plants.

The Company currently applies the precautionary principle, which considers relevant laws, community and employee concerns, and other available information. While this approach is not yet a global standard, Nemak may consider making it a requirement in the future.



Nemak's facilities have 29 wastewater treatment plants or systems that remove contaminants and purify wastewater before it is discharged into local networks.



## Progress and measures

*GRI 303-1/3/4/5*

The Company performs a water risk assessment by using the Aqueduct tool, developed by the World Resources Institute, to identify water-stressed zones where the Company has operations. In the reporting year, Nemak flagged the following water stress levels in its regions:

- Extremely high: García, Monclova and Saltillo (Mexico), Chennai (India), and Izmir (Turkey)
- High: Wernigerode (Germany)
- Medium-high: Kentucky (US), Dillingen (Germany), and all of Spain and the Czech Republic
- Low-medium: Pilsting (Germany)
- Low: Wisconsin, Tennessee, Alabama (US), Gyor (Hungary), Nanjing and Chongqing (China), and all of Russia, Slovakia and Brazil

Water withdrawals from extremely high and high water-stressed zones represent 11.5% of the Company's total withdrawals in 2022. Nemak received a B- rating for the second consecutive year in the CDP Water Security Questionnaire, showing its proactive approach towards this issue.

In 2022, Nemak introduced the HSE Leadership Model for Water Management, a monitoring, control, and management system for waste, at its High-Pressure Die Casting (HPDC) plant in García, Mexico. The location also defined KPIs and started analyzing whether to install water-monitoring meters. Moreover, this facility launched processes to treat and reuse mineral-rich wastewater that cannot be recycled so it can be used to irrigate green spaces.

Monterrey, Mexico, experienced a severe water shortage in 2022 that began in March. The government addressed this scarcity by imposing extensive water restrictions. Water supply at Nemak's García site near Monterrey was not affected by the shortage, as the site primarily uses water from wells and pipes. The site conducted all necessary preparations for potential water shortages, although operations were not disrupted. To support the local community, Nemak donated water containers to four local schools, a retirement home, and a rehabilitation center. The Company also temporarily reassigned 50,000 $m^3$ of its concessionary volume to the local water and drainage service provider in Monterrey, in a move that began on July 14 and continued until the end of 2022.

**Water withdrawal and consumption in thousands of megaliters**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total water withdrawal* | 7.59 | 7.93 | 7.60 |
| Total water discharge | 6.48 | 6.89 | 6.90 |
| Total water consumption | 1.11 | 1.04 | 0.72 |

** Water withdrawal total includes water from areas with water stress*

# Product and Innovation

*SDG 9: Industry, Innovation and Infrastructure*

*Material aspect: Innovation*

**The automotive industry is experiencing a dramatic transformation as innovative and new technologies, especially for electric vehicles, are shifting the paradigm of sustainable mobility. Nemak is actively advancing technology, innovations, and business operations that protect the climate while also complying with safety requirements. As EV adoption grows and safety requirements for batteries become increasingly stringent, Nemak is prioritizing product quality and safety to meet and surpass customer expectations.**

## Nemak's ambition

To accelerate efforts to reduce the environmental footprint of its products throughout the value chain, Nemak continues to invest in designing, developing, and testing new lightweight components and casting technologies. In addition, the Company conducts Life Cycle Assessments for each product category as part of the Sustainability Roadmap 2030. Research and development spending has accounted for an average of around 2% of the Company's sales in the past four years.

With the size of the market for electric vehicles expected to grow exponentially in the years ahead, automakers are intensifying their efforts to minimize the weight of these vehicles so that they can stay on the road longer between charges. Nemak forecasts that its total potential market within the EV/SC category alone will reach US$36 billion by 2030, and it has laid the foundation to grow its share of revenue derived from EV/SC applications from 10% currently to 60% between now and 2030 based on its long-term strategy. The transformation towards electric mobility is already evident in Nemak's business, as the Company has secured approximately US$1.6 billion annually in EV/SC contracts.

## Management approach

*GRI 3-3*

Nemak's electromobility and structure and chassis applications business supports global efforts to transition towards sustainable mobility by producing castings, assembled battery housings, and highly integrated e-motor housings. These innovations reduce vehicle weight, helping automakers reach their $CO_2e$ emission and fuel-efficiency targets. At the same time, lighter-weight vehicles enhance customer satisfaction by improving performance and range and reducing $CO_2$ emissions. Advancing and refining commercially viable casting and joining technologies is therefore a key task for all of Nemak's Product Development Centers.

The Global Research and Product Engineering Director is responsible for innovation at Nemak. The innovation process is governed by the Innovation Steering Committee, which demonstrates all innovations at quarterly meetings. The Nemak Research and Development System Handbook is used to manage innovations in all regions of the Company.

Nemak's Product Engineering Team uses a variety of methods to ensure product safety and quality. For instance, material cards provide a database of information about materials gained under specific testing conditions to show how they behave in real conditions. This knowledge is a key enabler of lightweight design through advanced virtual simulation, especially when using new alloys or increasing the share of secondary materials. Nemak has also gained trusted and essential information about design safety factors based on proven historical component applications. The Company follows the engineering standard of physical component testing to validate virtual simulation results and verify the simulation method and constraint assumptions. With years of product engineering experience, Nemak has gained a vast amount of knowledge in this area, leading to a high level of confidence when designing lightweight components.

In 2022, Nemak won two Enlighten Awards presented by Altair in association with the Center for Automotive Research. The first award in the 'Sustainable Process' category focused on Nemak's Melting Center in Monterrey and the use of recycled secondary materials for manufacturing sustainable alloys. Nemak also secured an award in the 'Future in Lightweighting' category for the Nemalloy: Novel Lightweight Automotive Al Alloy. The Nemalloy satisfies its customers' growing need for novel solutions to reduce mass while optimizing cost. This new alloy is poised to bring tremendous value to automotive customers seeking a simple, smart, and sustainable lightweight alternative. The Nemalloy has the same performance as standard alloys without requiring heat treatment, which contributes significantly to a component having a small $CO_2e$ footprint.

In 2022, Nemak successfully completed several innovation projects, including an e-motor housing project using its proprietary Rotacast casting process.

## Progress and measures

In 2022, Nemak made significant progress in mass manufacturing secondary aluminum alloys for electrification and structural components. Drawing on a holistic approach that spans component design to manufacturing, Nemak is leading the industry to maximize the use of recycled materials in these alloys. The Company has the potential to reduce the amount of $CO_2e$ per kilogram of cast aluminum up to ten-fold by switching to secondary alloys. This research has secured new business for electric vehicle applications. Nemak has also started manufacturing using its propriety component design, which features lighter but stiffer solutions within its portfolio of lightweighting products.

In 2022, Nemak successfully completed several innovation projects, including an e-motor housing project using its proprietary Rotacast casting process. This project evaluated the technical feasibility of manufacturing a small-to-medium-sized e-motor housing. Nemak has validated this concept, which will be implemented in new business at the start of 2023.

Since high corrosion rates can jeopardize component performance, corrosion resistance is a key parameter when manufacturing structural components. Recycled aluminum has a smaller $CO_2e$ footprint than primary alloys, but its corrosion performance is less favorable. Bearing this in mind, Nemak has continued to work on testing the corrosion of aluminum die castings. With this approach, Nemak will gain fundamental knowledge that will allow it to manufacture secondary low-$CO_2e$ alloys with better corrosion performance.

The Company completed a project on crash protection and cooling-optimized battery trays in October 2022. Conversations with customers revealed several problems in the way that battery housings have been manufactured to date. In response, Nemak is working to offer better overall solutions that benefit customers in terms of cost, performance, and weight. This project has already resulted in a joint analysis with another company to develop next-generation battery housings. Four patent applications have already been filed.

Nemak's technology roadmaps ensure that development and innovation are focused, setting out the advanced technologies required for products to gain a competitive edge in the future.

Nemak has also researched opportunities to reduce $CO_2e$ emissions associated with end-of-life (EOL) materials. Such projects aim to refine the Company's own secondary alloy manufacturing process, which satisfies customers' need to reduce their own $CO_2e$ footprint. Secondary alloy manufacturing parameters, such as melting temperature and dwell time, have been developed, allowing Nemak to expand the use of this alloy to a wide variety of components and to reduce costs.

The Company has defined KPIs to map Nemak's research and development progress, including the R&D budget and the R&D project portfolio. Furthermore, Nemak measures the impacts that its R&D projects have on its sustainability targets and analyzes inter-company cooperation within these projects. The Company documents how many projects have been completed, dismissed, delayed, and delivered on time.

On the customer side, Nemak tracks KPIs such as customer engagement activities and customer engagement and recognition (the number of co-developments and new programs with customers based on Nemak's innovations). The Company also measures progress made with proprietary components by recording and reporting information about patents and intellectual property.

Nemak uses a variety of channels to update stakeholders about the current status of innovations. For instance, the Executive Management Team is informed about the value created by the Company's innovation efforts at Innovation Steering Committee meetings. Plant managers and critical technical positions receive updates every two months on where innovation stands, which they can use to implement novel ideas and processes in operations. Nemak shares information about how innovation is driving progress with its sales and engineering teams at regional R&D meetings so that they can present these new ideas to customers. Finally, Nemak holds an annual Innovation Day to showcase innovative efforts throughout the Company and recognize innovative employees. At the latest Innovation Day, more than 70 innovations were collected, shared, and discussed among participants. Nemak's technology roadmaps ensure that development and innovation are focused, setting out the advanced technologies required for products to gain a competitive edge in the future, and to close gaps through an intense technology scouting process.

# People and Communities

*SDGs 4: Quality Education and 8: Decent Work and Economic Growth*
*GRI 401, 404*

**Nemak's people are pivotal to its success. Their work environment needs to be safe, supportive, and inclusive so that they can deliver their best performance. That is why the Company tirelessly looks for new ways to further enhance employee safety, well-being, and diversity.**

Nemak operates in an industry that is evolving rapidly. The transition to sustainable mobility will require advanced technology and thus employees with advanced skills. Nemak ensures that its people acquire these skills by conducting targeted development and training. It also knows that its production facilities across 15 countries make it a global citizen, and that it has a deep-seated responsibility to be a positive agent in those communities. The Company's relations with its neighbors are always guided by its core corporate values: trust and collaboration, respect and responsibility.

## Well-Being and Talent Development

*Material aspect: Labor practices*
*GRI 3-3, 401, 404*

Nemak's success today as a leading provider of innovative lightweighting solutions is rooted in its workforce of skilled and motivated employees. The Company will continue satisfying and surpassing customers' needs by attracting, developing, and retaining outstanding talent. After all, Nemak knows that its employees give their best to the Company when their expectations are understood and met. As a responsible business, it provides all personnel with a work environment that achieves or exceeds applicable legal standards for occupational health and safety. The Company also recognizes the importance of safeguarding and supporting the mental and physical health of its employees and their families. It has therefore rolled out family programs focusing on employee well-being.

Nemak treats its employees with the utmost dignity and respect, as set out in its Global Code of Conduct, Global Human Rights Policy, Global Diversity and Inclusion Policy, and Global HSE Policy. All of these are regularly updated to attend to employees' needs and achieve standards of excellence. Moreover, Nemak is dedicated to complying with all applicable social and labor standards.

## Nemak's ambition

Nemak fully recognizes the need for a strong and compelling Employee Value Proposition; a model that balances the employee's experience with the employer's expectations. The Company also knows that getting feedback from its employees is crucial, and to that end, conducts its 'YOUR VOICE' Global Engagement Survey at least every three years to measure progress in strengthening its Employee Value Proposition. Spanning 17 different categories of employee engagement, the survey draws on global benchmarks from the automotive industry and other top-performing organizations. The Company handles all results and related data with the strictest confidentiality to ensure that opinions and comments stay anonymous.

Nemak's medium-term ambition is to improve its engagement scores and achieve results equal or superior to the automotive industry benchmark. In the long term, the Company aspires to attain scores that align with the Top-Performing Companies benchmark.

## Organization and responsibilities

*GRI 3-3*

Nemak's Human Resources leadership team oversees all employee-related topics including talent development and well-being. The Global HR Function, through its Centers of Excellence, defines the Human Resources Strategy, processes and related technology, facilitates knowledge-sharing and best practices, and provides functional governance. In turn, regional and local HR teams are responsible for rolling out the Human Resources Strategy. They work together with Managing Directors and Plant Managers to make decisions about training and development; in addition they are free to adapt these decisions according to current needs and challenges.

Nemak strives to build an agile, engaging, and empowered organization that actively underpins its business strategy, providing an arena where talent is supported by inspiring leadership.

# EMPLOYEE WELL-BEING

## Management approach

*GRI 3-3, 2-30, 401-2*

**Nemak is dedicated to advancing fairness and equality, a stance reflected in its consistent approach to compensation. A standardized job valuation methodology across all regions ensures fair pay among employees, while a compensation policy guarantees competitive remuneration. Furthermore, the Company respects employees' rights, the freedom of association, and collective bargaining.**

In addition, employees receive feedback on their target achievements, which serves as the basis for performance-related remuneration.

Nemak strives to improve the well-being of employees and their families, and at some locations offers its employees benefits that go above and beyond the minimum regulations and requirements. For example, it provides daycare, lactation rooms, parental leave, and flexible work schedules for employees caring for family members.

In 2022, Nemak continued to transform its work culture and look for opportunities to integrate the lessons learned from the pandemic. This included fostering remote working wherever possible.

In each country where Nemak is present, Human Resources teams carefully implement and review employee well-being programs and identify opportunities for improvement. These teams constantly check policies for potential bias and take corrective action to protect employee health, well-being, and satisfaction.

## Occupational health services

*GRI 403-3, 403-6*

One of the ways Nemak prioritizes employee health and well-being is by providing occupational health services, including medical departments staffed by medical experts who provide occupational health services, such as employee consultations, medical attention for the injured, and other specific consultations. The Company also identifies potential health risks by performing annual health checks during HSE weeks, supported by placing at least one nurse in each facility. These sessions have diagnosed illnesses such as diabetes, cancer, and high blood pressure. Vaccination campaigns for extra protection against seasonal diseases are also available. All Nemak employees have access to medical services that are either public or paid for by the Company. As part of their voluntary health promotion services, sites foster employee well-being through initiatives including nutritional services and healthy canteen meals, fresh fruit deliveries, funds for social activities, recreation and rehabilitation, gym discounts, campaigns on first aid and occupational diseases, initiatives to improve breast cancer awareness, and psychological support.

## Progress and measures

*GRI 2-7*

In early 2022, the Company analyzed and communicated the results of the 2021 'YOUR VOICE' Global Engagement Survey. Nemak channeled the survey's valuable results into tangible progress in all areas under review. The Company has maintained a positive trend in engagement scores, including a 14-point increase in the participation rate since the survey was first carried out in 2015, resulting in a participation rate of 92% in 2021.

Starting with Nemak's Executive Management Team, the results were shared with all levels of the organization to create action plans and continue improving employees' experience at Nemak. This is one way the Company demonstrates to its employees that their feedback is taken seriously and used to catalyze change. The 'YOUR VOICE' survey has already yielded action plans at a plant and regional level. At a global level, Nemak is forging ahead with plans focusing on career development and safety issues.

External organizations have also recognized Nemak's efforts to be a great place to work. For instance, the Company secured 'Top Employer Certification' in the US and Mexico for a second consecutive year and in Germany for the first time. 'Top Employer Certification' is an annual process that critically evaluates human resources practices. Nemak had to provide evidence that it had created more than 400 human resources practices across six key dimensions: steer, shape, attract, develop, engage, and unite. The Company's methods are compared against an international Top Employer benchmark to receive certification status.

At the end of 2022, Nemak's workforce was comprised as follows:

*GRI 2-7*

**Number of employees by contract in HC**

| | Permanent contract | Temporary contract |
|---|---|---|
| **Total** | **23,570** | **400** |
| Mexico | 12,622 | 0 |
| Europe | 7,032 | 104 |
| Asia | 618 | 296 |
| South America (excl. Mexico) | 960 | 0 |
| USA | 2,338 | 0 |
| | **Full time** | **Part time** |
| **Total** | **23,923** | **47** |
| Female | 2,843 | 15 |
| Male | 21,080 | 32 |

21,112 male

2,858 female

23,970 employees total

12,622 Mexico

7,136 Europe

914 Asia

960 South America

2,338 USA

New hires in 2022:

8,737 employees

# EMPLOYEE DEVELOPMENT

*SDG 4: Quality Education*
*Material aspect: Training and development*
*GRI 3-3, 401, 404*

## Management approach

*GRI 3-3*

Exciting growth opportunities are unfolding for Nemak as electrification transforms the automotive industry. Capitalizing on these opportunities will require hiring and retaining talented employees with the requisite knowledge and skills. Nemak also recognizes the need to foster talent within the Company since qualified and skilled workers are scarce. The Company is therefore actively engaging in talent development activities to upgrade employees' expertise in areas such as HSE, tooling, assembly and joining, quality assurance, product development, R&D, maintenance, and others. It is also filling critical and management roles by promoting from within. In 2022, Nemak staffed more than 50% of its open positions (excluding entry level positions) with internal candidates. The Company's commitment to employee development is further embedded in its Global Diversity & Inclusion Policy and its Internal Job Posting Policy.

## Progress and measures

*GRI 401-1, 404-1/2/3*

In 2022, Nemak hired a total of 8,737 new employees across all regions. Employee turnover stood at 13.1% for salaried employees and 27.4% for hourly employees. Total employee turnover was 25.3% in the reporting period, which is an increase in comparison to 2021. Voluntary departures increased from 9.3% in 2021 to 17.0% in 2022, reflecting a general mobility trend in an industry that is still feeling the impacts of the COVID-19 pandemic.

Nemak's development programs tackle industry challenges, enhance productivity, retain talent, and create a better organizational environment. In 2022, Nemak invested US$4.6 million in training its employees in the Company's core processes and strategic areas. These investments are intended to attain high levels of functional expertise, develop leaders, and advance collaboration. Nemak also offered learning opportunities through corporate programs, functional academies, leadership development, and mentoring programs in 2022.

Corporate programs delved into cyber security, corporate compliance, general soft skills, and virtual learning paths available on demand.

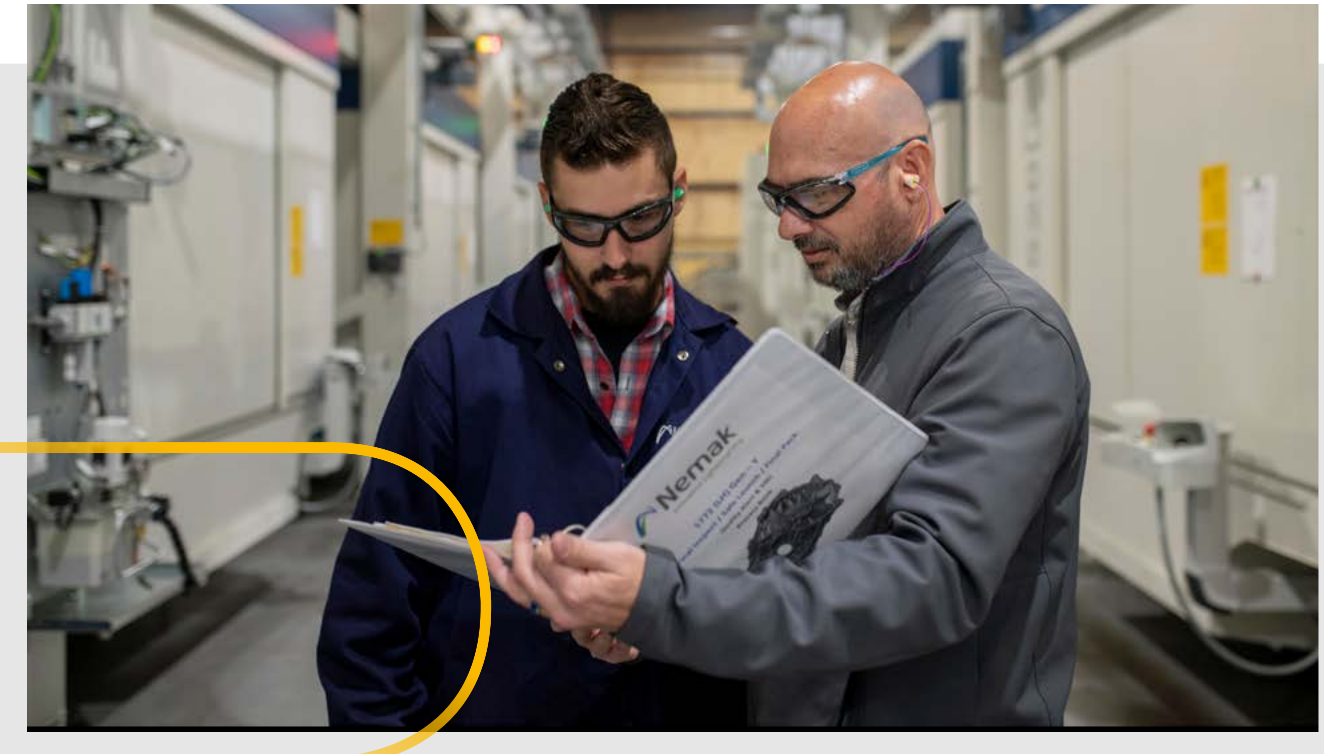
To further their job-specific skills, employees participated in engineering academies, categorized by core processes and levels of expertise. Functional academies also trained employees in sales, finance, human resources, and purchasing.

To build the next generation of leaders, Nemak has created leadership development pathways tailored to the challenges faced by leaders at different organizational levels. This prepares leaders to implement the Company's strategy, improve their execution of Nemak competencies, and further strengthen their embodiment of values. Leadership development efforts include programs for individual employees, shop floor leaders, frontline, mid-level managers and other relevant leadership groups. Nemak has also partnered with locally and regionally recognized educational institutions to deliver targeted programs for key talent and executives.

The Company helps employees obtain undergraduate degrees, bachelor's and master's scholarships for different programs in some countries. Scholarships with external institutions enabled 548 employees to attend capacity-building courses.

At Nemak, employees receive consistent and meaningful feedback on their performance. The Company has established a performance management process with structured target-setting, mid-term reviews, and performance evaluations. In 2022, 100% of the Company's administrative personnel participated in the Performance Management process.

Nemak also conducts 360° feedback exercises for selected talent pools. This tool provides participants with valuable feedback from their direct manager, peers, customers, and direct reports on their demonstration of Nemak's competencies and values. Participants undergo debriefing sessions with talent development experts to identify strengths, opportunities, and next steps with the active support of their direct manager. In 2022, 134 participants (with more than 700 employees participating as feedback providers) took part in this exercise including employees from all regions.




The following table summarizes the average number of training hours Nemak provided to employees in 2022:

*GRI 404-1*

| Training hours | |
|---|---|
| **Average hours of training by gender** | |
| Female | 30.45 hrs |
| Male | 28.38 hrs |
| **Average hours of training by employee category** | |
| Executives & Top Management | 15.7 hrs |
| Management positions | 18.99 hrs |
| Management positions in revenue-generating functions | 15.80 hrs |
| Employees below management level | 31.53 hrs |


# Diversity and Inclusion

*Material aspect: Diversity and Inclusion*

*GRI 3-3, 405, 406*

**Today's business environment is rapidly changing and complex. To thrive in this environment, Nemak is building a pool of highly qualified employees from diverse backgrounds. The Company believes that having a diverse workforce of people with different experiences and perspectives best serves its customers all over the globe. The Company also recognizes the importance of fostering a culture of respect and responsibility towards people, the environment, and local communities.**

Nemak ensures that all employees, regardless of race, national origin, ethnicity, or other characteristics, can pursue an enriching work experience consistent with their aspirations and the Company's goals. Promoting diversity and inclusion allows every Nemak employee to learn and grow based on their skills and unique attributes.

## Nemak's ambition

Nemak's transformation has many fronts; one of them is making strides towards becoming a more diverse, equitable, and inclusive company. The Company has laid a solid foundation for implementing its Diversity and Inclusion (D&I) Strategy in the years ahead. With clear phases and ambitious milestones, it guarantees progress at a steady pace. The Strategy also highlights the vital importance of creating an inclusive and diverse workplace to enable transformation and the achievement of Nemak's 2030 Strategy: Transform to Grow. Nemak's strategic concept, 'I Belong,' pools its diversity and inclusion efforts. The concept emphasizes the Company's commitment to go beyond representation and inclusion, and focus on building a workplace where every employee feels their individual characteristics are valued and they have a strong sense of belonging.

Nemak promotes and maintains a culture free of discrimination and harassment. The Company is actively eliminating the barriers that female employees encounter in the automotive industry, particularly in heavy manufacturing roles.

Moreover, Nemak strives to provide a safe and more appealing work environment for women through its D&I Journey. The Company's goal is to further increase the proportion of women at all levels of the organization by 2030. Nemak's diversity and inclusion ambitions for the years ahead center around five milestones: building foundations and basics, creating a common awareness, focusing on integrating diversity and inclusion into the Company's culture, processes, and systems, and implementing diversity and inclusion as a core element of Nemak's sustainable performance and innovation.


## Management approach

*GRI 3-3, 2-23/26*

Nemak's Human Resources Department oversees all measures related to diversity and inclusion. The Center of Expertise of Talent Attraction and Diversity and Inclusion defines and structures all strategic initiatives in line with the Company's D&I Journey. The Human Resources Department works closely with the Chief Executive Officer (CEO), who is the main sponsor and supporter of Nemak's D&I Strategy.

In 2022, the Company assembled a global community of D&I Champions that brings together employees from different disciplines across Nemak's various regions. This community aligns regional efforts with the global strategy, building accountability across different locations, integrating local perspectives with local objectives, and assessing effectiveness and progress in the D&I Journey.

These measures are among the steps taken by Nemak to offer equal opportunities to everyone and stop discrimination in all its forms. The Company has adopted clear policies prohibiting discrimination based on age, race, ethnicity, family or marital status, gender identity or expression, sexual orientation, language, nationality, physical and mental ability, political affiliation, religion, socioeconomic status, veteran status, or any other characteristic.

Published in 2021 and approved by the CEO, Nemak's Global Diversity and Inclusion Policy makes the Company more diverse, equitable, and inclusive. The Policy comprises general guidelines regarding recruitment and selection, career opportunities, learning and development, communication, and compensation and benefits. Moreover, it sets out Nemak's unwavering commitment to providing equal opportunities and avoiding bias.

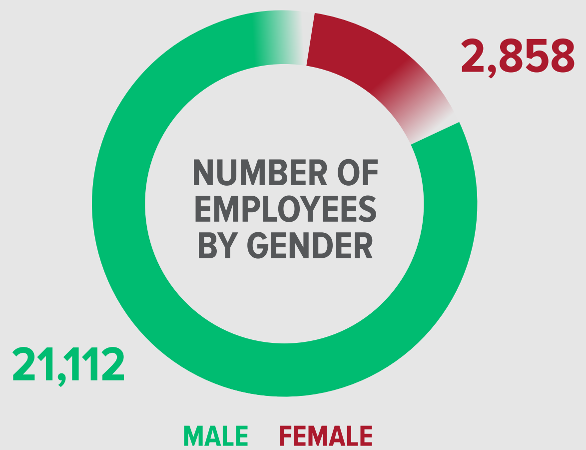
This Policy is consistent with its corporate values, the Global Code of Conduct, the Global Business Code for Suppliers, and other business policies related to diversity and employee relations. It also upholds key principles from the International Bill of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the United Nation's (UN) Global Compact, the UN Sustainable Development Goals (SDGs), and the UN's Guiding Principles on Business and Human Rights.

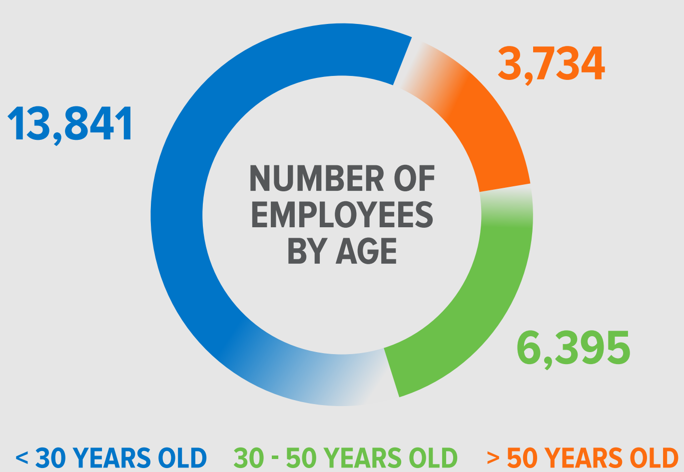
All Nemak employees, contractors, and joint venture employees under Nemak's management control must adhere to the Global Diversity and Inclusion Policy. Nemak requires its employees to report any known or suspected violations of the Policy. All stakeholders can safely raise concerns or report violations using one of the following channels:

- Their direct manager or next-level manager
- The Human Resources Manager or Director
- Nemak's Legal and Compliance Department (accessible via governance@nemak.com)
- Transparency Hotline

All reports are treated with strict confidentiality. Any individuals who report suspected violations in good faith or cooperate with an investigation of a suspected breach reported by someone else need not fear retribution. Nemak also strictly adheres to all international whistleblower protection laws and standards. Any retaliation against a person for reporting an issue in good faith violates the Company's Global Code of Conduct and is strictly prohibited.

At Nemak, 95% of employees are directly involved in production areas such as Manufacturing, Engineering, and HSE & Quality, while the remaining 5% comprise the Executive Management Team and SG&A functions.




## Progress and measures

*GRI 2-24, 405-1*

In 2022, Nemak took further steps to execute its Global Diversity and Inclusion Policy. For instance, the Company launched its first Business Resource Group, 'Women Belong,' which fosters the retention and engagement of female talent. With more than 150 members and allies at all locations, 'Women Belong' has its own multidisciplinary structure and agenda, and is sponsored by the Global HR Director.

Building upon its membership in the UN Global Compact, Nemak joined the initiative's Target Gender Equality program in 2021 to set and deliver on ambitious corporate targets for female representation and leadership. In 2022, Nemak also became a signatory to the UN's Women's Empowerment Principles (WEPs). The Company is committed to creating a set of action plans aligned with the WEPs to promote gender equality and female empowerment at work, in the market, and in the community.

Nemak promotes equality in keeping with its enduring commitment to the UN WEPs and based on its dedicated Global Community of D&I Champions. The Company is establishing a leadership program to develop key skills so women can move up the organizational ladder. Nemak is also about to launch its first mentoring program for female talent. The Company will provide mentors with special preparation and support to assist their mentee's development while also raising awareness of unconscious bias, imposter syndrome, and how to act as sponsors. Nemak is also defining a policy to review and remediate any pay inequities.

The Company's new global D&I dashboard shows vital processes and data on D&I metrics and targets for all locations. It enables Nemak sites to take specific actions to improve inclusion and diversity.

Nemak is deeply engaged in efforts to build awareness and promote diversity across critical audiences. This work actively includes the talent attraction teams responsible for attracting and hiring diverse talent and providing an equal and fair experience for candidates.

As a member of the General Motors Diversity & Inclusion Supplier Council, the Company collaborates with other stakeholders on suitable action plans. It is involved in the Diversity, Equity & Inclusion Council of the Original Equipment Suppliers Association (OESA). To further empower female talent in the engineering sector, Nemak sponsored the Society of Women Engineers (SWE) annual conference, the largest conference and career fair for women in engineering.

The Company's global workforce currently consists of approximately 88% men and 12% women. Roughly 15% of board positions are filled by women. Women also account for 14.9% of executive-level positions. During 2022 Nemak promoted 407 employees, 27% females and 73% male. Nemak does not provide information on the remuneration of its employees to external bodies in keeping with its corporate policy.

# Occupational Health and Safety

*Material aspects: Occupational health and safety, product quality and safety*

*GRI 3-3, 403*

Nemak's top priority is the health and safety of its employees. The Company recognizes that its business activities pose inherent dangers, so occupational health and safety is integrated into every aspect of its operations. Nemak's comprehensive occupational health and safety system reduces these risks and minimizes the probability of injury and illness. Everyone has roles and responsibilities within the Occupational Health and Safety Program. At Nemak, working safely is the Company's highest priority.


## Nemak's ambition

The Company measures its safety performance using the Total Recordable Incident Rate (TRIR), which specifies the frequency of injuries requiring medical treatment beyond first aid for every 100 employees. Each location sets annual targets, which should not exceed the previous year's TRIR, Lost Time Case Rate (LTC) and Days Away, Restricted or Transferred (DART). The latter metric refers to injuries that result in days away from work, job restrictions or job transfers. At a company-wide level, Nemak also strives to deliver year-over-year improvements.

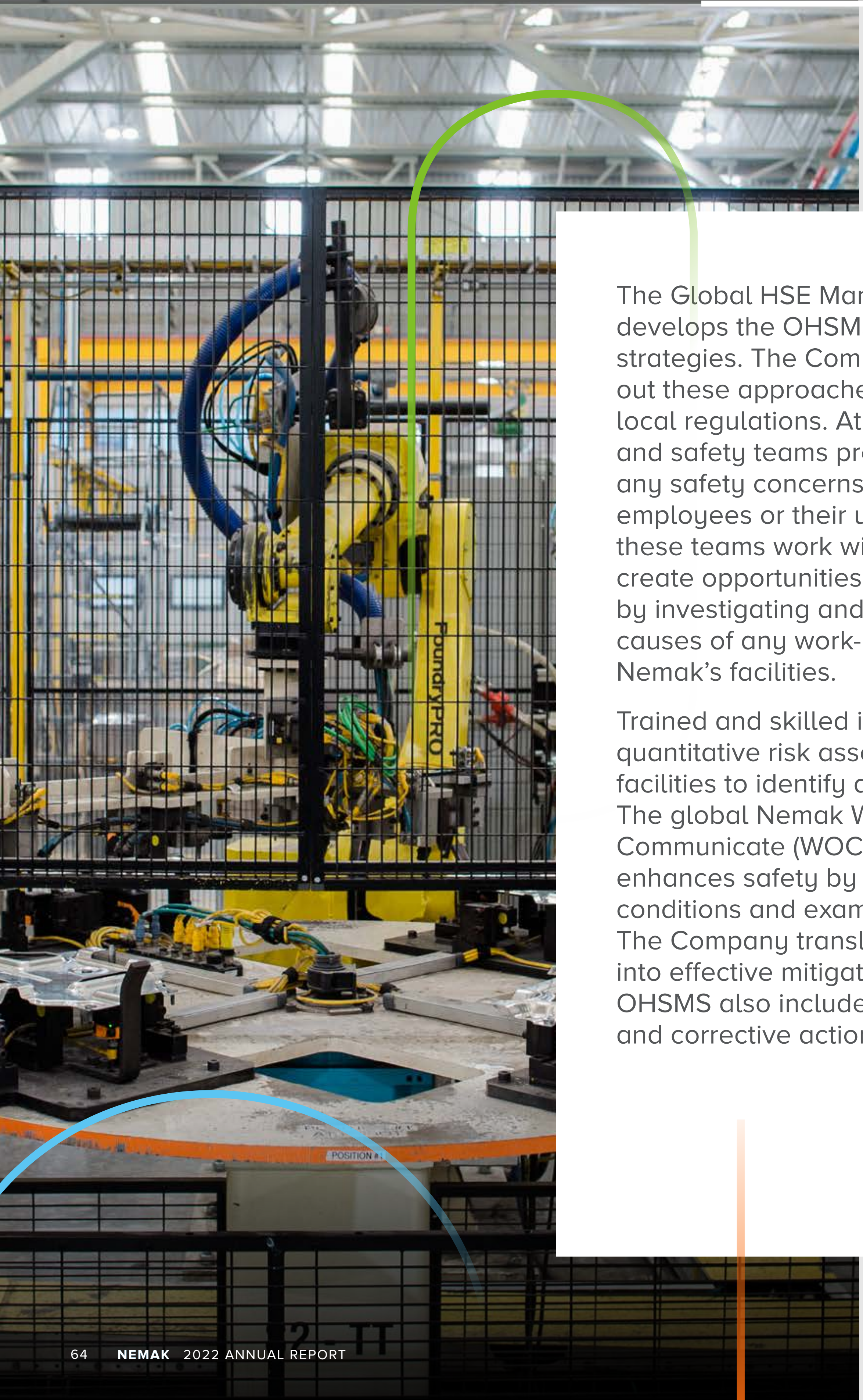
## Management approach

*GRI 3-3, 403-1/2/8/9*

Every person working for Nemak is covered by its Occupational Health and Safety Management System (OHSMS). This System monitors work-related health issues, identifies and mitigates risks, promotes safe working practices, trains employees, and meets legal obligations. Currently, 53% of the Company's locations are ISO 45001-certified. The remaining locations will be certified within the next three years.

The OHSMS's requirements apply to all employees, visitors, and contractors to keep everyone performing work on behalf of the Company safe, including offsite and during business travel. All employees must immediately report any risks or incidents so that Nemak can take corrective action. The Company's wholehearted commitment to prioritizing safety empowers employees to remove themselves from work situations that they believe could cause injury or ill health. Nemak also trains all employees and contractors to recognize potential risks, unsafe acts, and hazardous conditions.

A designated team consisting of the department manager, HSE Manager, and other key personnel thoroughly investigates any work-related incidents. These investigations gather essential information for the report-writing process, such as immediate causes, root causes, and other relevant data. The team agrees upon corrective actions and assigns responsibilities to a dedicated individual to do what is necessary to prevent the incident from happening again. HSE Managers readily share best practices to avoid further incidents of this kind. Follow-up systems review corrective actions and their effective implementation in a timely and proper manner.




The Global HSE Management Team develops the OHSMS's targets and strategies. The Company's sites then roll out these approaches in accordance with local regulations. At Nemak, local health and safety teams proactively address any safety concerns or issues raised by employees or their unions. Moreover, these teams work with key staff to create opportunities for improvement by investigating and analyzing the root causes of any work-related incidents at Nemak's facilities.

Trained and skilled individuals perform quantitative risk assessments at all facilities to identify and reduce risks. The global Nemak Walk-Observe-Communicate (WOC) standard further enhances safety by pinpointing unsafe conditions and examples of good work. The Company translates its findings into effective mitigation measures. The OHSMS also includes risk assessments and corrective actions as key elements.

Nemak's OHSMS includes the following core components:

- Management reviews of risk assessments and incident reports
- Union, Works Council, and Health and Safety Committee involvement
- Reporting near-misses, incidents, non-compliance, and improvement-suggestion programs
- Training competency and knowledge checks
- Physical examinations and occupational health medical evaluations (health risk assessments)
- On-site occupational health professionals, such as nurses and doctors
- Work-related industrial hygiene, psychosocial, and working condition measurements
- Programs to prevent COVID-19 outbreaks and transmission: cleaning, personal hygiene, education, and training
- Health and safety mailbox and hotline

The OHSMS duly complies with all laws in the countries where the Company operates, the Health Insurance Portability and Accountability Act (HIPAA) and the Americans with Disabilities Act (ADA) in the US, and the General Data Protection Regulation (GDPR) in the European Union. All employee health-related information is therefore managed in a private and confidential manner.

## Progress and measures

*GRI 403-9*

Unfortunately, two fatalities occurred at Nemak in 2022. Nemak takes this very seriously. In both cases, the Company has conducted thorough investigations and has taken corrective actions, including enhancing its overall OHS management systems and practices. Nemak is committed to taking all necessary preventative steps to mitigate the risk of work-place accidents, and to reaching and maintaining its goal of zero fatalities.

| Health and safety metrics | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total recordable incidents | 301 | 277 | 296 |
| Accidents with serious consequences* | 49 | 26 | - |
| Accidents with lost time | 111 | 94 | 87 |
| Fatalities* | 2 | 0 | - |
| **Total recordable incidents rate**** | **1.26** | **1.41** | **1.57** |
| **Lost time case rate**** | **0.50** | **0.48** | **0.46** |

** Nemak only began reporting this indicator in 2021*
*** per 100 employees*

### *Progress and measures against COVID-19*

COVID-19 continued to have a ripple effect throughout the world and affected Nemak's staff and operations in 2022. The Company recognizes the importance of ensuring the highest health and safety standards for all its employees, their families, and local communities. Nemak has therefore developed a Pandemic Response Control Plan, which supports global efforts to combat the COVID-19 pandemic.

The organizational structure for the plan's execution is as follows:

- Executive Crisis Management Team: CEO and Executive Management Team, supported by the Global HSE Director
- Business Unit Crisis Management Team: Business Unit Director and staff
- Global Business Continuity Crisis Management Teams: individual teams from Global HSE, Finance, Human Resources, Purchasing, and Commercial Sales
- Operations Crisis Management Teams: plant managers and employees

The Pandemic Response Control Plan includes a COVID-19 occupational healthcare management system, controls to prevent virus transmission, facility preparedness requirements, and internal and external communications. Employees, customers, and government health agencies believe this plan offers an effective response to the crisis.

## Employee participation in occupational health and safety

*GRI 2-26, 403-2/4*

Communication is an important element in creating and maintaining a safe and healthy workplace. To this end, the OHSMS defines specific roles and responsibilities and highlights direct and transparent reporting systems. Employees can use various means to communicate health and safety concerns and report hazards and risks. These communication channels include Nemak's internal website (MyNemak), email addresses, the health and safety hotline, on-site conversations, and messages via secure messaging applications (Mexico and the US). The Company's global WOC (walk, observce, communicate) standard and the HSE Factor for Mexico ensure that employees reporting hazards or hazardous situations are safe from reprisal. At Nemak, employees are not permitted to start operational work until they are trained to perform work safely and have reviewed the Safe Work Instructions. The Company has also appointed formal joint management-worker health and safety committees, which are managed at a local level. These committees, which are staffed by members from different departments, visit facilities to identify unsafe actions and conditions and provide corrective steps.

In 2022, Nemak hosted its sixth annual HSE Week. This event, dedicated to increasing employee engagement with health, safety and environmental topics, featured activities at a global level and local initiatives at the plant level. During the 2022 HSE Week, Nemak offered global webinars, such as mental health presentations in collaboration with the organization Action for Happiness and town hall safety webinars that allowed employees to engage with Operations Directors on workplace safety. Nemak also sent out HSE circulars and conducted an HSE quiz for employees that included family members of people working at all Nemak sites. Local events during HSE Week included training sessions on different HSE topics, emergency drills, and fire-related safety demonstrations. Nemak employees also participated in several running races sponsored by Social Development in Mexico.

## Employee training in occupational health and safety

*GRI 403-5/7*

Nemak provides specific training at each site based on local regulations identified by the Global HSE Department. These training sessions include:

- Risk assessments
- COVID-19 and other infectious diseases
- Principles of organizational safety
- The preventive and correct use of chemicals
- Worker stress and mental health
- Machine safety
- Ergonomics and physical health
- Control of hazardous energy and machine lock-out programs
- First aid
- Emergency response

# Corporate Citizenship

*Material aspect: Corporate Citizenship*
*GRI 3-3, 203, 413*

## Management approach

*GRI 3-3, 413-1*

Nemak takes seriously its responsibility for its employees and the communities in which it operates. The Company is firmly committed to social development and places a particular focus on giving back to local communities. In practical terms, this means that Nemak carries out social, cultural, and community projects. Its aim in doing so is to contribute to community development, education and well-being, and to foster economic empowerment and equal employment. Nemak's Sustainability Committee oversees all corporate citizenship goals and measures.

In 2022, Nemak upped its efforts in this area. The Company established a Global Corporate Citizenship Program, which includes regional Human Resources leaders and the Global Sustainability Team, with the goal of developing a Global Corporate Citizenship Strategy and a management system. This Strategy specifies transparent processes, policies, and guidelines. It provides guidance for all regions about how to embark on meaningful initiatives that respond to real needs and expectations in local communities. In early 2023, Nemak will define regional action plans based on the results of the materiality and impact assessment conducted in 2022. Furthermore, a global policy will be developed and communicated to the various regions to align the approach and make an effective contribution to the global strategy. The Global Corporate Citizenship Strategy will also be integrated into the management system, along with the impact assessment, global policy, guidelines, and procedures.

The Company widely consults internal and external stakeholders, including local communities, when defining priorities and actions to be taken. At Nemak, advancing minorities is one focus of its corporate citizenship efforts, including women, members of the LGBTQ+ community, people with disabilities, and migrant workers.

## Progress and measures

*GRI 203-1, 413-1*

In 2022, Nemak prioritized community development initiatives by conducting a materiality and social impact assessment. Local stakeholders such as communities, NGOs, employees, local government, and educational institutions were consulted in this process. The assessment covers all regions where the Company operates and serves as the point of departure for Nemak's Global Corporate Citizenship Strategy. The process flagged the most important potential impacts on employees and communities, namely related to community development, well-being, career development, and circularity. It also recognized environmental impacts from air quality, water, and waste. Nemak continues to rigorously analyze the results of this materiality assessment in a process that will be finalized in early 2023.


Based on the findings, the Company will establish a Global Corporate Citizenship Roadmap defining Nemak's specific objectives.

Throughout the year, Nemak engaged in local development programs including educational programs, environmental campaigns, and community support. Eighty percent of operations implemented local community engagement, impact assessment and/or development programs. Continuing its practice from previous years, Nemak strongly supports philanthropic activities through monetary investments and by providing employees with paid leave to volunteer in philanthropic projects.

| Monetary investments in citizenship / philanthropic activities | | |
|---|---|---|
| Cash contributions | $US | 1, 700,684 |
| Monetary contributions to projects/ partnerships | $US | 60,651 |
| Products/services | $US | 94,514 |
| In-kind giving | $US | 34,389 |
| **Total** | **$US** | **1,890,148** |

# Value Chain Engagement and Business Integrity

*SDG 12: Responsible Consumption and Production and SDG 13: Climate Action*
*Material aspect: Supply Chain Management and Business Ethics*
*GRI 3-3, 2-23/24/26*

**Procuring raw materials imposes an obligation: to ensure that suppliers' working conditions and environmental performance live up to Nemak's standards and values. The Company aims for all of its suppliers to sign and adhere to its Global Business Code for Suppliers, which sets stringent standards for human rights and ethics. Climate protection is a key issue as well.**

As more than 70% of Nemak's carbon emissions are attributable to its suppliers, the Company engages closely with them to accelerate their decarbonization journeys and shift toward a circular economy. All aspects of Nemak's business must always meet its standards for integrity, honesty, and accountability. The Company continually refines its corporate governance and sustainability practices to ensure that they are up to date and fit for purpose.

Nemak's Global Code of Conduct, approved by the CEO, strives to create a culture of honesty and integrity. It prohibits employees and contractors from directly or indirectly engaging in, ordering, approving, promising, conspiring to or inducing corrupt and fraudulent practices. The Global Code of Conduct also enshrines the Company's commitment to Human Rights by ensuring that all employees are treated with dignity and respect. Nemak has enacted specific policies and provides mandatory training in areas ranging from global purchasing, human rights, diversity and inclusion, anti-bribery, antitrust, and fair trade, to anti-money laundering, and sanctions compliance. Employees are thus made aware of the importance of the issues mentioned in the Global Code of Conduct as a result of this training. The Company also has policies addressing data privacy and confidentiality, along with accounting policies based on international financial reporting standards and auditing procedures. Each policy also includes an email address at the Process Assessment and Governance Department for employees to contact with any questions or concerns about Nemak's business conduct.

# Business Integrity

*SDG 12: Responsible Consumption and Production*

*Material aspect: Business Ethics*

*GRI 3-3, 2-15*

Nemak aims to create a fair and honest business environment at every link of its value chain. The chapter introductions in this report set out the potential negative impacts of Nemak's activities. However, Nemak has not identified any significant negative impacts on the environment, economy, and people due to its current business integrity practices. To ensure this remains the case, the Company works to eliminate or limit the risk of breaches of the Global Code of Conduct and Global Business Code for Suppliers that might adversely affect Nemak and/or its stakeholders. Such risks may occur in the event of non-compliance with expected standards and may give Nemak an unfair advantage. Nemak's stakeholders could suffer harm as a result, for instance, in the event of conflicts of interest that might put other parties at a disadvantage.

## Nemak's ambition

The Company is striving to achieve 100% compliance with the Global Code of Conduct to uphold its stringent standards for responsible business conduct. All employees must sign the Global Code of Conduct and be trained in business integrity issues, such as Nemak's Antitrust and Fair Trade Policy. All suppliers, vendors, and contractors must sign the Global Business Code for Suppliers, which aligns with Nemak's Global Code of Conduct.

# COMPLIANCE

## Management approach

*GRI 3-3, 2-23/27*

Under Nemak's Global Code of Conduct, all employees must perform their duties in an ethical manner and comply with all laws, rules, and regulations that apply in the countries where the Company operates.

While Nemak's Legal and Compliance Department is in charge of advising all other departments on legal compliance issues, each department is responsible for making sure that policies are upheld on a day-to-day basis. Should any issues arise, employees are expected to approach the Legal and Compliance Department, Process Assessment and Governance Department, or their Human Resources Manager for advice on the legality of specific practices or activities. External auditors also verify the Company's compliance with specific aspects of the law, for instance pertaining to taxes, accounting, and fraud, during annual audits.

Nemak regularly screens each new supplier and all existing suppliers to check that they are not on government sanctions lists. By the end of 2022, Nemak had screened 100% of its current suppliers to verify that they were not on the Specially Designated Nationals and Blocked Persons list, the Consolidated Sanctions list maintained by the Office of Foreign Asset Control of the United States, and other similar lists maintained by government authorities that implement sanctions programs. The database used by Nemak was updated in 2022 to include sanctions lists maintained by the United Kingdom and a consolidated list of sanctions from the European Union.

## Progress and measures

*GRI 2-15/27*

The Company provides regular training on the Global Code of Conduct to make sure that employees are familiar with its details. In September 2022, Nemak added a training module (Compliance Module II) delving into fair competition, insider trading, anti-money laundering, and global trade control. During the reporting period, 95% of all employees successfully completed the module. Compliance Module I includes training on topics such as corruption, giving and receiving gifts, and avoiding retaliation. Employees will be required to undertake training on each module every other year.

Completion of Corporate Compliance Training Module II as per the table below.

| | Employees with module complete | Employees with module pending | % completed |
|---|---|---|---|
| South America | 202 | 1 | 100 |
| Europe | 1,050 | 34 | 97 |
| Asia | 215 | 4 | 98 |
| Mexico | 1,240 | 127 | 91 |
| US/Canada | 451 | 26 | 95 |
| Global staff | 2,118 | 3 | 99 |
| **Total** | **3,376** | **195** | **95** |

Nemak also requires all salaried employees to sign the Conflict of Interest Letter. Every two years, the Company sends out an electronic version of this letter to all salaried employees via its internal Learning Management System (LMS). The letter includes a brief overview and a questionnaire about the Global Code of Conduct, and explains the types of issues that can create conflicts of interest. In 2022, 95% of white-collar employees completed the process, which was part of Compliance Module II. All new employees will be required to carry out this exercise in the LMS tool during onboarding.

To the best of the Company's knowledge, there were no instances of non-compliance with laws or regulations in 2022 that had economic impacts relevant to its business, operations, and/or results.

# ANTI-BRIBERY AND CORRUPTION

## Management approach

*GRI 3-3, 2-23/26*

Nemak has a zero-tolerance policy when it comes to corruption, which informs its relationships with other companies, institutions, and authorities. The Company constantly takes steps to ensure that all activities comply with international anti-corruption and anti-bribery legislation. Nemak's Global Anti-Corruption Policy defines the basic principles and frameworks used to prevent, identify, investigate, remedy, and (if applicable) penalize any employee accepting bribes or engaging in corrupt conduct. Violations of this policy are most likely to occur during interactions with clients and suppliers, which may constitute bribery. Starting in 2022, the internal audit team added anti-bribery and corruption elements to its periodic audit program.

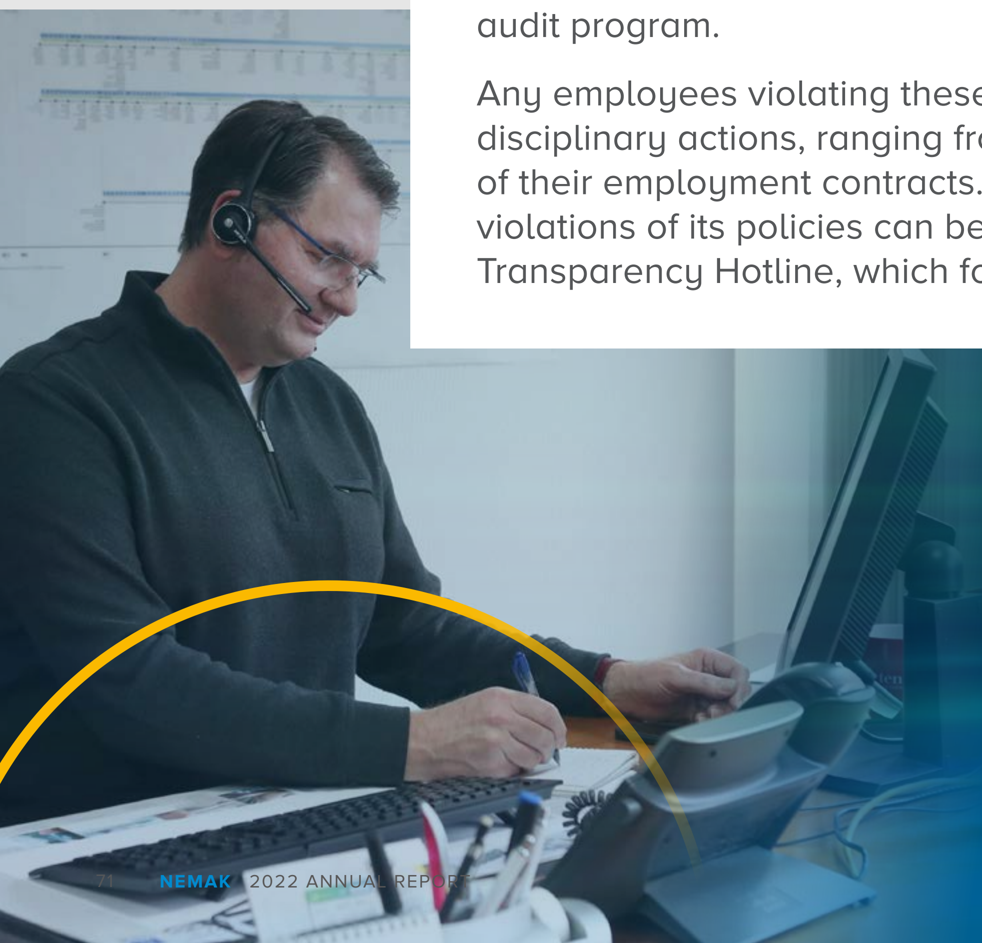
Any employees violating these policies may face disciplinary actions, ranging from a warning to termination of their employment contracts. Any known or suspected violations of its policies can be reported to Nemak's Transparency Hotline, which forwards all complaints to Nemak's Process Assessment and Governance Manager and the Senior Management Team. These parties address any violations and launch investigations; they also discuss all findings with the Executive Management Team and the Legal and Compliance Department. Nemak's Ethics Committee, which includes representatives from different departments, such as Legal and Compliance, Human Resources, and Operations, tracks the effectiveness of the Transparency Hotline.

## Progress and measures

*GRI 205-2/3*

All salaried employees, including Executive Managers and the Board of Directors, receive training in Nemak's Global Anti-Corruption Policy every other year. Compliance Module I targets anti-bribery and the protocols for giving and receiving gifts. Employees demonstrate their understanding and formally accept the Global Anti-Corruption Policy by taking a quiz once they have completed the module. Nemak has also developed a training module for each business unit in its respective native language so that all employees can participate and understand the content.

In 2022, Nemak and its employees were not the subjects of any legal cases related to corruption.



## ANTI-COMPETITIVE BEHAVIOR

### Management approach

*GRI 3-3, 2-23*

Compliance with fair trade principles and all applicable antitrust laws is a priority for Nemak. To prevent issues before they happen, Nemak's Legal and Compliance Department scrutinizes all activities with the potential for anti-competitive behavior, ranging from exclusivity provisions and buying groups, to the sharing of sensitive information, and mergers and acquisitions. Where doubts exist, the Business Development, Commercial, Legal and Compliance, and Process Assessment and Governance Departments work intensively with the Executive Management Team to draw up action plans to prevent any violations of antitrust and anti-competition laws.

The Global Code of Conduct tackles anti-competitive conduct, as does Nemak's Antitrust and Fair Trade Policy. This latter policy describes situations in which Nemak and/or its employees might intentionally or unintentionally engage in anti-competitive behavior. In such scenarios, the Legal and Compliance Department provides advice and ensures that appropriate safeguards are in place to avoid even the perception of anti-competitive behavior. For more details, see Nemak's Antitrust and Fair Trade Policy.

### Progress and measures

*GRI 206-1*

Any employees or contractors in breach of this policy face disciplinary action, ranging from a warning to the termination of their employment or contract. Nemak expects its employees to report all known or suspected violations of the policy via the Transparency Hotline. In 2022, there was only one case related to two of Nemak's vendors. After an investigation, it was found that no violation occurred.

The Company was not involved in legal proceedings associated with anti-competitive behavior in 2022.


In 2022, Nemak provided training for all salaried employees on the Antitrust and Fair Trade Policy as part of Compliance Module II.

## INFORMATION AND CYBER SECURITY

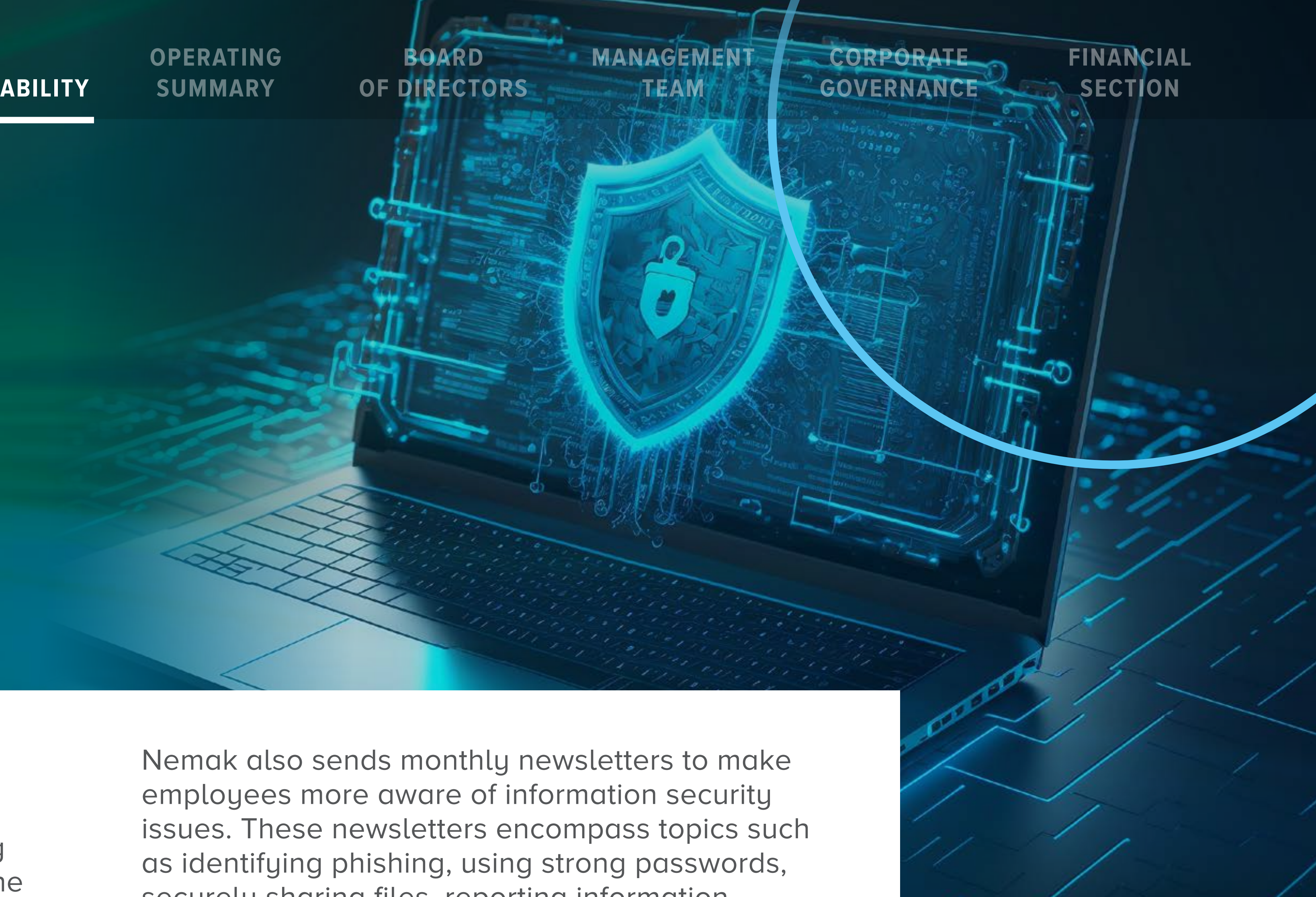
### Management approach

*GRI 3-3*

Protecting intellectual property and employee and customer information is essential to the Company's success. Therefore, Nemak has established a robust set of policies and procedures that cover all aspects of information technology (IT) security. Framing these efforts to safeguard the confidentiality, integrity, and availability of all systems and data is a group of guidelines specifying how Nemak views, measures, and applies risk mitigation efforts.

In light of the critical need for high-level IT security throughout the Company, Nemak's Senior Management Team created an Information Security Steering Committee in 2019. Leadership members, including the Executive Management Team and functional Vice Presidents, are members of this Committee. The Senior Management Team provides direction on the Information Security Strategy, which is overseen by the CFO, and allocates funding to upgrade cyber protection technology and services, and to support initiatives to raise employee awareness.

The Information Security Steering Committee analyzes and assesses Nemak's short-term and long-term strategy and performance at regular meetings. The Company can also prioritize efforts within the Information Security Management System (ISMS) program at these meetings. Nemak then shares its IT security and strategy directives and annual objectives with all IT departments around the globe. These objectives include establishing technical security systems in accordance with ISO 27001, as well as meeting requirements and implementing measures to track security patches, vulnerabilities, and security incidents. The Company's IT security system fully complies with ISO 27001 requirements. It includes a risk measurement and management system with an integrated follow-up process and a dashboard monitored by the Information Security Steering Committee.



## Progress and measures

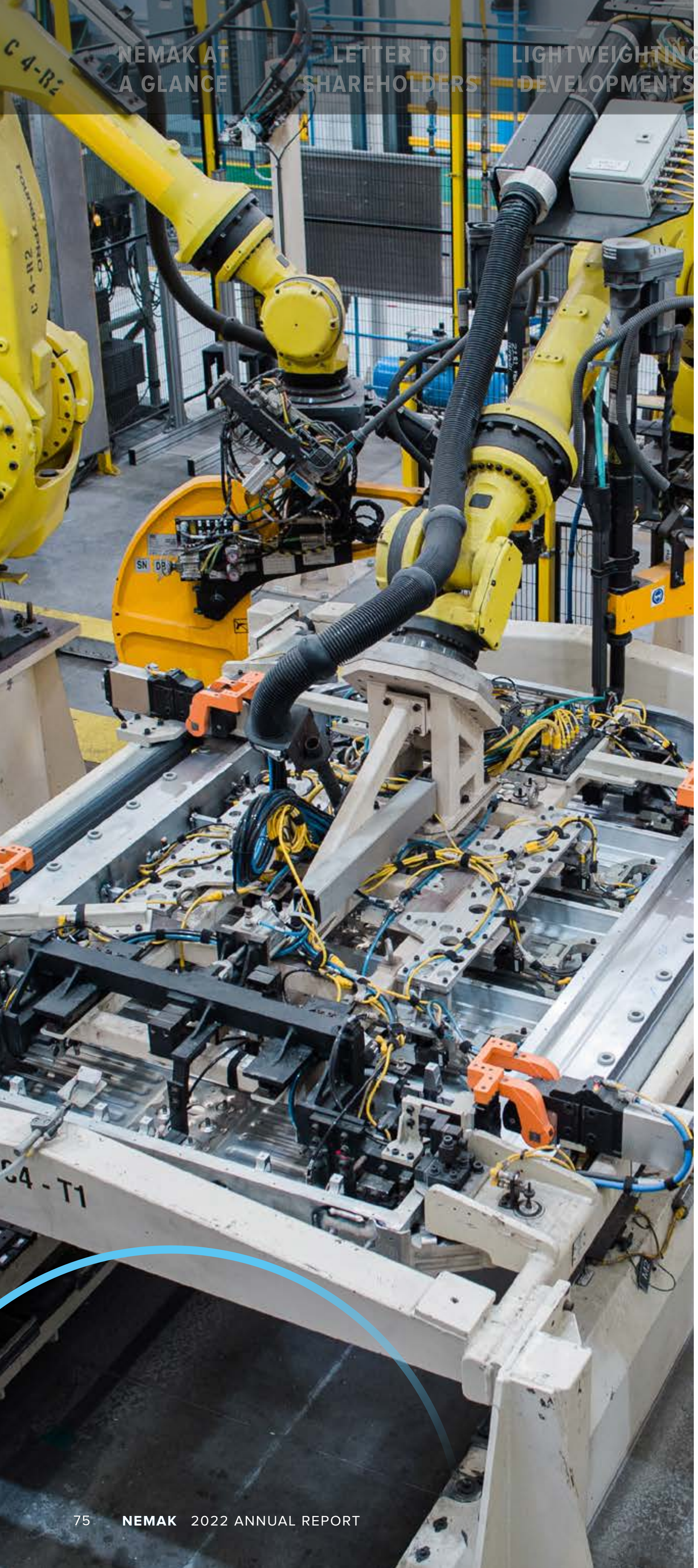
*GRI 404-2*

Mandatory annual training sessions, awareness-raising campaigns, and educational programs are all part of the internal training Nemak provides its employees. In 2022, all employees were given compulsory training on social engineering to raise awareness about cybersecurity threats and phishing. Information security training on a number of key issues is part of the onboarding process for all new employees. Nemak works closely with leading international security firms to bring in outside expertise. It also shares knowledge with other companies and organizations to stay ahead of and respond to emerging security threats.

Starting in January 2022, Nemak conducted monthly phishing testing campaigns. These exercises sent phishing test emails to all employees to raise awareness and prevent information security incidents. The number of employees clicking on phishing links or opening attachments during the test was reduced by more than half compared to 2021.

Nemak also sends monthly newsletters to make employees more aware of information security issues. These newsletters encompass topics such as identifying phishing, using strong passwords, securely sharing files, reporting information security incidents, and providing alerts on recent cyber threats.

Internal auditors carefully track and assess all global IT operations. In 2022, the results of the audits were overwhelmingly positive. As cyber threats continue to evolve, Nemak has only identified minor potential cyber threats that it is already mitigating. The Company performs internal audits once a year, along with other assessments carried out during the year to identify opportunities to improve infrastructure. The Audit and Corporate Governance Committee presents its findings to the Executive Management Team, with quarterly updates provided by the CFO and the Global Audit & Legal Director.



Nemak actively partners with suppliers to align their engagement and management tools with Nemak's corporate targets and values, including responsible environmental, social, and economic practices.

## Value Chain Engagement

*GRI 3-3, 2-6, 308-2*

Nemak's materiality analysis ranked supply chain management as one of its top three priorities and an area highly relevant to stakeholders. With its growing portfolio of assembled (rather than manufactured) components and products, the Company needs a stable and transparent supply chain to cultivate and maintain successful business relationships. At the same time, shareholders and investors are scrutinizing the effectiveness and potential weaknesses of supply chains in the current global supply crisis.

With approximately 70% of the Company's $CO_2e$ emissions generated directly in its supply chain, Nemak continuously works with suppliers to uphold leading international performance standards and reduce their environmental footprint. The Company's core business relates to aluminum products, 30% of which are primary aluminum. Altogether, approximately 80% of Nemak's supply chain-related emissions come from aluminum and alloys, which are nearly 100% recyclable. Nemak's activities along its supply chain have further environmental impacts associated with bauxite mining and aluminum extraction, such as dust pollution, deforestation, and erosion.

The Company knows the critical importance of respecting human rights throughout the entire value chain. That is why its compliance guidelines place a specific focus on topics such as prohibiting forced and child labor, respecting the freedom of association and collective bargaining, and preventing discrimination. Nemak requires its suppliers to sign and accept its Global Business Code for Suppliers, which is based on the Company's values and the stringent standards and business principles set forth in Nemak's Global Code of Conduct and in international treaties and agreements, including the Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises, the UN Global Compact and the UN's Universal Declaration of Human Rights, as well as the International Labor Organization (ILO) Conventions.

asi
MEMBER

Nemak became a proud member of the Aluminium Stewardship Initiative (ASI) in 2022.

## Nemak's ambition

Nemak strives to have 100% of its suppliers commit to respecting human rights by signing and adhering to its Global Business Code for Suppliers. The Company also monitors its suppliers' performance using external third-party assessments by EcoVadis. Its goal is to have all assessed suppliers achieve a minimum score of 50 out of a possible total of 100 to indicate no risk in this area.

This pioneering alliance is advancing sustainability throughout the aluminum value chain by providing comprehensive certification standards and broader capacity-building. Reflecting its commitment to this initiative, the Company aims to certify all of its aluminum suppliers to the ASI standard by 2030 to foster responsible production, sourcing, and stewardship of aluminum. Nemak also requires that critical suppliers adhere to the principles of the Science Based Targets initiative (SBTi), align their commitments with the Company's emissions reduction targets, report to the CDP (formerly the Carbon Disclosure Project) and adopt an energy certification program that complies with ISO 50001.

## Overall management approach

*GRI 3-3, 308-1, 414-1*

Given its ambitions and the values that it wants its suppliers to uphold, Nemak screens and manages suppliers to make sure they meet its expectations. The Company does so by collecting information annually on its suppliers' CSR performance with the help of third-party assessments by EcoVadis. These supplier screenings draw on sustainability criteria assessing four key topics: environment, labor and human rights, ethics, and sustainable procurement. EcoVadis' assessments provide Nemak with wide-ranging access to each supplier's corrective action plans and the opportunities identified to improve their CSR performance. Nemak rates its level of supplier engagement success by looking at the percentage of suppliers that complete the third-party assessment. The Company considers its engagement successful when it accomplishes 100% of its annual evaluation plan. Nemak also closely monitors global compliance and the results of external third-party assessments for its active supply base. Currently Nemak has completed third-party assessments for 13% of its active supplier base.

## Organization and responsibilities

The Vice President (VP) of Purchasing and Sustainability and the Purchasing Business Support Team are responsible for sustainable purchasing and addressing human rights at the Company. Every two months, Nemak's Sustainability Committee, which is chaired by the VP of Purchasing and Sustainability, meets to discuss progress, approve decisions, and refine the Sustainability Strategy, including sustainable purchasing plans. As an additional action to strengthen due diligence within the Company, Nemak established a new Supplier Risk Committee in 2022. Its mission is to monitor critical suppliers, taking into consideration social media and news reports, sustainability ratings, and financial assessments to identify risks in the value chain and to develop a remediation plan. Nemak has also set up a Purchasing Committee that approves business awarding decisions, which are based on evaluations that consider sustainability criteria, among other aspects.

# HUMAN RIGHTS

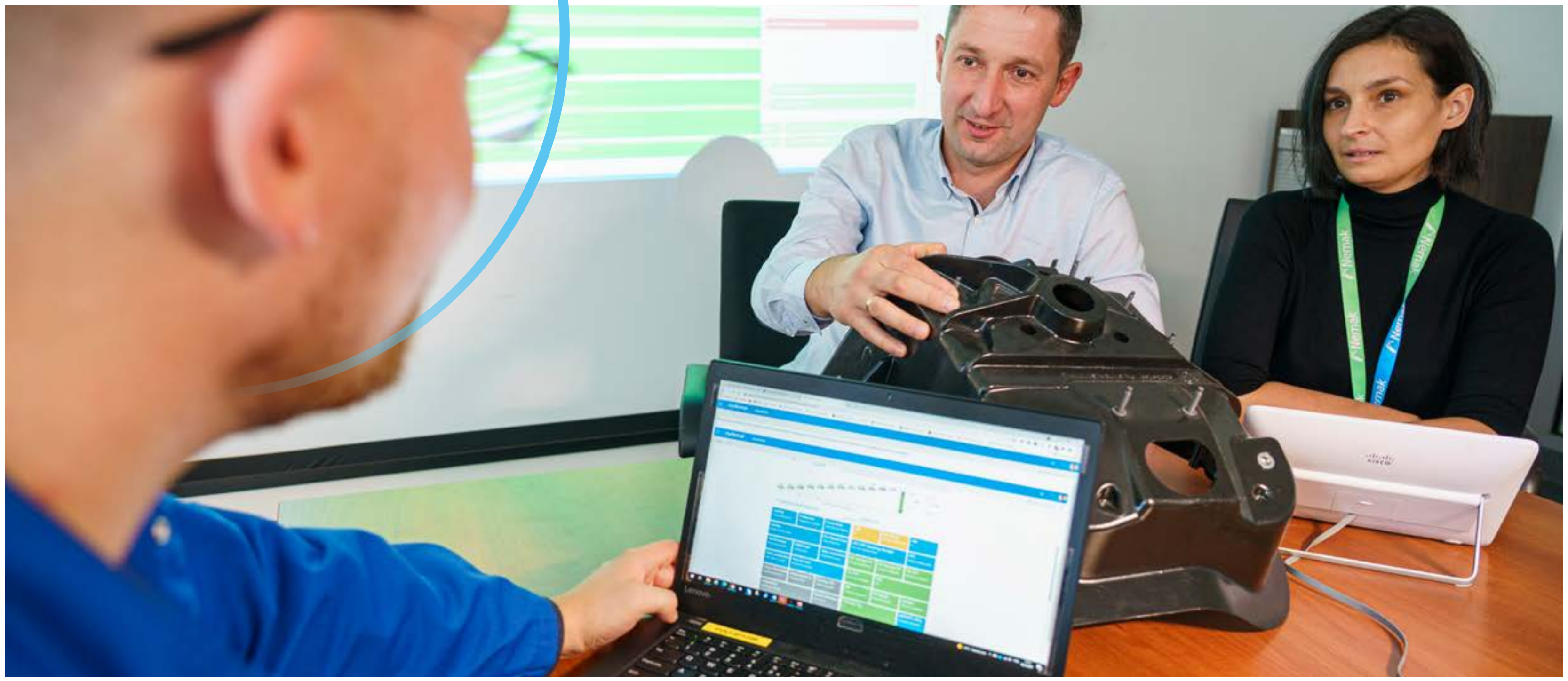
## Management approach

*GRI 3-3, 2-23/24/26, 407, 408, 409, 414*

Nemak is fully committed to promoting and respecting fundamental human rights both within the Company and throughout its entire value chain. The Company has developed a set of policies for responsible business conduct, including:

- Global Code of Conduct
- Global Business Code for Suppliers
- Global Human Rights Policy
- Global Sustainable Purchasing Policy
- Global Diversity and Inclusion Policy

The Global Human Rights Policy was approved by the CEO and reflects the principles set out in the International Bill of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact (UNGC), the UN Sustainable Development Goals (SDGs), and the UN Guiding Principles on Business and Human Rights. The Policy applies to all suppliers, contractors, employees, and joint venture employees over which Nemak has management control. It focuses particularly on vulnerable people, such as women, children, refugees, internally displaced people, stateless persons, national minorities, indigenous people, migrant workers, disabled and elderly persons, people living with HIV and AIDS, members of the LGBTQ+ community, as well as low-income communities, illiterate people, and religious groups. The Global Human Rights Policy requires that the Company perform due diligence. Nemak has a zero-tolerance approach when it comes to wrongful acts by others that are inconsistent with or disrespectful of international norms of behavior or local laws. The Company also takes preventive measures to avoid risking being an accomplice to wrongful acts through its association with third parties.



Nemak's Global Business Code for Suppliers stipulates that suppliers must abide by internationally accepted human rights. During the onboarding process, all suppliers must agree to the Global Business Code for Suppliers and require their own suppliers to make commitments to this effect. Nemak does not do business with suppliers unless they have signed the Code. Each month, the Company checks that current suppliers have signed the Code. Nemak reserves the right to audit and verify suppliers' compliance and take appropriate action in the event of violations. As part of its due diligence approach, Nemak has established the Transparency Hotline, to which anyone can report concerns and violations. All allegations are investigated, and actions are taken to ensure the Global Code of Conduct and Nemak's values are followed.

Along with upholding human rights, the Company respects its workers' rights to freedom of association and collective bargaining. Nemak's Global Business Code for Suppliers, other contracts, and purchase orders contain a specific clause applying to all participants in its production chain. It stipulates that suppliers must ensure that their employees have the same rights and freedoms. Nemak also requires that its suppliers provide appropriate channels for employees to voice their concerns in locations where these rights do not exist due to legal constraints. In addition, suppliers must confirm that they acknowledge and follow the ten principles of the UN Global Compact.

Nemak strictly prohibits any use of forced or child labor. Suppliers agree that they will not allow any form of child labor or forced and compulsory labor when they sign the Global Business Code for Suppliers. The Company's suppliers are also not permitted to employ workers under the age of 15 (or the legal minimum age if it is higher in the country in question). Internally, the Purchasing and Supplier Quality Assurance Departments perform on-site audits on demand, ensuring there is no forced and/or child labor

## Progress and measures

*GRI 2-24, 414-1*

To date, 88% of active suppliers have formally signed the Global Business Code for Suppliers; those that have not signed the Code are blocked from doing new business with Nemak. Where suppliers have their own codes, the Company checks that their documents still cover all requirements listed in Nemak's Code.

As part of its compliance assurance measures, Nemak rigorously assessed 59 new suppliers through EcoVadis in 2022. Altogether, 177 suppliers have completed the assessment. The Company has not identified any risks or violations related to the freedom of association, collective bargaining, or forced and child labor within its current procedures in the reporting period.

In 2022, Nemak worked with peer companies to create collaborative alliances to uphold human rights. In several instances, Nemak was also a member of their boards or strategic committees.

Human rights training is mandatory for all Nemak employees. The Company continuously offers all employees on-site training about how to implement its commitments to respect human rights. An interactive online training program is available for those with access to a computer. For more information, please visit the chapter on Business Integrity.

The Company's Transparency Mechanism Procedure tracks the effectiveness of Nemak's measures to promote and uphold human rights. It also identifies opportunities to improve employees' commitments to respect and promote human rights with all their contacts (internal and external).

## RESPONSIBLE SUPPLY CHAIN MANAGEMENT

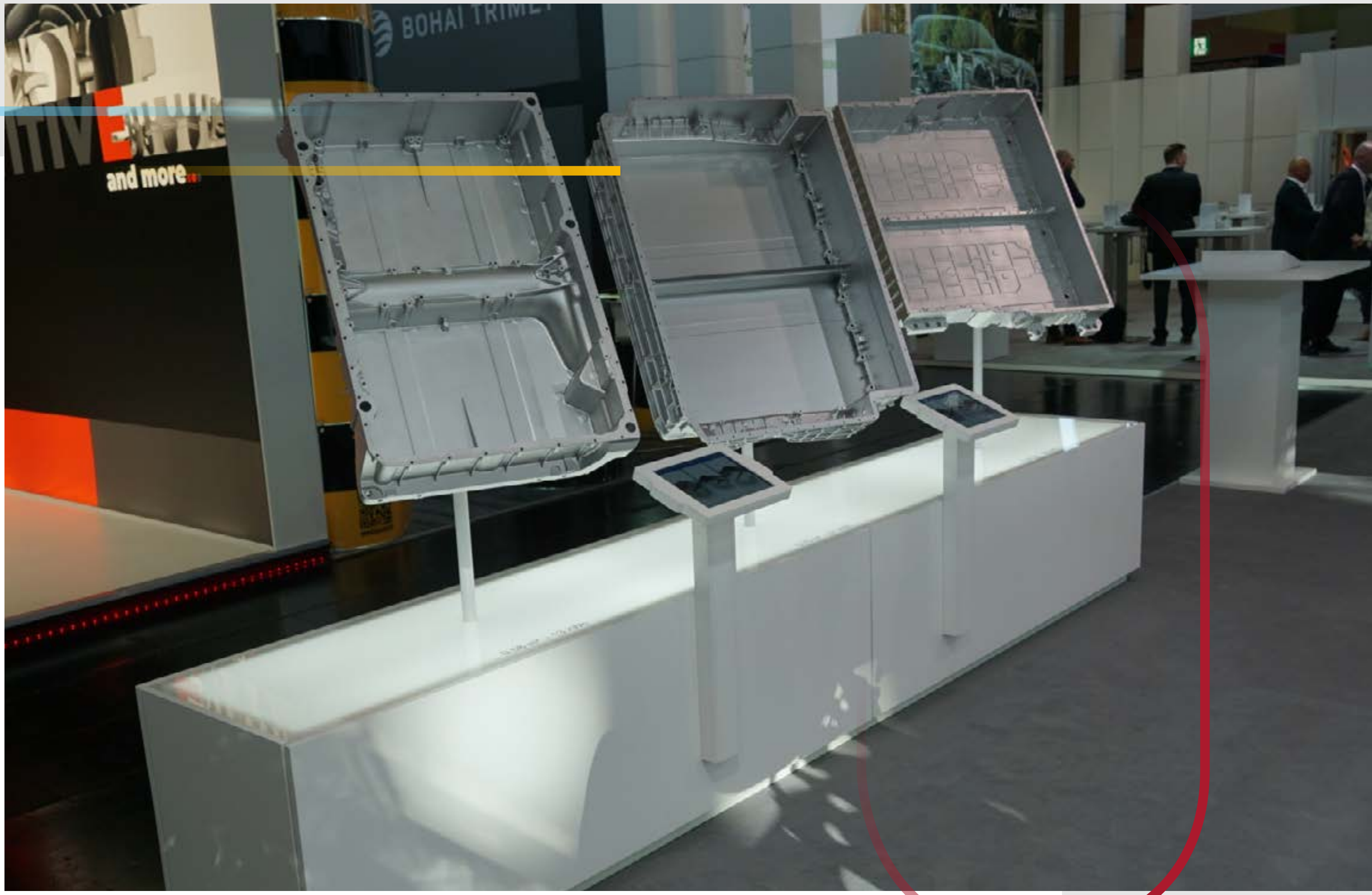
### Management approach

*GRI 3-3, 2-23/24*

Nemak systematically extends its sustainable and responsible business practices to its suppliers and partners throughout the supply chain. To this end, Nemak has established clear guidelines on responsible purchasing, respecting human rights, and sustainable supplier management. The Company has also created meaningful opportunities to engage with its supply chain on sustainability-related issues to foster continual improvement. Nemak strives to shift from a linear to a circular economy. The Company therefore asks its suppliers to make pledges to adopt climate change strategies, and it audits suppliers using strict criteria.

Nemak's internal Global Sustainable Purchasing Policy states that the Company will:

- Respect and uphold all legislation when working with suppliers
- Establish mandatory sustainability requirements enforced by the Purchasing Department during supplier onboarding. These requirements include, but are not limited to, acceptance and adherence to Nemak's Global Business Code for Suppliers, Global Human Rights Policy, Global Anti-Corruption Policy, and other applicable supplier policies
- Consider sustainable aspects such as economic, social, ethical, and environmental practices when choosing suppliers, including information about their $CO_2$ emissions, how they track and report these emissions, and their reduction targets
- Set annual objectives to improve the sustainability practices of Nemak and its suppliers
- Undertake an annual assessment of its suppliers' sustainability performance based on criticality analyses and priorities set out in its supplier management process
- Identify, track, and act on any potential risks based on its supplier risk management process
- Support locally based community suppliers, where feasible




The Global Business Code for Suppliers reflects the Company's commitment to fostering a culture of integrity, honesty, and accountability. Nemak expects its suppliers to adhere to these same principles when conducting business. The Global Business Code for Suppliers is outlined in the chapter Human rights.

The Company has also implemented a risk management process focusing on how critical suppliers' goods and services impact Nemak's final products. This process includes a manual case-by-case evaluation of dependency, performance, technical limitations, and substitution possibilities. It also includes an assessment of financial and geopolitical risks, social media and news monitoring, as well as a third-party assessment on sustainability performance. Critical suppliers are ones that provide critical materials and services such as direct material, aluminum, alloys, and scrap. These suppliers are also defined using other critical parameters based on the supplier's industry, location, and profile. Moreover, Nemak has enacted several strategies to mitigate related risks, such as supplier development and monitoring risks and performance.

The Vice President of Purchasing and Sustainability also engages with suppliers, communicates Nemak's expectations, and discusses sustainability benchmarks as a member of some customers' sustainability committees. In these roles, the Vice President gains valuable insights into how the Company can best address and support its customers on sustainability issues.

## Progress and measures

*GRI 2-25, 308-1*

Nemak works collaboratively with customers and suppliers to move from primary to secondary alloys and to increase recycled content in its products, reducing the carbon footprint of their products. The process begins during the design phase when the Company works with customers to make these improvements. Purchasing decisions also take the use of recycled materials into account. Nemak is developing new purchasing strategies and partnerships as it offers more sustainable products.

88%

of active suppliers have signed Nemak's Global Business Code

As a responsible business, Nemak strives to reduce $CO_2e$ emissions down the supply chain, working towards decarbonization. The Purchasing Team has identified critical suppliers with the greatest impact in terms of their $CO_2e$ emissions in the most relevant purchasing categories. Nemak specifies requirements for these critical suppliers as outlined above. Each year, the Company sends out letters of intent for critical suppliers to approve. Signatories agree to start measuring and reducing their carbon footprint in keeping with Nemak's targets. More suppliers have started to disclose and calculate climate-related KPIs as a result of this engagement approach. Nemak can now more accurately track its own Scope 3 emissions as a result. Please read the Climate Protection and Innovation section for more information about Nemak's GHG emissions.

In 2022, Nemak was honored as a member of the Supplier Engagement Leaderboard with an A rating in the CDP's Supplier Engagement Rating (SER). The SER looks at a company's ability to include and engage suppliers. In addition, Nemak achieved a Gold rating in its EcoVadis assessment, which puts Nemak in the top 5% of the industry and the top 2% in sustainable procurement.

Nemak is in constant engagement with its supply chain. The Company holds regular roundtable meetings with key suppliers to align them with its Sustainability Strategy and build transparency throughout the entire value chain. In 2022, four face-to-face roundtables took place. Two sessions were geared towards European and Asian suppliers; one was for the US and Canada, and one for Mexico. The key purpose of these roundtables was to share new sustainability-related sourcing criteria with Nemak's suppliers relating to the Company's GHG emissions reduction targets. These criteria include an increased share of renewables, participation in sector-specific initiatives such as the ASI, reporting requirements, and ethical sourcing criteria. The Company also hosted one webinar with suppliers and guest speakers, including specialists on ethical sourcing. In total, 26 of the Company's key suppliers participated in these roundtables, and approximately 100 suppliers joined the webinar.

GOLD 2022 ecovadis Sustainability Rating

CDP SUPPLIER ENGAGEMENT LEADER 2021

118 + 59 = 177

| 118 | 59 | 177 |
|---|---|---|
| Previously assessed suppliers with EcoVadis | Newly assessed suppliers with EcoVadis | Nemak suppliers assessed with EcoVadis |

# Operating Summary

*GRI Standard: 201-1*

During 2022, Nemak leveraged industry recovery and the continued ramp-up of new product lines focused on the electric vehicle market to deliver another year of topline growth. At the same time, it demonstrated prudent management and business resilience, working in tandem with customers to implement measures aimed at mitigating impacts of extraordinary inflationary pressures. Altogether, these efforts enabled the Company to deliver a beat on full-year guidance issued in February 2022 for volume, revenue, and EBITDA.

Nemak pushed forward with its transformation journey, growing its order book in the e-mobility, structure, and chassis applications (EV/SC) segment by more than 50%, from US$1.05 billion at year-end 2021, to US$1.60 billion annually this year. Moreover, revenue was 24% higher year-over-year (y-o-y) across the EV/SC segment, climbing to US$470 million. The Company allocated CAPEX to strategic growth areas along its production chain, including three new plants in Mexico, Germany, and the Czech Republic, which will be coming online between 2023 and 2024, and will be dedicated to producing battery housings for fully electric vehicles.

For the year, light-vehicle sales in the United States were down 7.8% over 2021, to 13.9 million units, due in part to tight vehicle inventory, as supply chain issues continued to weigh on production, especially during the first half of the year. Light-vehicle production in North America, however, rose 9.8% y-o-y, to 14.3 million units, amidst improving supply chain conditions, which enabled OEMs to concentrate their efforts on increasing production to meet pent-up light-vehicle demand. In Europe, light-vehicle sales fell 8.1% y-o-y to 14.8 million units, affected by limited vehicle availability and impacts from the war in Ukraine. Production for the year also declined 2.4% y-o-y, to 15.1 million units.

Nemak's volume was up 11% over 2021, to 39.5 million equivalent units, supported by an uptick in customer production, together with new product launches, mainly in the EV/SC segment. Revenue climbed 23% y-o-y, to US$4.7 billion, on increased volume in all regions and higher aluminum prices, which more than offset the impacts of the euro's depreciation against the US dollar.

EBITDA for the year was US$542 million, compared to US$567 million in 2021, as inflationary pressures, expenses related to product launches, and foreign exchange impacts were partially offset by a stronger top line, launches of new higher value-added products, and customer negotiations. The Company's EBITDA per equivalent unit was US$13.7 versus the US$15.9 reported in 2021.

Operating income decreased 19% y-o-y, mainly due to the impairment of long-lived assets, in addition to the factors that weighed on EBITDA.

Net Income was US$51 million in 2022, an improvement over US$5 million reported in 2021. Lower financial expenses and the absence of refinancing costs compared to the previous year—when Nemak refinanced long-term debt through two new bond issuances—helped to more than offset the lower Operating Income.

Focusing on new product launches, primarily in the EV/SC segment, Nemak's year-end capital expenditures totaled US$470 million, higher than the US$360 million invested in 2021.

# Regional Operations



## NORTH AMERICA

In the US, low vehicle inventories and availability put a temporary damper on end consumer demand, as light-vehicle sales finished lower than the prior year. However, easing supply chain issues allowed automakers to increase production and begin to replenish light-vehicle inventory during the year.

Light-vehicle sales in the United States in 2022 were down 7.8% y-o-y to 13.9 million units, as supply-chain constraints weighed on vehicle availability, particularly in the first half of the year. Meanwhile, light-vehicle production in North America picked up, increasing 9.8% y-o-y to 14.3 million units, as supply chain bottlenecks gradually eased, and automakers worked to meet widespread pent-up demand among end consumers.

Nemak's volume was up in North America to 21.5 million units, or 15% higher than the 18.7 million units in 2021, as it ramped up production to meet higher customer demand. The increased volume, in conjunction with higher aluminum prices, led to revenue of US$2.6 billion, a y-o-y improvement of 34%. EBITDA was up 15%, reaching US$312 million, as higher volume, an improved product mix, and commercial negotiations outweighed inflationary pressures.

## EUROPE

During the year, the wide-reaching impacts of the semiconductor shortage and inflationary pressures—including higher energy prices—weighed on Nemak's business performance in Europe, limiting customer production while accentuating cost headwinds.

Light-vehicle sales during the year dropped 8.1% y-o-y in Europe to 14.8 million equivalent units, affected in part by limited vehicle availability. Light-vehicle production was down 2.4% y-o-y, due in part to supply chain constraints, which were exacerbated in the first half of the year by effects of the war in Ukraine.

Despite the challenges, Nemak's revenue in Europe rose to US$1.5 billion, 8% higher y-o-y, driven by 3% y-o-y volume growth to 13 million units. This performance was brought on largely by the launch of new products. EBITDA was down to US$192 million in the region, as an improved product mix and customer negotiations were not enough to offset the impacts from inflation and currency depreciation.

## REST OF THE WORLD

The Rest of the World comprises Nemak's operations in South America and Asia. Volume and sales increased in the Rest of the World, as Nemak launched new products in Brazil and China, improving the product mix.

Nemak's volume was 5.0 million equivalent units in 2022, a 13% rise y-o-y. Revenue in 2022 improved to US$563 million, a 22% increase on an annual basis, mainly on the back of higher volumes and aluminum prices. EBITDA, however, declined 18% over 2021, to US$39 million, due mainly to an unfavorable comparison effect related to commercial negotiations in Brazil recorded in the previous year.

# Board of Directors

*GRI Standards: 2-9*

| | |
|---|---|
| **Armando Garza Sada (3)** | |
| Co-Chairman of the Board of Nemak | Chairman of the Board of Directors of Alfa and Alpek. Member of the Board of Directors of Axtel, BBVA México, CEMEX, Grupo Lamosa, and Liverpool. |
| **Álvaro Fernández Garza (3)** | |
| Co-Chairman of the Board of Nemak | President of Alfa and Chairman of the Board of Directors of Universidad de Monterrey (UDEM). Co-Chairman of the Board of Directors of Axtel. Member of the Board of Directors of Alpek, Cydsa, Grupo Aeroportuario del Pacífico, and Vitro. |
| **Mónica Aspe Bernal (1)** | |
| CEO of AT&T Mexico | Former Mexican Ambassador to the Organization for Economic Cooperation and Development (OECD), and the International Energy Agency (IEA). Former Undersecretary of Communications in Mexico's Ministry of Communications and Transportation. Member of the Board of Directors of Volaris and Sky México. |
| **Juan Carlos Calderón Rojas (1A)** | |
| Vice President of Employee Experience and Engagement at Sigma Alimentos | Member of the Board of Directors of Alfa, Coparmex Nuevo León, Grupo Franca, and Movimiento Congruencia. |
| **Robert J. Fascetti (1)** | |
| Former Vice President of Powertrain Engineering at Ford Motor Company | More than 29 years of experience in powertrain and product development at Ford Motor Company. |
| **Michael W. Felix (2)** | |
| Director of Manufacturing at Ford Motor Company | More than 34 years of experience in operations and manufacturing engineering, and global strategy development at Ford Motor Company. |
| **Antón Fernández Zambrano (3)** | |
| Director of Investor Relations, Financial Planning and ESG at Alpek | Former member of the Board of Directors of the Mexican Chemical Industry Association (ANIQ). |
| **David J. Filipe (2)** | |
| Former Vice President of Global Vehicle Hardware Models at Ford Motor Company | More than 30 years of powertrain and vehicle programs experience with multiple global assignments at Ford Motor Company, leading all vehicle engineering development and systems integration of exterior, interior, underbody, ICE powertrain, and electrified modules. |

# Board of Directors

*GRI Standards: 2-9*

| | |
|---|---|
| **Eugenio Garza Herrera (1A)** | |
| Chairman of the Board of Directors of Xignux and Pak2Go | Member of the Board of Directors of Corporación EG, Cydsa, México Evalúa, Arcelor Mittal México, the Regional Board of Banco de México, and the Roberto Garza Sada Center for Art, Architecture and Design of Universidad de Monterrey (UDEM). Presides over the Consejo Consultivo Norte of Citibanamex, and the Transparency, Effective Governance, and Regulatory Improvement Commission of Consejo Nuevo León para la Planeación Estratégica. Member of the Development Committee of MIT, and member of the Institutional Governance Committee and Chairman of the Development Committee of ITESM. |
| **Fabiola Garza Sada (2)** | |
| Investor | Member of the Board of Directors of Alfa Fundación. |
| **Eduardo Garza T. Fernández (1A)** | |
| President of Grupo Frisa Industrias | Member of the Board of Directors of Grupo Lamosa, BBVA México, Grupo Ragasa, and Consejo Nuevo León para la Planeación Estratégica. |
| **Gary Lapidus (1)** | |
| Independent Investor and Consultant | Former Institutional Investor-ranked automobile and auto parts Senior Equity Research Analyst at Goldman, Sachs & Co. and Sanford C. Bernstein & Co. Former Principal in the management consulting firm Booz-Allen Hamilton. |
| **Adrián G. Sada Cueva (1)** | |
| President of Vitro | Member of the Board of Directors of Vitro, Alfa, Grupo Financiero Banorte, Universidad de Monterrey (UDEM), Organización Vida Silvestre, and Dallas Museum of Art. Former President of CAINTRA. |
| **Carlos Jiménez Barrera** | |
| Secretary of the Board of Directors | |

**1 Independent Board Member**
**2 Proprietary Board Member**
**3 Related Proprietary Board Member**
**A Audit and Corporate Governance Committee**

# Management Team

**ARMANDO TAMEZ**
CEO

**KNUT BENTIN**
Vice President Americas

**KLAUS LELLIG**
Vice President Europe & Asia

**EDGAR NOYOLA**
Global Human Resources Director

**MARCELO ORTIZ**
Vice President Business Development & Transformation

**DIRK BARSCHKETT**
Vice President of Sales & Marketing

**ALBERTO SADA**
Chief Financial Officer

**ERNESTO SAENZ**
Vice President of Manufacturing & Product Development

**MARC WINTERHALTER**
Vice President of Purchasing & Sustainability

# Corporate Governance

*GRI Standards: 2-9/12/13/15*

Nemak operates in accordance with the Mexican Code of Principles and Best Corporate Governance Practices (Código de Principios y Mejores Prácticas de Gobierno Corporativo) in effect in Mexico since 1999. The purpose of the Code is to provide a framework and guidance for fostering good corporate governance practices aimed at enhancing investor confidence in Mexican companies.

Every company that is listed on the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.) (BMV) must disclose annually the extent to which they adhere to the Code by completing a questionnaire, which can be found on the BMV's website.

A summary of Nemak's principles of corporate governance is presented below, reflecting the Company's responses to the questionnaire submitted in May 2022:

1. Nemak's Board of Directors is comprised of thirteen members, seven of whom (54%) are independent board members. This annual report provides information on all board members, identifying those who are independent and their participation in the Audit and Corporate Governance Committee.
2. In order to correctly perform its functions, Nemak's Board of Directors is advised by the Audit and Corporate Governance Committee. The Chairman of this Committee is an independent board member, as are all members of the Committee.
3. The Board of Directors of Nemak convenes four times a year. Meetings of the Board may be called by the Co-Chairmen of the Board, the Chairman of the Audit and Corporate Governance Committee, the Secretary of the Board, or at least 25% of its members. At least one such meeting per year is dedicated to defining the Company's medium- and long-term strategies.
4. Board members are required to inform the Co-Chairmen of the Board of any conflicts of interest that might arise, and where applicable, must refrain from participating in any discussions in which they have a conflict of interest. In 2022, the average attendance at Nemak's Board meetings was 90.38%.

5. For a large part of fiscal year 2022, the meetings of Nemak's Board of Directors and the Audit and Corporate Governance Committee were held in a hybrid format (in-person and with the option to participate by videoconference) due to the pandemic (COVID-19) caused by the SARS-CoV-2 virus. The videoconferences allowed the board members to interact with each other effectively through the available audio and video formats.

6. Nemak's Audit and Corporate Governance Committee evaluates and issues recommendations to the Board of Directors on matters including, but not limited to, determining the fees to be paid to the external auditor, coordinating with the Company's internal audit area, studying accounting policies, and reviewing environmental, social, and governance matters.

7. Additionally, Nemak's Audit and Corporate Governance Committee issues recommendations to the Board on matters related to corporate practices, such as employment terms and severance payments for senior executives, compensation policies, and succession planning, among others.

8. Nemak has internal control systems with general guidelines that are submitted to the Audit and Corporate Governance Committee for its opinion. In addition, the external auditor validates the effectiveness of the internal control systems and issues reports thereon.

9. Nemak's Board of Directors is advised by the Administration and Finance Department regarding the feasibility of investments, strategic positioning of the Company, alignment of investing and financing policies, and review of investment projects.

10. Nemak has an investor relations department that is responsible for maintaining an open line of communication between the Company and its shareholders and investors, ensuring they have the necessary financial and general information to evaluate the Company's performance. To this end, Nemak uses communication channels such as press releases, notices of material events, quarterly results conference calls, investor meetings, and its website, among others.

11. Nemak promotes corporate social responsibility and has a mission, vision, values, and code of ethics that are promoted within the organization.

# Independent Auditors' Report and Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

## TABLE OF CONTENTS

# Management's Discussion and Analysis of Results (MD&A)

## 2022

This analysis should be read in conjunction with the Letter to Shareholders (pages 6-8), and the Audited Consolidated Financial Statements (pages 95-148) in this annual report. Amounts are presented in millions of Mexican pesos for the years 2020-2022, unless otherwise stated. Percentage changes are presented in nominal terms. Certain figures are stated in millions of US dollars (US$) and millions of euros (€).

The financial information included in this analysis refers to the last three years (2020, 2021, and 2022), and is presented in accordance with International Financial Reporting Standards (IFRS). All information herein has been prepared in compliance with the General Provisions applicable to Public Companies and Other Securities Market Participants, as issued by the National Banking and Securities Commission of Mexico (CNBV – Comisión Nacional Bancaria y de Valores), through December 31, 2022.

San Pedro Garza García, N.L. January 31, 2023

## ECONOMIC ENVIRONMENT

The economic outlook in Mexico and the rest of the world has been pressured by higher inflation, increased interest rates, and geopolitical tensions in Europe. Inflation levels have climbed considerably both in Mexico and in the world's largest economies. In Mexico, inflation in December 2022 ended at 7.8% (estimated), which is the highest closing number since 2000.

To mitigate these increases, central banks have implemented monetary tightening policies, using interest rate increases as their main tool. Banxico's target rate has reached historic highs, closing the year at 10.5%

Some of the main macroeconomic indicators in Mexico, the USA, and Europe, which are key to understanding Nemak's results, are presented below:

| MEXICO | 2022 | 2021 | Comments |
|---|---|---|---|
| Gross Domestic Product [a] | **3.0%** | 4.8% | • GDP contracted mainly due to post-pandemic economic impacts, both in Mexico and worldwide.<br>• The National Consumer Price Index saw a sustained increase over 2021, closing the year at 7.8%, which is the highest number since 2000.<br>• The monetary policy implemented by Banxico meant an upward adjustment in interest rates, as measured before inflationary impacts. That policy has been replicated in other international markets where Nemak is present. |
| Inflation rate [a] | **7.8%** | 7.4% | |
| Interest rate TIIE 28 days, nominal average [b] | **6.3%** | 4.6% | |

| USA | 2022 | 2021 | Comments |
|---|---|---|---|
| Gross Domestic Product | **2.1%** | 5.9% | • Growth decelerated amidst the Federal Reserve's implementation of restrictive monetary policy measures.<br>• Although inflation decreased vis-à-vis 2021, it is not close to the objective of 2%; therefore, additional increases in interest rates are projected, although perhaps at a slower pace.<br>• The exchange rate remained stable, in part due to the high interest rates. |
| Inflation rate [d] | **6.5%** | 7.0% | |
| Interest rate LIBOR 3M, nominal average [d] | **2.4%** | 0.2% | |
| US$/MXN exchange rate Annual average [c] | **20.13** | 20.28 | |

| EUROPE | 2022 | 2021 | Comments |
|---|---|---|---|
| Gross Domestic Product | 3.3% | 5.3% | • Lower growth due to political tensions between Russia and Ukraine, and high energy costs. |
| Inflation rate | 9.2% | 5.3% | • Inflation reached its highest level in October, closing the year at 10.6%. The European Central Bank has maintained a steady increase in interest rates to offset this effect. |
| Interest rate | 0.3% | -0.5% | |
| US$/MXN exchange rate Annual average [c] | 21.21 | 24.00 | • The euro has weakened due to the high levels of inflation. |

Sources:
[a] National Institute of Statistics and Geography (INEGI). Information obtained on January 31, 2023.
[b] Bank of Mexico (Banxico).
[c] Banxico. Exchange rate for paying debt denominated in foreign currency payable in Mexico.
[d] Own calculations using data from INEGI, bilateral with the United States considering consumer prices.

## RESULTS 2022

### 2022 VS. 2021 (AMOUNTS ARE PRESENTED IN MILLIONS OF MEXICAN PESOS UNLESS OTHERWISE INDICATED)

Nemak's top line trended upward in 2022, as the Company capitalized on increased light-vehicle production among its customers and new product launches in its e-mobility, structure, and chassis segment (EV/SC) to drive higher volume vis-à-vis 2021. Aluminum prices provided further support to revenue growth compared to the previous year. EBITDA exceeded full-year guidance issued in February 2022, partly thanks to an enhanced product mix, as well as negotiations with customers, which helped to mitigate inflationary pressures during the year.

Revenue in 2022 was $93,926, 21.9% higher than the $77,078 reported in 2021, propelled by a combination of increased volume and aluminum prices, which more than offset the impacts of the depreciation of the euro against the US dollar.

Cost of Goods Sold (COGS), which includes depreciation of fixed assets, was up 24% over 2021, closing the year at $83,773. The variation was mainly caused by the combined impacts of higher volumes and energy and raw material price inflation, which were partially offset by customer negotiations and operating efficiencies.

Sales, General and Administrative Expenses (SG&A) were $5,878, increasing 17.5% over the $5,001 reported in 2021. This increase mainly reflected higher volume as well as inflation-related effects.

Operating Income in 2022 was $3,778, down 19.0% from the $4,662 reported in 2021. This reduction was mainly due to the combined impacts of the depreciation of the euro against the U.S. dollar and the impairment of long-lived assets for US$33 million, which more than offset the benefits of higher volume and an improved product mix.

EBITDA dropped by 5.3% y-o-y, to $10,908. A stronger top-line performance, the launch of new higher value-added products, and customer negotiations partially offset inflation effects, the depreciation of the euro against the U.S. dollar, and expenses related to new product launches.

In 2022, the Company recorded a Net Financial Loss of $1,583, compared to a $2,593 loss reported in 2021, due to a lesser financial expense, as well to a reduced exchange fluctuation loss, related to the fluctuations between the U.S. dollar, the Mexican peso, and the euro.

Income taxes were $1,167 during the year, down from $1,962 in 2021 mainly explained by a favorable accounting income tax adjustment, which derived from currency effects during the year.

Net Income in 2022 was $1,018, up from the $85 reported in 2021. The increase was mainly attributed to a reduction in financial expenses due to the refinancing of long-term debt in 2021, the favorable comparison effect in the absence of refinancing costs, and to a favorable accounting income tax adjustment, which altogether more than compensated for the impact of lower Operating Income.

Capital Expenditures during the year totaled $9,378, up from the $7,343 reported for 2021. New product launches in the EV/SC segment remained the primary focus for investments, as Nemak continued to transition existing capacity traditionally used for combustion-engine (ICE) applications to manufacture higher value-added parts for the electric vehicle market. Additionally, the Company commenced the installation of three new plants in Mexico, Germany, and the Czech Republic, where it will focus on delivering cutting-edge lightweighting solutions for fully electric vehicles.

Net Debt was $23,929 at year-end 2022, which was down from the $26,865 reported in 2021, as higher-than-usual receivables collection at year-end helped Nemak to maintain its Net Debt to last twelve months (LTM) EBITDA ratio at 2.3 times, which was flat in comparison with year-end 2021. Meanwhile, Interest Coverage was 7.9 times, up from the 5.2 times reported at year-end 2021.

## HIGHLIGHTS 2022

### ONGOING DEVELOPMENT OF THE E-MOBILITY, STRUCTURE, AND CHASSIS (EV/SC) SEGMENT

Nemak continued its transition to electrification, marking key milestones throughout the year as it secured new contracts to produce parts for electric vehicles, and ramped up production to meet the increased demand. The Company also harnessed newly awarded business to further scale its capabilities in highly specialized joining and assembly processes used in its EV/SC segment. The year's highlights included:

- EV/SC segment generated approximately $9,461 (US$470 million), maintaining this area of its business at 10% of the Company's revenue.
- During the year, the Company's accumulated order book to produce EV/SC applications grew from US$1.05 to US$1.60 billion annually.
- Nemak initiated the setup of three new plants in Mexico, Germany, and the Czech Republic that will be dedicated to the production of battery housings for fully electric vehicles. These plants will feature state-of-the-art joining and assembly processes underpinning the production of these parts. The total planned investment in these plants is US$200 million, while the new business at these plants amounts to US$350 million annually.
- Nemak opened an Engineering Center in Germany, which will serve as a hub for the development of cutting-edge joining and assembly processes for EV/SC applications, further supporting OEMs' growing lightweighting needs for next-generation vehicles.

## AWARDS AND RECOGNITION

### Top Employers Institute Certification Program

In January 2023, Nemak operations received the Top Employer certification for their implementation of human resources policies and practices prioritizing employee well-being. Nemak received this honor from the Top Employers Institute for the second time in the USA and Mexico, and for the first time in Germany.

### CDP climate change assessment

Nemak maintained a score of "B" in the CDP's annual, internationally recognized climate change assessment. This score places Nemak above the North American regional average, and above the average for the Company's sector in this area of reporting.

### Dow Jones Sustainability MILA Pacific Alliance Index

For the fourth consecutive year, Nemak was selected to be part of the Dow Jones Sustainability MILA Pacific Alliance Index, which is comprised of companies that meet relevant sustainability criteria.

### Enlighten Awards

In association with the Center for Automotive Research (CAR), Altair recognized Nemak with two awards:

#### Sustainable Process

This award featured Nemak's Melting Center in Monterrey, Mexico, and its use of recycled materials to create sustainable manufacturing alloys. The Melting Center attests to Nemak's commitment to the global effort to drive sustainable mobility forward, principally through its focus on recycling and reusing aluminum to support cutting-edge alloy development.

#### Future in Lightweighting

Altair and CAR also recognized Nemak in the Future in Lightweighting category for its "Nemalloy," which the Company developed in collaboration with McMaster University in Ontario, Canada. This novel Lightweight Automotive Alloy addresses OEMs' requirements for alternative novel solutions in sustainable and lightweight manufacturing.

### GM Supplier of the Year

In March 2022, Nemak was named a 2021 GM Supplier of the Year. As a 20-time winner, Nemak is one of the most recognized suppliers in the award's history. Winners are selected by a global team of GM's purchasing, engineering, quality, manufacturing, and logistics leaders out of more than 20,000 companies. Award recipients are chosen based on performance criteria in Product Purchasing, Global Purchasing and Manufacturing Services, Customer Care and Aftersales, and Logistics.

## RESULTS 2021

### 2021 VS. 2020 (NUMBERS ARE PRESENTED IN MILLIONS OF MEXICAN PESOS UNLESS OTHERWISE INDICATED)

In 2021, Nemak continued to advance with the implementation of its strategy, focusing on ramping up its e-mobility, structure, and chassis (EV/SC) business, while at the same time working to mitigate ongoing impacts from the COVID-19 pandemic and the global semiconductor shortage on customer light-vehicle production, and therefore on the Company's volume. Strategy execution, in conjunction with specific cost-cutting initiatives and improved operating performance, enabled the Company to exceed the EBITDA target established in its updated 2021 guidance, and match its highest-ever full-year EBITDA per equivalent unit.

Total Revenue for the year was $77,078, 16.2% higher than the $66,325 reported in 2020. This result was driven by a better product mix, higher aluminum prices, and, to a lesser extent, by increased volume, which was attributable in part to the launch of new products in its EV/SC segment.

Cost of Goods Sold (COGS), which includes depreciation of fixed assets, was $67,526, up 15.7% over the $58,343 reported in 2020. This variation is mainly due to increased aluminum prices and effects of higher volume, which were partially offset by the operating efficiency initiatives implemented.

Sales, General and Administrative (SG&A) Expenses were $5,001, a 0.4% increase over the $4,980 reported in 2020, as the expense-control strategy put into place by the Company helped offset effects of higher sales.

Operating Income in 2021 was $4,662, an increase of 137% over the $1,967 reported in 2020, largely driven by a more favorable product mix and higher volume, hand in hand with cost and expense reductions resulting from efficiency initiatives that were launched throughout the year.

EBITDA (Operating Income plus Depreciation and Amortization, plus/minus Other Non-Cash Charges) was $11,522, which was 29.1% higher than the $8,926 reported in 2020, reflecting the same factors that benefited Operating Income.

In 2021, the Company recorded a Net Financial Loss of $2,593, compared to a $2,690 loss reported in 2020. This line item includes a premium for early payment of the senior notes due 2024 and 2025, and certain non-cash exchange rate effects that can be attributed to the exchange rate fluctuations between the U.S. dollar, the Mexican peso, and the euro.

Income Taxes were $1,962 in 2021, compared to $181 reported in 2020. This increase is mainly explained by the non-cash charges caused by the revaluation of deferred income tax assets in Nemak's US operations during the fourth quarter of 2021, as well as a greater taxable base due to the Company's stronger performance.

Net income was $85, compared to a loss of $933 in 2020, as the factors behind the performance mentioned in the preceding lines were sufficient to compensate for the non-recurring impacts recorded in financing expenses and income tax.

Capital expenditures were $7,343 in 2021, a 29.8% increase compared to the $5,655 in 2020, as Nemak continued to focus on supporting new product launches.

At the close of 2021, Nemak's Net Debt was $26,865 (US$1.306 billion), higher than the $24,468 (US$1.227 billion) in 2020. Financial ratios were: rolling 12-month Net Debt to EBITDA of 2.3 times; and Interest Coverage of 5.2 times. Excluding the extraordinary financial costs related to the early payment of the senior notes, interest coverage would have been 7.0 times. In comparison, these ratios were 2.8 and 5.6 times, respectively, at the close of 2020.

## HIGHLIGHTS 2021

### DEVELOPMENT OF THE E-MOBILITY, STRUCTURE, AND CHASSIS BUSINESS

Nemak continued to harness its technological capabilities to capitalize on emerging opportunities in the fast-changing mobility landscape, moving forward with the implementation of its strategy, which focuses on tapping into growing addressable markets in its e-mobility, structure, and chassis (EV/SC) segment. Some key highlights included:

- During 2021, Nemak's EV/SC segment generated approximately US$380 million in revenue, more than double the total of the previous year.
- Successfully launched new products used in electric vehicles of OEM customers—including battery housings, e-motor components, and structural parts—in North America and Europe. At year-end, Nemak was launching or producing EV/SC parts at 12 of its 38 manufacturing facilities worldwide.
- Awarded new business worth approximately US$200 million annually to produce EV/SC, bringing its total order book in the segment to approximately US$1.05 billion annually at year-end.

### CONCLUSION OF MERGER

The merger of Controladora Nemak, S.A.B. de C.V. ("Controladora Nemak") into Nemak was concluded successfully in September 2021, representing the culmination of a multi-step process to spin Nemak off from its former parent company, Alfa, S.A.B. de C.V. The number of shares outstanding remains unchanged, and Nemak, as the surviving company following the merger, is now a fully independent company trading under a single listed entity. The Company believes that this successful merger is an important milestone in driving value creation for its shareholders, with a higher stock float expected to ultimately have a positive effect on share liquidity.

## SUSTAINABILITY-LINKED BONDS

In 2021, Nemak successfully issued two sustainability-linked bonds, the first for US$500 million, and the second for €500 million. Jointly, the proceeds from these issuances enabled the Company to extend its average debt profile while reducing its financing cost. Furthermore, these issuances reaffirm the Company's commitment to reduce Scope 1 and 2 GHG emissions by incorporating specific emissions targets in the placements, with a step-up clause if the stated targets are not met.

## TARGETS TO REDUCE GREENHOUSE GAS EMISSIONS

In March 2021, Nemak announced targets to reduce by 28% its greenhouse gas (GHG) emissions by 2030. After completing a rigorous validation process with the Science Based Targets initiative, Nemak committed to achieving a 28% absolute reduction in Scope 1 and 2 GHG emissions (direct and certain indirect emissions, respectively) by 2030, from a 2019 baseline year. Nemak also committed to reduce absolute Scope 3 GHG emissions from purchased goods and services by 14% over the same timeframe.

## AWARDS AND RECOGNITION

Nemak received several accolades from customers, including being recognized as a top-performing global supplier at the 23rd annual Ford World Excellence Awards; being named a GM Supplier of the Year winner in General Motors' 29th annual Supplier of the Year award; and receiving an award for best-in-class quality performance in support of Volkswagen Group in China.

Nemak was also selected to be part of several stock indexes comprised of companies that meet relevant sustainability criteria, including, for the second consecutive year, the S&P/BMV Total Mexico ESG Index, and for the third consecutive year, both the Dow Jones Sustainability MILA Pacific Alliance Index, and the London Stock Exchange's FTSE4Good Index.

Finally, the Company received the CDP's top Supplier Engagement Rating of "A," along with an industry-beating "B" rating in the 2020 CDP's internationally recognized Climate Change assessment.

# Independent Auditors' Report to the Board of Directors and Stockholders of Nemak, S. A. B. de C. V.

## Opinion

We have audited the consolidated financial statements of Nemak, S. A. B. de C. V. and Subsidiaries (the "Company" or "Nemak"), which comprise the consolidated statements of financial position as of December 31, 2022, 2021, and 2020, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nemak, S.A.B. de C.V. and Subsidiaries as of December 31, 2022, 2021, and 2020 and their consolidated financial performance and their cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

## Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the Code of Ethics issued by the Mexican Institute of Public Accountants, A.C. ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Matters

The accompanying consolidated financial statements have been translated from Spanish to English for the convenience of readers.

This matter has not changed our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most importance in our audit of the 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Assessment of tests of impairment of goodwill and long-lived assets

As described in Notes 3 m., 10, and 12 to the consolidated financial statements, the Company performs impairment tests to its goodwill and its assets and long-lived assets; in addition, it performs impairment tests when there are indicators that the value of long-lived assets, such as property, plant and equipment, and intangible assets, will not be recovered.

As of December 31, 2022, the balance of long-lived assets and goodwill amounted to $56,240 million pesos and $5,507 million pesos, respectively. We have identified the long-lived assets and goodwill review as a key audit matter, mainly due to the fact that impairment tests involve the application of judgments and significant estimates by the Company's Management in determining the assumptions of valuation and financial projections, cash flows, budgeted income, and the selection of discount rates used to estimate the recoverable value of the cash generating units ("CGUs") of the Company, as well as changes in the current economic environment caused by the global coronavirus pandemic (COVID-19), the conflict between Ukraine and Russia, as well as the semiconductor chip shortage affecting the industry where the Company operates. Therefore, our review procedures require a high degree of professional judgment, a significant increase in the degree of audit effort, and the incorporation of our valuation specialists.

We performed the following audit procedures on the significant assumptions that the Company considered when estimating future projections to evaluate the recoverable value of goodwill as well as long-lived assets, among others; projections of income and expenses, expected gross and operating profit margins, discount rate, the industry growth rate, discount rate, comparison of the expected gross profit margin, projected flows considering the effects originated by the COVID-19, the conflict between Ukraine and Russia, and the semiconductor chips shortage within the Company's industry. Additionally, we performed the following procedures:

- We tested the design, implementation and the operating effectiveness of internal controls in the determination of the recoverable value and the assumptions used in the valuation.
- With the assistance of our valuation specialists, we assessed the reasonableness of the i) methodology to determine the recoverable value of tangible, intangible assets with indefinite useful lives and goodwill and ii) reviewed the financial projections including the impacts of COVID-19, the conflict between Ukraine and Russia, as well as the semiconductor chips shortage of the Original Equipment Manufacturers (the "OEMs") on the Company´s operations, comparing them with performance and historical business trends, corroborating the explanations of the variations with Management. Likewise, we assessed the internal processes used by Management to calculate projections, including timely monitoring and analysis by the Board of Directors, and whether the projections are consistent with the budgets approved by the Board.
- We reviewed the significant assumptions used in the impairment calculation model, specifically including income and cash flow projections, the projected industry growth rate, and the projected long-term growth rate; gross and operating margins, as well as the multiple of earnings before interest, taxes, depreciation, and amortization ("EBITDA"). Additionally, we tested the mathematical accuracy and integrity of the impairment model, the sensitivity calculations of the significant assumptions of the calculation for all CGUs, calculating an independent estimate to conclude whether the assumptions used would need to be modified and the probability that such modifications happen.
- We evaluated the discount rates independently and compared such rates with the estimates used by Management.
- We evaluated the factors and variables used to determine the CGUs, among which were considered: the analysis of operating cash flows and indebtedness policies, analysis of the legal structure, allocation of production and understanding of the operation of the commercial and sales areas.

## Assessment of the recoverability of deferred income tax assets

The Company records deferred income tax assets derived from tax losses to be amortized. Management performed an assessment of the probability of recovering the tax loss carryforwards to generate an economic and tax benefit in the future, to support the deferred tax assets recognized in its consolidated financial statements. The Company's accounting policy for the recording of deferred taxes, as well as the detail of their disclosure, are included in Note 3 n. and 25, respectively, to the attached consolidated financial statements.

Due to the significance of the deferred income tax asset balance derived from tax losses as of December 31, 2022 amounting to $501 million of pesos, and the significant judgments and estimates to determine future projections of the Company's taxable income, we focused on this line item, among others, and performed the following procedures:

- We verified the reasonableness of the projections used to determine future taxable income.
- We challenged the projections used in the assessment by comparing them to the business performance and historical trends, verifying the explanations of variations with Management.
- With the support of our internal specialists, we reviewed the projected taxable income, and the assumptions used by Management in preparing such tax projections.
- We discussed with Management the sensitivity analysis and assessed the extent to which the key assumptions used would need to be modified for an adjustment to be considered for evaluation.

## Emphasis Paragraphs

As mentioned in Notes 2 b. and 2 d. to the consolidated financial statements, derived from the conflict between Ukraine and Russia, as well as the global shortage of semiconductors, the production of light vehicles among Nemak customers has been affected, which has in turn influenced the demand for the parts that the Company produces. In response, the Company has implemented a variety of financial flexibility and operational efficiency initiatives, helping to mitigate the effects of this situation. The Company continues to monitor its development, responding promptly to changes that arise. Our opinion has not been modified by this matter.

## Information other than the Consolidated Financial Statements and Auditors' Report thereon

Company's Management is responsible for additional information. Additional information includes: i) the information that will be incorporated in the Annual Report that the Company is required to prepare in accordance with Article 33, section I, subsection b) of Title Four, Chapter One of the General Provisions Applicable to Issuers and other Participants of the Stock Market in Mexico and the Instructions that accompany these provisions (the "Provisions"). The Annual Report is expected to be available for our perusal after the date of this audit report; and ii) the other additional information, which is a measure that is not required by IFRS and has been incorporated to provide an additional explanation to its investors and main readers of its consolidated financial statements to evaluate the performance of each of the operating segments and other indicators on the capacity to meet obligations regarding the earnings before interest, taxes, depreciation, amortization and impairment of assets (adjusted "EBITDA") of the Company; this information is presented in Note 27. Our opinion on the consolidated financial statements will not cover the additional information and we will not express any form of assurance about it.

In relation to our audit of the consolidated financial statements, our responsibility will be to read the additional information when it becomes available, and when we do so, consider whether the additional information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or that seems to contain a material error. When we read the Annual Report, we will issue the declaration on its reading, required in Article 33 Section I, subsection b) number 1.2. of the Provisions. Additionally, and in relation to our audit of the consolidated financial statements, our responsibility is to read and recalculate the other additional information, which in this case, is a measure not required by IFRS and in doing so consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or that seems to contain a material error. If based on the work we have performed, we conclude that there is a material error in the additional information, we would have to report this fact. We do not have anything to inform in this regarding the other additional information.

## Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's consolidated financial reporting process.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Galaz, Yamazaki, Ruiz Urquiza, S.C.**
Member of Deloitte Touche Tohmatsu Limited

**C. P. C. Carlos A. López Vázquez**
Monterrey, Nuevo Leon, Mexico
January 31, 2023

# Consolidated Statements of Financial Position

As of December 31, 2022, 2021 and 2020
In millions of Mexican pesos

| | Note | AS OF DECEMBER 31 2022 | 2021 | 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents | 6 | **$ 8,065** | $ 5,799 | $ 8,720 |
| Restricted cash | 7 | **30** | 100 | 121 |
| Trade and other accounts receivable, net | 8 | **12,311** | 10,389 | 9,229 |
| Inventories | 9 | **16,387** | 16,995 | 12,630 |
| Assets held for sale | 3x | **116** | 185 | 55 |
| Prepaid expenses | 3w | **387** | 400 | 436 |
| **Total current assets** | | **37,296** | 33,868 | 31,191 |
| **Non-current assets:** | | | | |
| Property, plant and equipment, net | 10 | **50,939** | 52,679 | 51,491 |
| Right-of-use assets, net | 11 | **1,713** | 1,867 | 1,797 |
| Goodwill and intangible assets, net | 12 | **10,808** | 11,895 | 12,221 |
| Deferred income tax | 25 | **496** | 125 | 1,030 |
| Other non-current assets | 13 | **676** | 961 | 1,002 |
| **Total non-current assets** | | **64,632** | 67,527 | 67,541 |
| **Total assets** | | **$ 101,928** | $ 101,395 | $ 98,732 |

**Armando Tamez Martínez**
Chief Executive Officer

**Alberto Sada Medina**
Chief Financial Officer

| | Note | AS OF DECEMBER 31 2022 | 2021 | 2020 |
|---|---|---|---|---|
| **Liabilities and Stockholders' Equity** | | | | |
| **Liabilities** | | | | |
| **Current liabilities:** | | | | |
| Debt | 15 | **$ 2,071** | $ 4,116 | $ 4,490 |
| Lease liability | 16 | **302** | 441 | 422 |
| Trade and other accounts payable | 14 | **30,536** | 28,186 | 24,985 |
| Income taxes payable | | **1,546** | 718 | 682 |
| Other current liabilities | 17 | **707** | 392 | 416 |
| **Total current liabilities** | | **35,162** | 33,853 | 30,995 |
| **Non-current liabilities:** | | | | |
| Debt | 15 | **27,878** | 26,466 | 26,723 |
| Lease liability | 16 | **1,649** | 1,642 | 1,554 |
| Employee benefits | 18 | **1,439** | 1,454 | 1,568 |
| Deferred income taxes | 25 | **2,192** | 2,242 | 1,951 |
| Other non-current liabilities | 17 | **151** | 225 | 273 |
| **Total non-current liabilities** | | **33,309** | 32,029 | 32,069 |
| **Total liabilities** | | **68,471** | 65,882 | 63,064 |
| Stockholders' equity | 19 | | | |
| Capital stock | | **6,552** | 6,553 | 6,599 |
| Share premium | | **10,434** | 10,434 | 10,434 |
| Retained earnings | | **11,004** | 9,970 | 10,201 |
| Other reserves | | **5,467** | 8,556 | 8,434 |
| Total stockholders' equity | | **33,457** | 35,513 | 35,668 |
| **Total liabilities and stockholders' equity** | | **$ 101,928** | $ 101,395 | $ 98,732 |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statements of Income

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos

| | Note | **2022** | 2021 | 2020 |
|---|---|---|---|---|
| Revenues | 27 | **$ 93,926** | $ 77,078 | $ 66,325 |
| Cost of sales | 21 | **(83,773)** | (67,526) | (58,343) |
| **Gross profit** | | **10,153** | 9,552 | 7,982 |
| Administrative and sales expenses | 21 | **(5,878)** | (5,001) | (4,980) |
| Other (expenses) income, net | 22 | **(497)** | 111 | (1,035) |
| **Operating income** | | **3,778** | 4,662 | 1,967 |
| Financial income | 23 | **115** | 71 | 76 |
| Financial expenses | 23 | **(1,502)** | (2,259) | (1,746) |
| Exchange fluctuation loss, net | 23 | **(196)** | (405) | (1,020) |
| **Financial results, net** | 23 | **(1,583)** | (2,593) | (2,690) |
| Equity in (loss) income of associates recognized using the equity method | 13 | **(10)** | (22) | (29) |
| **Income (loss) before income taxes** | | **2,185** | 2,047 | (752) |
| Income taxes | 25 | **(1,167)** | (1,962) | (181) |
| **Net consolidated income (loss)** | | **$ 1,018** | $ 85 | $ (933) |
| **Basic and diluted earnings (loss) per share, in Mexican pesos** | | **$ 0.33** | $ 0.03 | $ (0.30) |
| Weighted average outstanding shares (millions) | 19 | **3,055** | 3,055 | 3,077 |

The accompanying notes are an integral part of these consolidated financial statements.

**Armando Tamez Martínez**
Chief Executive Officer

**Alberto Sada Medina**
Chief Financial Officer

# Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos

| | Note | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Net consolidated income (loss) | | $ 1,018 | $ 85 | $ (933) |
| Other comprehensive income for the year: | | | | |
| Items that will not be reclassified to the consolidated statements of income: | | | | |
| Remeasurement of employee benefit obligations, net of taxes | 25 | 10 | 159 | (13) |
| Items that could be reclassified to the consolidated statements of income: | | | | |
| Effect of derivative financial instruments contracted as cash flow hedges, net of taxes | 25 | (55) | (20) | - |
| Cumulative translation effect of foreign entities | 25 | (3,094) | (63) | 2,909 |
| **Total comprehensive (loss) income of the year** | | (3,139) | 76 | 2,896 |
| **Consolidated comprehensive (loss) income** | | $ (2,121) | $ 161 | $ 1,963 |

The accompanying notes are an integral part of these consolidated financial statements.

**Armando Tamez Martínez**
Chief Executive Officer

**Alberto Sada Medina**
Chief Financial Officer

# Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos

| | Capital stock | Share premium | Retained earnings | Other reserves | Total stockholders' equity |
|---|---|---|---|---|---|
| **Balances as of December 31, 2019** | $ 6,599 | $ 10,434 | $ 11,373 | $ 5,538 | $ 33,944 |
| **Transactions with stockholders:** | | | | | |
| Dividends declared (Notes 19 and 26) | - | - | (239) | - | (239) |
| | 6,599 | 10,434 | 11,134 | 5,538 | 33,705 |
| Net loss | - | - | (933) | - | (933) |
| Total other comprehensive income of the year | - | - | - | 2,896 | 2,896 |
| Comprehensive income | - | - | (933) | 2,896 | 1,963 |
| **Balances as of December 31, 2020** | 6,599 | 10,434 | 10,201 | 8,434 | 35,668 |
| **Transactions with stockholders:** | | | | | |
| Others | (46) | - | (316) | 46 | (316) |
| | 6,553 | 10,434 | 9,885 | 8,480 | 35,352 |
| Net income | - | - | 85 | - | 85 |
| Total other comprehensive income of the year | - | - | - | 76 | 76 |
| Comprehensive income | - | - | 85 | 76 | 161 |
| **Balances as of December 31, 2021** | 6,553 | 10,434 | 9,970 | 8,556 | 35,513 |
| **Transactions with stockholders:** | | | | | |
| Others | (1) | - | 16 | 50 | 65 |
| | 6,552 | 10,434 | 9,986 | 8,606 | 35,578 |
| Net income | - | - | 1,018 | - | 1,018 |
| Total other comprehensive loss of the year | - | - | - | (3,139) | (3,139) |
| Comprehensive loss | - | - | 1,018 | (3,139) | (2,121) |
| **Balances as of December 31, 2022** | $ 6,552 | $ 10,434 | $ 11,004 | $ 5,467 | $ 33,457 |

The accompanying notes are an integral part of these consolidated financial statements.

**Armando Tamez Martínez**
Chief Executive Officer

**Alberto Sada Medina**
Chief Financial Officer

# Consolidated Statements of Cash Flows

For the years ended December 31, 2022, 2021 and 2020
In millions of Mexican pesos

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Income (loss) before income taxes | **$ 2,185** | $ 2,047 | $ (752) |
| Depreciation and amortization | **6,426** | 6,718 | 6,826 |
| Gain on sale of property, plant and equipment | **(5)** | (1) | (6) |
| Impairment of property, plant and equipment | **704** | 141 | 133 |
| Exchange fluctuation, net | **196** | 405 | 1,020 |
| Interest expense, net | **1,154** | 2,078 | 1,535 |
| Other | **277** | 279 | 276 |
| Movements in working capital: | | | |
| Trade receivables and other accounts receivable | **(2,838)** | (972) | (1,232) |
| Inventories | **(603)** | (4,433) | (631) |
| Accounts payable | **4,731** | 2,744 | 1,800 |
| Income taxes paid | **(768)** | (897) | (366) |
| **Net cash flows generated by operating activities** | **11,459** | 8,109 | 8,603 |

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Interest collected | **101** | 60 | 66 |
| Cash flow in acquisitions of property, plant and equipment | **(8,264)** | (6,250) | (4,439) |
| Cash flow in acquisition of intangible assets | **(1,114)** | (1,093) | (1,216) |
| Dividends received | **22** | 24 | 24 |
| Restricted cash | **63** | 25 | - |
| Other assets | **(173)** | 51 | (87) |
| **Net cash flows used in investing activities** | **(9,365)** | (7,183) | (5,652) |
| **Cash flows from financing activities** | | | |
| Proceeds from debt | **23,095** | 18,168 | 15,851 |
| Payments of debt | **(20,680)** | (18,884) | (13,410) |
| Lease payments | **(623)** | (698) | (298) |
| Interest paid | **(1,191)** | (2,225) | (1,498) |
| Repurchase of shares and others | - | (124) | 5 |
| Dividends paid | - | - | (306) |
| **Net cash flows generated by (used in) financing activities** | **601** | (3,763) | 344 |
| Net increase (decrease) in cash and cash equivalents | **2,695** | (2,837) | 3,295 |
| Exchange fluctuation of cash and cash equivalents | **(429)** | (84) | (458) |
| Cash and cash equivalents at the beginning of the year | **5,799** | 8,720 | 5,883 |
| **Cash and cash equivalents at the end of the year** | **$ 8,065** | $ 5,799 | $ 8,720 |

The accompanying notes are an integral part of these consolidated financial statements.

**Armando Tamez Martínez**
Chief Executive Officer

**Alberto Sada Medina**
Chief Financial Officer

# Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2022, 2021 and 2020
Millions of Mexican pesos, except where otherwise indicated

## 1. General information

Nemak, S. A. B. de C. V. and subsidiaries ("Nemak" or the "Company"), former subsidiary of Controladora Nemak, S.A.B. de C. V. ("Controladora Nemak"), with which it merged on August 18, 2021 (Note 2 g.), with Nemak remaining as the merging and surviving Company, is a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of aluminum components for e-mobility, structure and chassis, and internal combustion engine ("ICE powertrain") applications. Nemak's main offices are located at Libramiento Arco Vial Km. 3.8, García, Nuevo León, 66017, Mexico.

When reference is made to the controlling entity Nemak, S. A. B. de C. V. as an individual legal entity, it will be referred to as "Nemak SAB".

Nemak SAB is a publicly traded corporation whose shares are listed on the Mexican Stock Exchange. The entire subscribed and paid-in capital of Nemak is represented by Class "I" shares in the "A" Series, common, registered, and without par value, which are listed under the ticker symbol "NEMAK".

In the following notes to the consolidated financial statements, reference to pesos, Mexican pesos, or "$" refers to millions of Mexican pesos. Reference to "US$" or dollars is in relation to millions of US dollars. Finally, reference to "EUR" or euros will refer to millions of euros.

## 2. Significant events

### 2022

#### a. New contracts worth US$350 annually to supply battery housings for fully electric vehicles

On February 24, 2022, Nemak announced that it obtained new contracts worth US$350 a year to produce battery housings for fully electric vehicles of global customers. As a result, the Company plans to install three new manufacturing facilities spanning Europe and North America to support joining and assembly requirements for these products, with total expected investment of approximately US$200.

#### b. Announcement to idle operations in Russia

On February 24, 2022, Russia launched a military offensive in Ukraine. Shortly thereafter, the automotive sector in Russia began to experience an extensive interruption of business activities, due in part to the imposition of international sanctions on Russia in response to its military actions in Ukraine. On March 3, 2022, Nemak announced its decision to halt production at its manufacturing facility in Russia, in line with similar measures announced by customers in the country. In the following months, the conflict exacerbated constraints along industry supply chains, weighing on customer light-vehicle production, and therefore Nemak volume, primarily in Europe. Additionally, the Company experienced higher energy costs and inflation, attributable in part to indirect effects of the conflict. As of the date of this report, Nemak production remains idled in Russia. Nemak's operations in Russia represent approximately 0.31%, 1.11%, and 0.75% of the total revenue and 1.34%, 1.58%, and 0.78% of the total assets of the Company for the years ended December 31, 2022, 2021, and 2020, respectively.

### 2021

#### c. COVID-19 impact

On March 11, 2020, the World Health Organization declared a pandemic due to the infectious disease caused by the SARS-COV2 virus (hereinafter "COVID-19"). COVID-19 had and continues to have strong impacts on health, economic, and social systems worldwide, extending into 2022.

Through its subsidiaries, the Company takes steps to counteract the effects that COVID-19 has had on the economic markets in which it participates, focusing on (i) strengthening financial and operating performance by constantly monitoring its cost structure, key business processes, and a commitment to its employees, focusing specifically on remote-working experiences; (ii) maintaining a solid liquidity structure through detailed cash flow management; and (iii) constantly monitoring its financial position to ensure compliance with its established affirmative and negative covenants, as well as its key financial ratios.

As of December 31, 2022, the Company continues to monitor the development of its business, in accordance with the government regulations of the different countries where it operates and responding in a timely manner to changes that emerge.

### d. Impact of the semiconductor chip shortage

Due to the global semiconductor chip shortage, since early 2021, light vehicle production among Nemak's clients has been impacted, which has in turn influenced the demand for parts that the Company produces. In response, the Company has implemented a variety of financial flexibility and operational efficiency initiatives, helping to mitigate the effects of this situation. The Company continues to monitor the situation, responding to changes that emerge in a timely manner.

### e. Announcement of greenhouse gas emissions reduction targets by 2030

On March 31, 2021, Nemak announced targets to reduce by 28% its greenhouse gas (GHG) emissions by 2030. After completing a rigorous validation process with the Science-Based Targets initiative, Nemak has committed to achieving a 28% absolute reduction in Scope 1 and 2 GHG emissions (direct and certain indirect emissions, respectively) by 2030, from a 2019 baseline year. Nemak has also committed to reducing absolute Scope 3 GHG emissions from purchased goods and services by 14% over the same timeframe.

### f. Placement of the first sustainability-linked bond in dollars

On June 23, 2021, Nemak announced the successful placement of its first sustainability-linked bond in international markets. The placement consisted of an issuance of senior notes for US$500, with a 10-year maturity and 3.625% coupon; the proceeds were used to prepay Senior Notes with maturity date in 2025. Prior to the placement of this issuance, Nemak published a sustainability-linked bond framework in accordance with the Sustainability-Linked Bond Principles 2020, with a commitment to GHG reduction targets of 28% by 2030, approved by the Science-Based Targets initiative in March 2021. Nemak reaffirms its commitment to reduce Scopes 1 and 2 GHG emissions by incorporating in this placement a target of 18% reduction by 2026 (relative to a 2019 baseline).

### g. Merger with Controladora Nemak, S.A.B. de C.V.

On June 29, 2021, Nemak announced a proposal to merge Controladora Nemak into Nemak SAB; this proposal was approved by the shareholders of each company on July 29, 2021. Controladora Nemak would cease to exist and its shares would be canceled, while Nemak SAB would remain as the surviving entity, and its number of shares would remain outstanding without any changes.

As of September 6, 2021 (the "Merger Effective Date"), the 2,317,921,869 common, registered shares, without par value, representing the capital of Nemak SAB, that had been owned by Controladora Nemak, were transferred to Controladora Nemak's stockholders at an exchange factor of 0.472157717310754 Nemak shares per Controladora Nemak share. On this same date, the listing of the shares representing the capital stock of Controladora Nemak on the Mexican Stock Exchange was canceled and the merger process was concluded.

### h. Placement of the first sustainability-linked bond in euros

On July 7, 2021, Nemak announced the successful placement in international markets of its first sustainability-linked bond in euros. The placement consisted of a EUR 500 issuance of 7-year senior notes, bearing a coupon of 2.25%; the proceeds were used to finance a cash tender to purchase Nemak's 3.25% 2024 notes, which have an outstanding balance for the same amount, and the remainder was used to prepay outstanding debt and for general corporate purposes. This second placement adheres to the sustainability-linked bond framework and is in accordance with the Sustainability-Linked Bond Principles 2020. The Company reaffirms its commitment to reduce Scope 1 and 2 GHG emissions by incorporating in this placement a target of 18% reduction by 2026 (relative to a 2019 baseline) in accordance with its plans to achieve a 28% reduction by 2030, which were approved by the Science-Based Targets initiative in March 2021. This operation originated a transaction that did not generate any cash flow for the Company of $5,563 (EUR 236).

## 2020

### i. COVID-19 impacts

On March 11, 2020, the World Health Organization declared a pandemic due to the infectious disease caused by the SARS-COV2 virus (hereinafter "COVID-19"). COVID-19 had and continues to have strong impacts on health, economic, and social systems worldwide.

As a result of the pandemic, along with emergency declarations issued in certain jurisdictions where the Company operates, it suspended production for several months in 2020 at all its plants worldwide; it simultaneously implemented measures aimed at optimizing costs, expenses and cash flows, through the use of committed and uncommitted credit lines (Note 4), the reduction of work hours, early vacations and honoring salary commitments with Western European government support, among other measures (Note 18). The main impacts occurred in the months of April and May, which was reflected in a 60% decrease in sales in the second quarter of 2020 and with respect to the second quarter of the previous year.

In response to this situation, the Company reduced the size of its total workforce by 9% in 2020, incurring a termination benefits expense and other COVID-19 related expenses of US$36. It also announced cancellation of payment of the remaining balance of dividends declared at its General Shareholders' Meeting held on February 25, 2020 (Note 19).

### j. Spin-off of ALFA's stake in Nemak and creation of Controladora Nemak, S.A.B. de C.V.

On August 17, 2020, Nemak announced that the shareholders of its former parent company (ALFA) approved a spin-off proposal to transfer ALFA's entire shareholding stake in Nemak, to a newly created company denominated Controladora Nemak, S.A.B de C.V., to be listed on the Mexican Stock Exchange.

On December 4, 2020, Nemak announced that the National Banking and Securities Commission ("CNBV") had granted authorization to register the shares of Controladora Nemak, S.A.B de C.V. in the National Securities Registry. As a result of the transaction, ALFA shareholders received one share of Controladora Nemak for each of their ALFA shares as of market close on December 11, 2020. The number of Nemak shares remained unchanged. Controladora Nemak began trading on the Mexican Stock Exchange on December 14, 2020, as of which date ALFA no longer consolidates Nemak's operations in its consolidated financial statements.

## 3. Summary of significant accounting policies

The following are the most significant accounting policies followed by Nemak and its subsidiaries, which have been consistently applied in the preparation of the financial information in the years presented, unless otherwise specified:

### a. Basis for preparation

The consolidated financial statements of Nemak have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). IFRS include all International Accounting Standards ("IAS") in effect and all related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

The consolidated financial statements have been prepared on a historical cost basis, except for the cash flow hedges, which are measured at fair value and the net assets and the results of the operations of the Company in Argentina, an economy that is considered hyperinflationary, which are expressed in terms of the unit of current measurement as of the closing date of the reporting period.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Additionally, it requires Management to exercise judgment in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where judgments and estimates are significant to the consolidated financial statements are disclosed in Note 5.

### b. Consolidation

#### i. Subsidiaries

The subsidiaries are all the entities over which the Company has control. The Company controls an entity when it is exposed or has the right to variable returns from its interest in the entity and has the ability to use its power over the entity to affect returns. When the Company's participation in subsidiaries is less than 100%, the share attributed to outside shareholders is reflected recorded as non-controlling interest. The gain or loss of the subsidiaries, as well as their assets and liabilities, are fully consolidated from the date on which control is transferred to the Company and up to the date it loses such control.

The accounting method used by the Company for business combinations is the acquisition method. The Company defines a business combination as a transaction in which it gains control of a business, and through which it is able to direct and manage the relevant activities of the set of assets and liabilities of such business with the purpose of providing a return in the form of dividends, smaller costs or other economic benefits directly to stockholders.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

The Company accounts for business combinations using the predecessor method in a jointly controlled entity. The predecessor method involves the incorporation of the carrying amounts of the acquired entity, which includes the goodwill recognized at the consolidated level with respect to the acquiree. Any difference between the carrying value of the net assets acquired at the level of the subsidiary and its carrying amount at the level of the Company are recognized in stockholders' equity.

The acquisition-related costs are recognized as expenses when incurred.

Goodwill is initially measured as excess of the sum of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets and liabilities assured. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

If the business combination is achieved in stages, the value in books at the acquisition date of the equity previously held by the Company in the acquired entity is remeasured at its fair value at the acquisition date. Any loss or gain resulting from such remeasurement is recorded in income of the year.

Transactions and intercompany balances and unrealized gains on transactions between Nemak companies are eliminated in preparing the consolidated financial statements. In order to ensure consistency with the policies adopted by the Company, the accounting policies of subsidiaries have been changed where deemed necessary.

As of December 31, 2022, 2021 and 2020 the subsidiaries included in the consolidated financial statements of Nemak were as follows:

| | Country [1] | Percentage of ownership (%) [2] | Functional currency |
|---|---|---|---|
| Nemak, S. A. B. de C. V. (Holding) | Mexico | | U.S. dollar |
| Nemak Mexico, S. A. [3] | Mexico | 100 | U.S. dollar |
| Modellbau Schönheide GmbH | Germany | 100 | Euro |
| Corporativo Nemak, S. A. de C. V. (Administrative services)[3] | Mexico | 100 | Mexican peso |
| Nemak Canada, S. A. de C. V. (Holding) | Mexico | 100 | U.S. dollar |
| Nemak of Canada Corporation | Canada | 100 | Canadian dollar |
| Nemak Gas, S. A. de C. V. | Mexico | 100 | Mexican peso |
| Nemak Automotive, S. A. de C. V.[3] | Mexico | 100 | U.S. dollar |
| Camen International Trading, Inc. | USA | 100 | U.S. dollar |
| Nemak Europe GmbH | Germany | 100 | Euro |
| Nemak Exterior, S. L. (Holding) | Spain | 100 | Euro |
| Nemak Dillingen GmbH | Germany | 100 | Euro |
| Nemak Saarlouis GmbH | Germany | 100 | Euro |
| Nemak Dillingen Casting GmbH & Co. KG | Germany | 100 | Euro |
| Nemak Wernigerode GmbH | Germany | 100 | Euro |
| Nemak Wernigerode GmbH & Co. KG | Germany | 100 | Euro |
| Nemak Linz GmbH | Austria | 100 | Euro |
| Nemak Györ Kft | Hungary | 100 | Euro |
| Nemak Poland Sp. Z.o.o. | Poland | 100 | Euro |
| Nemak BSEU Sp. Z.o.o. | Poland | 100 | Euro |
| Nemak Slovakia, S. r. o. | Slovakia | 100 | Euro |
| Nemak Czech Republic, S.r.o. | Czech Republic | 100 | Euro |
| Nemak Spain, S. L. | Spain | 100 | Euro |
| Nemak Rus, LLC. | Russia | 100 | Russian ruble |
| Nemak Pilsting GmbH | Germany | 100 | Euro |
| Nemak Alumínio do Brazil Ltda. | Brazil | 100 | Brazilian real |
| Nemak Argentina, S. R. L. | Argentina | 100 | Argentinean peso |
| Nemak Nanjing Automotive Components Co., Ltd. | China | 100 | Chinese renminbi yuan |
| Nemak Chongqing Automotive Components, Co, Ltd. | China | 100 | Chinese renminbi yuan |
| Nemak Shanghai Management Co., Ltd. | China | 100 | Chinese renminbi yuan |
| Nemak Aluminum Casting India Private, Ltd. | India | 100 | Indian rupee |
| Nemre Insurance Pte Ltd. | Singapore | 100 | U.S. dollar |
| Nemak Commercial Services, Inc. | USA | 100 | U.S. dollar |
| Nemak USA, Inc. | USA | 100 | U.S. dollar |
| Nemak USA Services Inc. | USA | 100 | U.S. dollar |
| Nemak Automotive Castings, Inc. | USA | 100 | U.S. dollar |
| Nemak Izmir Döküm Sanayi A. Ş. | Turkey | 100 | Euro |
| Nemak Izmir Dis Ticaret A. Ş. | Turkey | 100 | Euro |

[1] Country of incorporation.
[2] Direct and indirect ownership percentage of Nemak SAB as of December 31, 2022, 2021 and 2020.
[3] Corporativo Nemak, S.A. de C.V. and Nemak Automotive, S.A. de C.V. merged into Nemak México, S.A. on August 6, 2022.

As of December 31, 2022, 2021 and 2020, there are no significant restrictions on investment in shares of the subsidiary companies mentioned above.

### ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, in example, an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment before the event of dilution or absorption against the book value after the relevant event. In the case of loss of control, the dilution effect is recognized in income.

### iii. Sale or disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is re-measured at fair value, and the change in the carrying amount is recognized in the consolidated statement of income. The fair value is the initial carrying value for accounting purposes for any subsequent retained interest in the associate, joint venture or financial asset. Any amount previously recognized in comprehensive income in respect of that entity is accounted for as if the Company had directly disposed of the related assets and liabilities. This implies that the amounts recognized in comprehensive income are reclassified to income for the year.

### iv. Associates

Associates are all entities over which the Company has significant influence but not control. Generally, an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss.

If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in comprehensive income are reclassified to income for the year, where appropriate.

The Company's share of profits or losses of associates, post-acquisition, is recognized in the consolidated statement of income and its share in other comprehensive income of associates is recognized as other comprehensive income. When the Company's share of losses in an associate equals or exceeds its equity in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or has made payments on behalf of the associate.

The Company assesses at each reporting date whether there is objective evidence that the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes it in "share of profit/loss of associates recognized by the equity method" in the consolidated statements of income.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's equity in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair value of the remaining investment, including any consideration received from the partial disposal of the investment and the book value of the investment is recognized in the consolidated statement of income.

## c. Foreign currency translation

### i. Functional and presentation currency

The amounts included in the financial statements of the Company should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in millions of Mexican pesos.

When there is a change in the functional currency of one of the subsidiaries, according to International Accounting Standard 21, Effects of changes in foreign exchange rates ("IAS 21"), this change is accounted for prospectively, translating at the date of the change of functional currency, all assets, liabilities, equity and income items to the exchange rate on that date.

### ii. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rates prevailing at the transaction date or valuation date when the amounts are re-measured. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognized as foreign exchange gain or loss in the income statement, except for those which are deferred in comprehensive income and qualify as cash flow hedges.

Changes in the fair value of securities or monetary financial assets denominated in foreign currency classified as available for sale are divided between fluctuations resulting from changes in the amortized cost of such securities and other changes in value. Subsequently, currency fluctuations are recognized in income and changes in the carrying amount arising from any other circumstances are recognized as part of comprehensive income.

Conversion differences of non-monetary assets, for example, investments classified as available for sale, are included in other comprehensive income.

Exchange differences of monetary assets classified as financial instruments at fair value through profit or loss are recognized in the consolidated statement of income as part of the gain or loss of fair value.

### Translation of recording currency other than the functional currency.

The financial statements of the Company having a recording currency different from their functional currency were translated into the functional currency in accordance with the following procedure:

a. The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rates.

b. To the historical balances of monetary assets and liabilities and stockholders' equity translated into the functional currency there were added the movements occurred during the period, which were translated at historical exchange rates. In the case of the movements of non-monetary items recognized at fair value, which occurred during the period, stated in the recording currency, these were translated using the historical exchange rates in effect on the date when the fair value was determined.

c. Income, costs and expenses of the periods, expressed in the recording currency, were translated at the historical exchange rate of the date they were accrued and recognized in the income statement, except when they arose from non-monetary items, in which case the historical exchange rate of the non-monetary items was used.

d. The exchange differences arising in the translation from the recording currency to the functional currency were recognized as income or expense in the consolidated statement of income in the period they arose.

### Translation of functional currency other than the presentation currency.

The results and financial position of all Nemak entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows, depending on whether the functional currency comes from a non-hyperinflationary or hyperinflationary environment:

#### Non-hyperinflationary environment

a. Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the closing date;

b. Stockholders' equity of each consolidated statement of financial position are translated at historical rates.

c. Income and expenses for each statement of income are translated at an average exchange rate (when the average exchange rate is not a reasonable approximation of the cumulative effect of the rates of the transaction, to the exchange rate at the date of the transaction is used); and

d. The resulting exchange differences are recognized in the consolidated statement of other comprehensive income.

#### Hyperinflationary environment

a. Assets, liabilities and equity in the statement of financial position, as well as income and expenses in the income statement, are translated at the closing exchange rate of the statement of financial position, after being restated in its functional currency (Note 3 d.); and

b. Assets, liabilities, equity, income and expenses of the comparative period, are maintained according to the amount obtained in the translation of the year in question, that is, the financial statements of the preceding period. These amounts are not adjusted to subsequent exchange rates because the Company presents its financial information in Mexican pesos, which correspond to a currency of a non-hyperinflationary environment.

Goodwill and fair value adjustments arising on the acquisition date of a foreign transaction to measure them at their fair value are recognized as assets and liabilities of the foreign entity and are converted to the closing exchange rate. The exchange differences that arise are recognized in the consolidated statement of comprehensive income.

The primary exchange rates in the various translation processes are listed below:

| | | LOCAL CURRENCY TO MEXICAN PESOS | | | | | |
|---|---|---|---|---|---|---|---|
| | | Closing exchange rate at December 31, | | | Average exchange rate at December 31, | | |
| Country | Local currency | **2022** | 2021 | 2020 | **2022** | 2021 | 2020 |
| Canada | Canadian dollar | **14.28** | 16.29 | 15.66 | **15.48** | 16.23 | 16.03 |
| United States | U.S. dollar | **19.36** | 20.58 | 19.95 | **20.13** | 20.28 | 21.49 |
| Brazil | Brazilian real | **3.66** | 3.69 | 3.84 | **3.91** | 3.78 | 4.16 |
| Argentina | Argentinean peso | **0.11** | 0.20 | 0.24 | **0.16** | 0.21 | 0.31 |
| Czech Republic | Euro | **20.65** | 23.41 | 24.41 | **21.21** | 23.99 | 24.51 |
| Germany | Euro | **20.65** | 23.41 | 24.41 | **21.21** | 23.99 | 24.51 |
| Austria | Euro | **20.65** | 23.41 | 24.41 | **21.21** | 23.99 | 24.51 |
| Hungary | Euro | **20.65** | 23.41 | 24.41 | **21.21** | 23.99 | 24.51 |
| Poland | Euro | **20.65** | 23.41 | 24.41 | **21.21** | 23.99 | 24.51 |
| Slovakia | Euro | **20.65** | 23.41 | 24.41 | **21.21** | 23.99 | 24.51 |
| Spain | Euro | **20.65** | 23.41 | 24.41 | **21.21** | 23.99 | 24.51 |
| China | Chinese renminbi yuan | **2.81** | 3.24 | 3.06 | **3.00** | 3.16 | 3.12 |
| India | Indian rupee | **0.23** | 0.28 | 0.27 | **0.26** | 0.28 | 0.29 |
| Russia | Russian ruble | **0.27** | 0.27 | 0.27 | **0.30** | 0.28 | 0.30 |
| Singapore | U.S. dollar | **19.36** | 20.58 | 19.95 | **20.13** | 20.28 | 21.49 |
| Turkey | Euro | **20.65** | 23.41 | 24.41 | **21.21** | 23.99 | 24.51 |

## d. Hyperinflationary effects on financial statements

As of July 1, 2018, the cumulative inflation from the prior 3 years in Argentina exceeded 100%; consequently, the Argentine peso was classified as a currency of a hyperinflationary economic environment. As a result, the financial statements of the subsidiaries located in that country, whose functional currency is the Argentine peso, have been restated and adjusted for inflation in accordance with the requirements of the International Accounting Standard 29, Financial Information in Hyperinflationary Economies ("IAS 29"), and have been consolidated in compliance with the requirements of IAS 21.

The purpose of applying these requirements is to consider changes in the general purchasing power of the Argentine peso in order to present the financial statements in the measuring unit effective at the date of the statement of financial position. The financial statements before including any inflation adjustments were prepared using the historical cost method.

The Company determined the inflation adjustments in its consolidated financial statements in the following manner:

a. The amounts corresponding to non-monetary items of each statement of financial position, which are not measured at the date of the statement of financial position at their fair value or net realizable value, as the case may be, are restated by applying to their historical cost the change of a general price index from the date of acquisition or the date of its last measurement at fair value, to the date of the statement of financial position;

b. The amounts corresponding to monetary items of the statement of financial position are not restated;

c. The components of stockholders' equity of each statement of financial position are restated:

   1) At the beginning of the first period of application of IAS 29, except for retained earnings, by applying the change of a general price index from the dates the components were originated to the date of restatement. Restated retained earnings are derived from all the other balances in the statement of financial position;

   2) At the end of the first period and in subsequent periods, all components of stockholders' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

d. Revenues and expenses are restated by applying the change in the general price index, from the date on which the expenses and revenues were recognized, up to the reporting date.

e. Gains or losses arising from the net monetary position are recognized in the consolidated statement of income.

The Company reflects the effects of hyperinflation on the financial information of its subsidiary in Argentina using price indexes that are considered appropriate in accordance with Resolution 539/19 JG (the "Resolution") of the Argentine Federation of Professional Councils of Economic Sciences. This resolution establishes that a combination of price indices should be used in the calculation of the effects of restatement of financial statements. Therefore, the Company has decided to use the Consumer Price Index ("CPI") to restate balances and transactions.

The effects of the restatement of the financial statements of the subsidiary located in Argentina were not material, and they were included in the "Financial result, net" line item of the year ended December 31, 2022.

## e. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity with original maturities of three months or less, all of which are subject to insignificant risk of changes in value and maintain a high credit quality. Bank overdrafts are presented as loans as a part of the current liabilities.

## f. Restricted cash

Cash and cash equivalents whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the consolidated statement of financial position and are excluded from cash and cash equivalents in the consolidated statement cash flows.

## g. Financial instruments

Financial assets

The Company classifies and measures its financial assets based on the Company's business model to manage financial assets, and on the characteristics of the contractual cash flows of such assets. This way financial assets can be classified at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized at settlement date.

Financial assets are entirely written off when the right to receive the related cash flows expires or is transferred, and the Company has also substantially transferred all the risks and rewards of its ownership, as well as the control of the financial asset.

### Classes of financial assets

#### i. Financial assets at amortized cost

Financial assets at amortized cost are financial assets that i) are held within a business model whose objective is to hold said assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal.

#### ii. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are financial assets: i) held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount of outstanding principal. As of December 31, 2022, 2021 and 2020, the Company does not have financial assets to be measured at fair value through other comprehensive income.

#### iii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, in addition to those described in point i in this section, are financial assets that do not meet the characteristics to be measured at amortized cost or fair value through other comprehensive income, since i) they have a business model different to those that seek to collect contractual cash flows, or collect contractual cash flows and sell the financial assets, or otherwise ii) the generated cash flows are not solely payments of principal and interest on the amount of outstanding principal.

Despite the aforementioned classifications, the Company can make the following irrevocable elections in the initial recognition of a financial asset:

a. Present the subsequent changes in the fair value of a capital investment in other comprehensive income, as long as the investment is not held for trading purposes, that is a contingent consideration recognized as a result of a business combination.

b. Designate a debt instrument that meets the criteria to be subsequently measured at amortized cost or at fair value through other comprehensive results, to be measured at fair value through results, if doing so eliminates or significantly reduces an accounting asymmetry that would arise from the measurement of assets or liabilities or the recognition of gains and losses on them in different bases.

As of December 31, 2022, 2021 and 2020, the Company has not made any of the irrevocable designations described above.

## Impairment of financial assets

The Company uses a new impairment model based on expected credit losses rather than losses incurred, applicable to financial assets subject to such assessment (i.e. financial assets measured at amortized cost and at fair value through other comprehensive income), as well as lease receivables, contract assets, certain written loan commitments, and financial guarantee contracts. The expected credit losses on these financial assets are estimated from the origin of the asset at each reporting date, taking as a reference the historical experience of the Company's credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions and an evaluation of both the current direction and the forecast of future conditions.

### a. Trade receivables

The Company adopted the simplified expected loss calculation model, through which expected credit losses during the asset's lifetime are recognized.

The Company carries out an analysis of its portfolio of accounts receivable from clients, in order to determine if there are significant clients for whom it requires an individual evaluation; On the other hand, customers with similar characteristics that share credit risks (participation in the portfolio of accounts receivable, market type, sector, geographic area, etc.), are grouped to be evaluated collectively.

For the impairment assessment, the Company may include indications that the debtors or a group of debtors are experiencing significant financial difficulties; increase in the probability of debtors entering into bankruptcy or a financial restructuring, as well as observable data indicating that there is a considerable decrease in the estimate of the cash flows to be received, including arrears.

For purposes of the previous estimate, the Company considers that the following constitutes an event of default, since historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- The debtor fails to meet the financial covenants; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in its entirety (without considering any guarantee held by the Company).

The Company defined as the default threshold, the period from which the recovery of the account receivable subject to analysis is marginal; in this case, 271 days of delay, which is in line with internal risk management.

### b. Other financial instruments

The Company recognizes credit losses expected during the asset's lifetime of all financial instruments for which credit risk has significantly increased since its initial recognition (assessed on a collective or individual basis), considering all the reasonable and sustainable information, including the one referring to the future. If as of the date of presentation of the credit risk a financial instrument has not significantly increased since its initial recognition, the Company calculates the loss allowance for that financial instrument as the amount of expected credit losses in the following 12 months.

In both cases, the Company recognizes in profit or loss of the period the decrease or increase in the expected credit loss allowance at the end of the period, as an impairment gain or loss.

The Company calculates expected credit losses of a financial instrument in such a way that reflects:

a. an amount of weighted probability, not biased, which is determined by the assessment of a range of possible results;

b. the time value of money; and

c. the reasonable and sustainable information that is available without cost or disproportionate effort at the date of presentation on past events, current conditions and forecasts of future economic conditions.

In measuring the expected credit losses, the Company does not necessarily identify all the possible scenarios. However, it considers the risk or probability that a credit loss occurs, reflecting the possibility that the payment default occurs and does not occur, even if that possibility is very low. In addition, the Company determines the period for the default to occur, and the recoverability rate after default.

Management assesses the impairment model and the inputs used therein at least once every 3 months, in order to ensure that they remain in effect based on the current situation of the portfolio.

## Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and subsequently are valued at the amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities when they must be settled within the next 12 months; otherwise, they are classified as non-current liabilities.

Accounts payable are obligations to pay for goods or services that have been acquired or received by suppliers in the ordinary course of business. Loans are initially recognized at their fair value, net of transaction costs incurred. The loans are subsequently recognized at amortized cost; any difference between the resources received (net of transaction costs) and the settlement value is recognized in the consolidated statement of income over the term of loan using the effective interest method.

### Derecognition of financial liabilities

The Company derecognizes financial liabilities if, and only, the Company´s liabilities are met, cancelled or expired. The difference between the book value of the financial liabilities derecognized and the consideration, is recognized in the consolidated statement of income.

Additionally, when the Company incurs a refinancing transaction and the previous liability qualifies to be derecognized, the incurred costs of refinancing are recognized immediately in the consolidated statement of income at the extinction date of the past financial liability.

### Compensation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the right to offset the amounts recognized is legally enforceable and there is an intention to settle them on a net basis or to realize the asset and pay the liability simultaneously.

## h. Derivative financial instruments and hedging activities

All derivative financial instruments are identified and classified as fair value hedges or cash flow hedges, for trading or hedging market risks and are recognized in the consolidated statement of financial position as assets and/or liabilities at fair value and subsequently measured at fair value. The fair value is determined based on recognized market prices and using valuation techniques accepted in the financial sector.

The fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments classified as hedges are contracted for risk hedging purposes and meet all hedging requirements; their designation at the beginning of the hedging operation is documented, describing the objective, primary position, risks to be hedged and the effectiveness of the hedge relationship, characteristics, accounting recognition and how the effectiveness will be measured, applicable to this transaction.

### Fair value hedges

Changes in the fair value of derivative financial instruments are recorded in the consolidated statement of income. The change in fair value hedges and the change in the primary position attributable to the hedged risk are recorded in the consolidated statement of income in the same line item as the hedged position. As of December 31, 2022, 2021 and 2020, the Company has no derivative financial instruments classified as fair value hedges.

### Cash flow hedges

The changes in the fair value of derivative instruments associated to cash flow hedges are recorded in stockholders' equity. The effective portion is temporarily recorded in comprehensive income, within stockholders' equity and is reclassified to profit or loss when the hedged position affects them. The ineffective portion is immediately recorded in income.

### Net investment hedge in a foreign transaction

The Company applies hedge accounting to currency risk arising from its investments in foreign transactions for variations in exchange rates arising between the functional currency of such transaction and the functional currency of the holding entity, regardless of whether the investment is maintained directly or through a sub-holding entity. Variation in exchange rates is recognized in the other items of comprehensive income as part of the translation effect, when the foreign transaction is consolidated.

To this end, the Company designates the debt denominated in a foreign currency as a hedging instrument; therefore, the exchange rate effects caused by the debt are recognized in other components of comprehensive income, on the translation effects line item, to the extent that the hedge is effective. When the hedge is not effective, exchange differences are recognized in profit or loss.

### Suspension of hedge accounting

The Company suspends hedge accounting when the derivative financial instrument or the non-derivative financial instrument has expired, is cancelled or exercised, when the derivative or non-derivative financial instrument is not highly effective to offset the changes in the fair value or cash flows of the hedged item, or when the Company decides to cancel the hedge designation.

On suspending hedge accounting, in the case of fair value hedges, the adjustment to the carrying amount of a hedged amount for which the effective interest rate method is used, is amortized to income over the period to maturity. In the case of cash flow hedges, the amounts accumulated in equity as a part of comprehensive income remain in equity until the effects of the forecasted transaction affect income. In the event the forecasted transaction is not likely to occur, the income or loss accumulated in comprehensive income is immediately recognized in the consolidated statement of income. When the hedge of a forecasted transaction is satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in comprehensive income in stockholders' equity are proportionally transferred to the consolidated statement of income, to the extent the forecasted transaction impacts it.

The fair value of derivative financial instruments reflected in the consolidated financial statements of the Company, is a mathematical approximation of their fair value. It is computed using proprietary models of independent third parties using assumptions based on past and present market conditions and future expectations at the closing date.

## i. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress includes cost of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity), it excludes borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses. Costs of inventories include any gain or loss transferred from other comprehensive income corresponding to raw material purchases that qualify as cash flow hedges.

## j. Property, plant and equipment

Items of property, plant and equipment are recorded at cost less the accumulated depreciation and any accrued impairment losses. Costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the consolidated statement of income during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

When the Company carries out major repairs or maintenance of its property, plant and equipment assets, and the cost is recognized in the book value of the corresponding asset as a replacement, provided that the recognition criteria are met, the remaining portion of any major repair or maintenance is derecognized. The Company subsequently depreciates the recognized cost in the useful life assigned to it, based on its best estimate of useful life

Depreciation is calculated using the straight-line method, considering each of the asset's components separately, except for land, which is not subject to depreciation. The estimated useful lives of asset classes are as follows:

| | |
|---|---|
| Buildings and constructions | 20 to 50 years |
| Machinery and equipment | 10 to 30 years |
| Vehicles | 4 to 20 years |
| Furniture and office equipment | 6 to 15 years |
| Other assets | 10 to 20 years |

The spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction takes a substantial period to be ready for its use (nine months or more), are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

Assets classified as property, plant and equipment are subject to impairment tests when events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized in the consolidated statement of income in other expenses, net, for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

The residual value and useful lives of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

As of December 31, 2020, the Company made changes in the estimated useful life of its fixed assets as will generate future economic benefits for a period longer than previously estimated which were recognized prospectively, representing a profit of $327, respectively, in the consolidated statement of income, with respect to the depreciation that would have been recognized without such revisions in the estimate.  The Company did not make any changes in the estimated useful life of its fixed assets as of December 31, 2022 and 2021.

Gains and losses on disposal of assets are determined by comparing the sale value with the carrying amount and are recognized in other expenses, net, in the consolidated statement of income.

## k. Leases

### The Company as lessee

The Company evaluates whether a contract is or contains a lease agreement at inception of a contract. A lease is defined as an agreement or part of an agreement that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The Company recognizes a right-of-use asset and the corresponding lease liability, for all lease agreements in which it acts as lessee, except in the following cases: short-term leases (defined as leases with a lease term of less than 12 months); leases of low-value assets (defined as leases of assets with an individual market value of less than US$5,000 (five thousand dollars); and, lease agreements whose payments are variable (without any contractually defined fixed payment). For these agreements, which exempt the recognition of an asset for right-of-use and a lease liability, the Company recognizes the rent payments as an operating expense in a straight-line method over the lease period.

The right-of-use asset comprises all lease payments discounted at present value; the direct costs to obtain a lease; the advance lease payments; and the obligations of dismantling or removal of assets. The Company depreciates the right-of-use asset over the shorter of the lease term or the useful life of the underlying asset; therefore, when the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Depreciation begins on the lease commencement date.

The lease liability is initially measured at the present value of the future minimum lease payments that have not been paid at that date, using a discount rate that reflects the cost of obtaining funds for an amount similar to the value of the lease payments, for the acquisition of the underlying asset, in the same currency and for a similar period to the corresponding contract (incremental borrowing rate). When lease payments contain non-lease components (services), the Company has chosen, for some class of assets, not to separate them and measure all payments as a single lease component; however, for the rest of the class of assets, the Company measures the lease liability only considering lease payments, while all of the services implicit in the payments, are recognized directly in the consolidated statement of income as operating expenses.

To determine the lease term, the Company considers the non-cancellable period, including the probability to exercise any right to extend and/or terminate the lease term.

Subsequently, the lease liability is measured increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

When there is a modification in future lease payments resulting from changes in an index or a rate used to determine those payments, the Company remeasures the lease liability when the adjustment to the lease payments takes effect, without reassessing the discount rate. However, if the modifications are related to the lease term or exercising a purchase option, the Company reassesses the discount rate during the liability's remeasurement. Any increase or decrease in the value of the lease liability subsequent to this remeasurement is recognized as an adjustment to the right-of-use asset to the same extent.

Finally, the lease liability is derecognized when the Company fulfills all lease payments. When the Company determines that it is probable that it will exercise an early termination of the contract that leads to a cash disbursement, such disbursement is accounted as part of the liability's remeasurement mentioned in the previous paragraph; however, in cases in which the early termination does not involve a cash disbursement, the Company cancels the lease liability and the corresponding right-of-use asset, recognizing the difference immediately in the consolidated statement of income.

### The Company as lessor

Leases where the Company acts as lessor are classified as financial or operating leases. As long as the terms of the contract substantially transfer all risks and benefits of the ownership to the lessee, the contract is classified as a financial lease. Remaining leases are classified as operating leases.

Revenues from operating leases are recognized in a straight-line basis during the term of the corresponding lease. The initial direct costs incurred in the negotiation and organization of an operating lease are added to the carrying amount of the leased asset and are recognized on a straight-line basis during the term of the lease. Operating lease balances are recognized as accounts receivable for the amount of the Company's net investment in such leases.

## l. Goodwill and intangible assets

Intangible assets are recognized in the consolidated statement of financial position when they meet the following conditions: they are identifiable, provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

### (i) Indefinite useful life

These intangible assets are not amortized and are subject to annual impairment assessment. As of December 31, 2022, 2021 and 2020, no factors have been identified limiting the life of these intangible assets.

a. Goodwill
Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's equity in the fair value of the identifiable net assets acquired, determined at the date of acquisition, and is not subject to amortization. Goodwill is shown under goodwill and intangible assets and is recognized at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

### (ii) Finite useful life

These assets are recognized at cost less accumulated amortization and impairment losses recognized. They are amortized on a straight-line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

The estimated useful lives of intangible assets with finite useful lives are summarized as follows:

| | |
|---|---|
| Development costs | 5 to 10 years |
| Relationships with customers | 5 to 17 years |
| Software and licenses | 3 to 11 years |
| Trademarks and patents | 15 to 20 years |

b. Development costs
Research costs are recognized in income as incurred. Expenditures on development activities are recognized as intangible assets when such costs can be reliably measured, the product or process is technically and commercially feasible, potential future economic benefits are obtained and the Company intends and also has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income using straight-line method over the estimated useful life of the asset. Development expenditures that do not qualify for capitalization are recognized in income as incurred.

c. Other relationships with customers
The Company has recognized certain relationships with customers corresponding to the costs incurred to obtain new agreements with certain OEMs (Original Equipment Manufacturers), and which will be recognized as a revenue reduction over the term of these agreements. The amortization method used is based on the volume of units produced. As of December 31, 2022, 2021 and 2020, the Company recorded a reduction in revenues associated with the amortization of these assets of $139, $155, and $168 for this item, respectively.

## m. Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not depreciable or amortizable and are subject to annual impairment tests. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows (cash generating units). Non-financial long-term assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## n. Income tax

The amount of income taxes in the consolidated statements of income represents the sum of the current and deferred income taxes.

The amount of income taxes included in the consolidated statements of income represents the current tax and the effects of deferred income tax assets determined in each subsidiary using the asset and liability method, applying the rate established by the legislation enacted or substantially enacted at the consolidated statement of financial position date, wherever the Company operates and generates taxable income. The applicable rates are applied to the total temporary differences resulting from comparing the accounting and tax bases of assets and liabilities, and that are expected to be applied when the deferred tax asset is realized or the deferred tax liability is expected to be settled, considering, when applicable, any tax-loss carryforwards, prior to the recovery analysis. The effect of the change in current tax rates is recognized in current income of the period in which the rate change is determined.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by Nemak and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only when a legal right exists and offset exists when taxes are levied by the same tax authority.

## o. Employee benefits

### i. Pension plans

#### Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and past periods. Contributions are recognized as employee benefit expense on the date the contribution is required.

#### Defined benefit plans

A defined benefit plan is a plan, which specifies the amount of the pension an employee will receive at retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates in conformity with the IAS 19 – Employee Benefits, that are denominated in the currency in which the benefits will be paid and have maturities that approximate the terms of the pension liability.

Actuarial gains and losses from adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income in the year they occur.

The Company determines the net finance expense (income) by applying the discount rate to the liabilities (assets) from net defined benefits.

Past-service costs are recognized immediately in the consolidated statements of income.

### ii. Post-employment medical benefits

The Company provides medical benefits to retired employees after termination of employment. Eligibility for these benefits usually depends on the employee having worked up to the retirement age and having completed a minimum number of years of service. The expected costs of these benefits are accrued over the period of employment using the same criteria as those described for defined benefit pension plans.

### iii. Termination benefits

Termination benefits are payable when the Company terminates the employment contract before the normal retirement date or when the employee accepts voluntary severance in exchange for these benefits. The Company recognizes termination benefits in the first of the following dates: (a) when the Company can no longer withdraw the offer of these benefits, and (b) when the Company recognizes the costs from restructuring within the scope of the IAS 37 and it involves the payment of termination benefits. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. Benefits that will be paid in the long-term are discounted at their present value.

### iv. Short-term benefits

The Company provides benefits to employees in the short-term, which may include wages, salaries, annual compensation and bonuses payable within 12 months. Nemak recognizes an undiscounted provision when it is contractually obligated or when past practice has created an obligation.

### v. Employee participation in profit and bonuses

The Company recognizes a liability and an expense for bonuses and employee profit sharing when it has a legal or assumed obligation to pay these benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

### p. Provisions

Liability provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the value of money over time and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When there is a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item included in the same class of obligations may be remote.

Provisions for legal claims are recognized when the Company has a present obligation (legal or assumed) as a result of past events, it is likely that an outflow of economic resources will be required to settle the obligation and the amount can be reasonably estimated.

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation for the restructure has been created between the people affected, possibly for having started the plan implementation or for having announced its main characteristics to them.

### q. Share-based payments

The Company has compensation plans based on the market value of Nemak and Alfa´s shares (the latter was considered until the spin-off date) in favor of certain senior executives and subsidiaries (Note 20). The conditions for granting such compensation to the eligible executives include compliance with certain financial metrics such as the level of profit achieved and remaining in the Company for up to 5 years, among other requirements. The Board of Directors has appointed a technical committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. The payment plan is always subject to the discretion of the senior management of Nemak. Adjustments to this estimate are charged or credited to the consolidated statement of income.

The fair value of the amount payable to employees in respect of share-based payments which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period of service required. The liability is included within other liabilities and is adjusted at each reporting date and the settlement date. Any change in the fair value of the liability is recognized as compensation expense in the consolidated statement of income.

### r. Treasury shares

The Company's stockholders periodically authorize a maximum amount for the acquisition of the Company's own shares. Upon the occurrence of a repurchase of its own shares, they become treasury shares and the amount is presented as a reduction to stockholders' equity at the purchase price. These amounts are stated at their historical value. As of December 31, 2022, 2021, and 2020, $1, $46, and $- were repurchased, respectively.

### s. Capital stock

Nemak SAB's common shares are classified as capital stock within stockholders' equity. Incremental costs directly attributable to the issuance of new shares are included in equity as a reduction from the consideration received, net of tax.

### t. Comprehensive income

Comprehensive income is composed of net income plus the annual effects of their capital reserves, net of taxes, which are comprised of the translation of foreign subsidiaries, the effects of derivative cash flow hedges, actuarial gains or losses, net investment hedges, the effects of the change in the fair value of financial instruments available for sale, the equity in other items of comprehensive income of associates, and other items specifically required to be reflected in stockholders' equity, and which do not constitute capital contributions, reductions and distributions.

### u. Segment reporting

Segment information is presented consistently with the internal reporting provided to the chief operating decision maker who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance (Note 27).

## v. Revenue recognition

Revenues comprise the fair value of the consideration received or to receive for the sale of goods and services in the ordinary course of the transactions, and are presented in the consolidated statements of income, net of the amount of variable considerations, which comprise the estimated amount of returns from customers, rebates and similar discounts and payments made to customers for the purpose of accommodating goods in attractive and favorable spaces at their facilities.

To recognize revenues from contracts with customers, the comprehensive model for revenue accounting is applied, which is based on a five-step approach consisting of the following: (1) identify the contract; (2) identify performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when the company satisfies a performance obligation.

Contracts with customers are given by commercial agreements with the OEM and complemented by purchase orders, whose costs comprise the promises to produce, distribute and deliver goods based on the contractual terms and conditions set forth, which do not imply a significant judgment to be determined. When there are payments related to obtaining new contracts, they are capitalized and amortized over the term of the contract obtained.

The Company evaluates whether the agreements signed for the development of tooling, in parallel with a production contract with the OEMs, should be combined as a single contract. In cases where the two contracts meet the characteristics to be combined, the Company´s Management evaluates whether the development of tooling represents a performance obligation, or a cost to fulfill a contract.

Based on the above, when determining the existence of separable performance obligations in a contract with customers, Management evaluates the transfer of control of the good or service to the customer, for the purpose of determining the moment of revenue recognition related to each performance obligation.

Moreover, the payment terms identified in the majority of the sources of revenue are in the short-term, with variable considerations primarily focused on discounts and rebates of goods given to customers, without financing components or significant guarantees. These discounts and incentives to customers are recognized as a reduction to income or as sale expenses, according to their nature. Therefore, the allocation of the price is directly on the performance obligations of production, distribution and delivery, including the effects of variable considerations.

The Company recognizes revenue at a point in time, when control of sold goods has been transferred to the customer, which is given upon delivery and acceptance of the goods promised to the customer according to the negotiated incoterm. An account receivable is recognized when the performance obligations have been met, recognizing the corresponding revenue.

## w. Advanced payments

Advanced payments mainly comprise insurance and the corporate fee paid to suppliers. These amounts are recorded based on the contractual value and are carried to the consolidated statement of income on a monthly basis during the life to which each advanced payment corresponds: the amount that corresponds to the portion to be recognized within the next 12 months is presented in current assets and the remaining amount is presented in non-current assets.

## x. Assets held for sale

Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## y. Earnings per share

Earnings per share are calculated by dividing the profit attributable to the stockholders of the parent by the weighted average number of common shares outstanding during the year. As of December 31, 2022, 2021 and 2020, there are no dilutive effects from financial instruments potentially convertible into shares.

## z. Changes in accounting policies and disclosures

### i. New standards and changes adopted.

In the current year, the Company has applied a number of amendments to IFRS issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2022. The conclusions related to their adoption are described as follows:

#### Amendments to IFRS 3, Business Combination – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21, Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The Company did not have business combinations completed during the year ended December 31, 2022.

#### Amendments to IAS 16, Property, plant and equipment - Proceeds before intended use

The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss for the period. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The Company evaluated the amendments to IAS 16 and determined that the implementation of these amendments had no effects on its financial information, because the sales of its products before that property, plant and equipment is available for its intended use are not recorded as a deduction to the cost of such asset and are recognized directly in the consolidated statement of profit or loss.

#### Amendments to IAS 37 – Onerous Contracts - Cost of fulfilling a contract

The amendments specify that the "cost of fulfilling" a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Company evaluated the amendments to IAS 37 and determined that the implementation of these amendments had no effect on its financial information, since it does not have onerous contracts.

#### Annual Improvements to IFRS Accounting Standards 2018–2021 Cycle

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2021 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards, which did not have an impact on the financial information, as they were not of significant applicability:

- Amendments to IFRS 1, First time adoption of International Financial Reporting Standards
- Amendments to IFRS 9, Financial instruments
- Amendments to IFRS 16, Leases
- Amendments to IAS 41, Agriculture

### ii. New, revised and issued IFRS, but not yet effective

As of the authorization date of these consolidated financial statements, the Company has not applied the following new and revised IFRS, that have been issued but not yet effective the Company does not expect the adoption of these standards to have a material impact on the consolidated financial statements in future periods, considering that they are not of significant applicability:

- Amendments to IFRS 17, Insurance contracts (1)
- Amendments to IAS 1 and Practice Statement 2 - Disclosure of accounting policies (1)
- Amendments to IAS 8 - Definition of accounting estimates (1)
- Amendments to IAS 12 – Income Taxes – Deferred taxes related to assets and liabilities arising from a single transaction (1)

- Amendments to IAS 1 - Classifying liabilities as current or non-current [1]
- Amendments to IAS 1 - Classification of debt with covenants [2]
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture [2]
- Amendments to IFRS 16 - Lease liability in a sale and leaseback [3]

[1] Effective for annual reporting periods beginning on January 1, 2023
[2] Effective for annual reporting periods beginning on January 1, 2024
[3] Effective date of the amendments has yet to be set by the IASB

# 4. Financial instruments and financial risk management

The Company's activities expose it to various financial risks; market risk (including exchange rate risk, aluminum, price risk, and interest rate variation risk), credit risk and liquidity risk.

The Company has a general risk management program focused on the unpredictability of financial markets and seeks to minimize the potential adverse effects on its financial performance. The objective of the risk management program is to protect the financial health of its business, considering the volatility associated with prices, foreign exchange, and interest rates. The Company uses derivative financial instruments to hedge certain exposures to risks, including hedges of input prices.

The proposed transactions must meet certain criteria, including hedges that are lower than established risk parameters, and that they are the result of a detailed analysis and are properly documented. Sensitivity analysis and other risk analyses should be performed before the operation is conducted.

The Company's risk management policy indicates that the hedging positions should always be lower than the projected exposure to allow an acceptable margin of uncertainty. Unhedged operations are expressly prohibited. The Company's risk management policy indicates the maximum percentages must be hedged with respect to the projected exposure:

| | Maximum coverage (as a percentage of the projected exposure) Current year |
|---|---|
| Commodities | 100 |
| Energy costs | 75 |
| Exchange rate for operating transactions | 80 |
| Exchange rate for financial transactions | 100 |
| Interest rates | 100 |

## Capital management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to stockholders and benefits to other stakeholders, as well as maintaining an optimal capital structure to reduce cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return equity to stockholders, issue new shares or sell assets to reduce debt.

Nemak monitors capital based on a leverage ratio. This percentage is calculated by dividing total liabilities by total equity.

The financial ratio of total liabilities/total equity was 2.05, 1.86, and 1.77 as of December 31, 2022, 2021 and 2020, respectively, resulting in a leverage ratio that complies with the Company's management and risk policies.

## Financial instruments by category

Below are the Company's financial instruments by category:

As of December 31, 2022, 2021 and 2020, financial assets and liabilities consist of the following:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Cash and cash equivalents | **$ 8,065** | $ 5,799 | $ 8,720 |
| Restricted cash | **156** | 229 | 256 |
| Financial assets measured at amortized cost: | | | |
| Trade and other accounts receivable | **11,830** | 10,193 | 9,133 |
| | **$ 20,051** | $ 16,221 | $ 18,109 |

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Financial liabilities measured at amortized cost:** | | | |
| Debt | **$ 29,949** | $ 30,582 | $ 31,213 |
| Lease liability | **1,951** | 2,083 | 1,976 |
| Trade and accounts payable to related parties | **22,497** | 20,674 | 17,451 |
| | **$ 54,397** | $ 53,339 | $ 50,640 |

## Fair value of financial assets and liabilities measured at amortized cost

The amount of cash and cash equivalents, restricted cash, customers and other accounts receivable, other current assets, trade and other accounts payable, current debt, other current liabilities approximate their fair value, because their maturity date is less than twelve months. The net carrying amount of these accounts represents the expected cash flows to be received as of December 31,2022, 2021 and 2020.

The carrying amount and estimated fair value of non-current financial assets and liabilities valued at amortized cost is presented below:

| | AS OF DECEMBER 31, 2022 | | AS OF DECEMBER 31, 2021 | | AS OF DECEMBER 31, 2020 | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial liabilities: Non-current liabilities before issuance and obtaining costs | **$28,388** | **$24,303** | $ 26,942 | $ 26,330 | $ 27,239 | $ 27,959 |

Estimated fair values as of December 31, 2022, 2021 and 2020, were determined based on a discounted cash flow basis. Measurement at fair value for the financial debt is considered within levels 1 and 2 of the hierarchy.

## Market risks

### (i) Exchange rate risk

The Company operates internationally, and is exposed to foreign exchange risk, primarily derived from the transactions and balances that the subsidiaries conduct and have in foreign currency, respectively. A foreign currency is that which is different from the functional currency of an entity. In addition, the Company is exposed to changes in the value of financial instruments arising from foreign exchange variations.

The respective exchange rates of the Mexican peso, the U.S. dollar and the Euro are very important factors for the Company due to the effect they have on its consolidated results. Nemak estimates that approximately 56% of its sales are U.S dollars denominated, 32% in Euros, and the remaining 12% in other currencies since the price of its products is set based on such currencies.

The main risk of the Company associated with its financial instruments comes from its debt in foreign currency, mainly in euros, held by entities whose functional currency is the US dollar. In addition, the Company maintains assets and liabilities denominated in foreign currency in relation to the functional currency of the subsidiaries in Mexican pesos and Euros. The monetary position in euros and U.S. dollars have been converted to millions of Mexican pesos at the closing exchange rate of December 31, 2022:

| | MXP | EUR | USD |
|---|---|---|---|
| Financial assets | $ 6,406 | $ 4,390 | $ 11,155 |
| Financial liabilities | (10,349) | (22,052) | (32,130) |
| **Financial position in foreign currency** | **$ (3,943)** | **$ (17,662)** | **$ (20,975)** |

The exchange rate used to convert the financial position in foreign currency from EUR and USD to MXP, is described on Note 3 c.

Based on the monetary positions in foreign currencies that the Company maintains, a hypothetical variation of 10% in the exchange rate USD/MXP and USD/EUR, maintaining all the other variables constant, will result in an effect of $(196) in the consolidated statement of income and of $(226) in equity.

## Financial instruments to hedge net investments in foreign transactions

The Company designates certain non-current debt instruments as hedges to net investments in foreign transactions in order to mitigate the variations in exchange rates arising between the functional currency for such transactions and the functional currency of the holding or sub-holding company that maintains these investments.

The Company formally designated and documented each hedging relationship establishing objectives, Management's strategy to cover the risk, the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged, and the methodology to assess the effectiveness. Given that the exchange rate hedging relationship is clear, the method that the Company used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items. The hedging effectiveness results confirm that the hedging relationships are highly effective due to the economic relationship between hedging instrument and hedged items. For its part, when the value of the net assets of the foreign transaction is less than the notional value of the designated debt, the company performs a rebalancing of the hedging relationship and recognizes ineffectiveness in the statement of income.

The Company maintains the following hedging relationships:

**AS OF DECEMBER 31, 2022**

| Holding | Functional Currency | Hedging Instrument Sustainability-Linked | Notional Value (Euros) | Covered item | Net assets of the hedged item (Euros) |
|---|---|---|---|---|---|
| **Nemak, S. A. B. de C. V.** | **USD** | **Sustainability-Linked Bonds** | **EUR 297** | **Nemak Dillingen GmbH** | **EUR 160** |
| | | | | **Nemak Linz GmbH** | **34** |
| | | | | **Nemak Gyor Kft.** | **138** |
| | | | | **Nemak Slovakia, S.r.o.** | **75** |
| | | | | **Nemak Wernigerode GmbH** | **73** |
| | | | | **Nemak Czech Republic, S.r.o.** | **58** |
| | | | | **Nemak Poland Sp.z.o.o.** | **50** |
| | | | | **Nemak Spain, S.L.** | **27** |
| | | | | **Nemak Pilsting GmbH** | **14** |
| | | | | **Nemak Izmir Dokum Sanayi A.S.** | **54** |
| | | | **EUR 297** | | **EUR 683** |

**AS OF DECEMBER 31, 2021**

| Holding | Functional Currency | Hedging Instrument Sustainability-Linked | Notional Value (Euros) | Covered item | Net assets of the hedged item (Euros) |
|---|---|---|---|---|---|
| Nemak, S. A. B. de C. V. | USD | Sustainability-Linked Bonds | EUR 249 | Nemak Dillingen GmbH | EUR 155 |
| | | | | Nemak Linz GmbH | 31 |
| | | | | Nemak Gyor Kft. | 136 |
| | | | | Nemak Slovakia, S.r.o. | 67 |
| | | | | Nemak Wernigerode GmbH | 67 |
| | | | | Nemak Czech Republic, S.r.o. | 58 |
| | | | | Nemak Poland Sp.z.o.o. | 45 |
| | | | | Nemak Spain, S.L. | 24 |
| | | | | Nemak Pilsting GmbH | 14 |
| | | | | Nemak Izmir Dokum Sanayi A.S. | 52 |
| | | | EUR 249 | | EUR 649 |

**AS OF DECEMBER 31, 2020**

| Holding | Functional Currency | Hedging Instrument Sustainability-Linked | Notional Value (Euros) | Covered item | Net assets of the hedged item (Euros) |
|---|---|---|---|---|---|
| Nemak, S. A. B. de C. V. | USD | Senior Notes | EUR 284 | Nemak Dillingen GmbH | EUR 126 |
| | | Bank Loans | 4 | Nemak Linz GmbH | 27 |
| | | | | Nemak Gyor Kft. | 130 |
| | | | | Nemak Slovakia, S.r.o. | 53 |
| | | | | Nemak Wernigerode GmbH | 66 |
| | | | | Nemak Czech Republic, S.r.o. | 56 |
| | | | | Nemak Poland Sp.z.o.o. | 40 |
| | | | | Nemak Spain, S.L. | 28 |
| | | | | Nemak Pilsting GmbH | 11 |
| | | | | Nemak Izmir Dokum Sanayi A.S. | 50 |
| | | | EUR 288 | | EUR 587 |

The average coverage ratio of the Company amounted to 34.94%, 36.48%, and 49.35% for the years ended December 31, 2022, 2021 and 2020, respectively. Therefore, the exchange rate fluctuation generated by the hedging instruments for the years ended December 31, 2022, 2021 and 2020 amounted to a net (loss) profit of $(248), $371, and $(687), respectively, which was recognized in other comprehensive income compensating the translation effect by each foreign investment. The results of the effectiveness of each hedging instrument confirms that the hedging relationships are highly effective due to the economic relationship between the hedging instruments and the hedging items.

## (ii) Price risk commodities

### a. Aluminum

Nemak utilizes significant amounts of aluminum in the form of scrap, as well as ingots as its main raw material. In order to mitigate the risks related to the volatility of the prices of this commodity, the Company has entered into agreements with its customers, whereby the variations of aluminum prices are transferred to the sales price of the products through a pre-established formula.

However, there is a residual risk since each OEM uses its own formula to estimate aluminum prices, which normally reflects market prices based on an average term that may range from one to three months. As a result, the basis used by each OEM to calculate the prices of aluminum alloys may differ from the ones used by the Entity to buy aluminum, which could negatively or positively impact its business, financial position and the results of its operations.

### b. Natural gas

Nemak is an entity that uses natural gas to carry out its operating processes and develop its products. This consumption has grown as the volume of their end products increase, which causes that an increase in the price of natural gas creates negative effects on the operating cash flows. In order to mitigate its exposure to the price of this material, the Entity conducts, some natural gas hedging transactions using derivative instruments. Therefore, according to its risk management program, the Company enters into hedges against the exposure to the increase in natural gas prices, for future purchases by entering into swaps where variable prices are received and a fixed price is paid. A strategy called roll-over has been implemented, through which it is analyzed each month if more derivatives should be contracted to expand the time or the amount of hedging. Given the volatility of gas prices, during October 2021, the Company entered into gas hedges for Mexico and the USA, that represented 25% of its consumption of December 2021 and January, February and March 2022. In addition, the Company entered into hedges during December for Mexico of 50% of its consumption of January, February and March 2022. As of December 31, 2022 and 2021, the fair value of the derivative financial instruments was $95 y $18, respectively. As of December 31, 2020, the Company did not have this type of derivative financial instruments.

## Interest rate risk

The Company is exposed to interest rate risk mainly for long-term loans bearing interest at variable rates. Fixed-interest loans expose the Company to interest rate risk at fair value, which implies that Nemak might be paying interest at rates significantly different from those of an observable market.

As of December 31, 2022, if interest rates on variable rate are increased or decreased by 100 basis points in relation to the rate in effect, the income and stockholders' equity of the Company would change by $319.

## Credit risk

Credit risk represents a potential loss due to non-compliance of counterparts in their payment obligations. Credit risk is generated by cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including receivables and committed transactions.

The Company is managed on a group basis and credit risk profile, the significant clients with whom it maintains a receivable, distinguishing those that require an individual credit risk assessment. For the rest of the clients, the Company carries out its classification according to the type of market in which they operate, according with the business management and the internal risk management. Each subsidiary is responsible for managing and analyzing credit risk for each of its new customers before setting the terms and conditions of payment. If wholesale customers are qualified independently, these are the qualifications used. If there is no independent qualification, the Company´s risk control assesses the customer´s credit quality, taking into account its financial position, previous experience and other factors. The maximum exposure to credit risk is given by the balances of these items as presented in the consolidated state of financial position.

Individual risk limits are determined based on internal and external ratings in accordance with limits set in the financial risk management policy. The use of credit risks is monitored regularly. During 2022, 2021 and 2020, credit limits were not exceeded.

In addition, the Company performs a qualitative evaluation of economic projections, with the purpose of determining the possible impact on probabilities of default and the rate of recovery that it assigns to its clients.

During the year ended December 31, 2022, there have been no changes in the techniques of estimation or assumption.

## Liquidity risk

Projected cash flows are determined at each operating subsidiary of the Company and subsequently the finance department consolidates this information. The finance department of the Company continuously monitors the cash flow projections and liquidity requirements of the Company ensuring that sufficient cash and liquid investments are maintained to meet operating needs, and that some flexibility is maintained through unused uncommitted and committed credit lines.

The Company regularly monitors and makes decisions ensuring that the limits or covenants set forth in credit agreements are not breached. Projections consider the financing plans of the Company, compliance with covenants, compliance with minimum liquidity ratios and internal legal or regulatory requirements.

The Company's treasury department invests those funds in time deposits, with high credit quality whose maturities or liquidity allow flexibility to meet the cash flow needs of the Company.

The following table analyzes the non-derivative financial instruments, grouped according to their maturity, from the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows, including future non-accrued interests and sustainability-linked bonds.

| | Less than a year | From 1 to 5 years | More than 5 years |
|---|---|---|---|
| **AS OF DECEMBER 31, 2022** | | | |
| Trade and accounts payable to related parties | **$ 22,497** | **$ -** | **$ -** |
| Debt (excluding debt obtaining costs) | **2,433** | **2,396** | **3,621** |
| Lease liability | **302** | **818** | **831** |
| Sustainability-linked bond (excluding issuance costs) | **601** | **2,963** | **20,936** |
| Interest payable | **137** | **-** | **-** |
| **AS OF DECEMBER 31, 2021** | | | |
| Trade and accounts payable to related parties | $ 20,674 | $ - | $ - |
| Debt (excluding debt obtaining costs) | 4,093 | 2,179 | 2,767 |
| Lease liability | 441 | 724 | 918 |
| Sustainability-linked bond (excluding issuance costs) | 669 | 3,346 | 21,996 |
| Interest payable | 146 | - | - |

| | Less than a year | From 1 to 5 years | More than 5 years |
|---|---|---|---|
| **AS OF DECEMBER 31, 2020** | | | |
| Trade and accounts payable to related parties | $ 17,451 | $ - | $ - |
| Debt (excluding debt obtaining costs) | 4,267 | 1,741 | 3,776 |
| Lease liability | 422 | 1,189 | 365 |
| Senior Notes (excluding issuance costs) | 870 | 24,930 | - |
| Interest payable | 346 | - | - |

The Company expects to meet its obligations with cash flows generated by operations. Additionally, Nemak has access to credit lines with various banks to meet possible requirements.

As of December 31, 2022, 2021 and 2020, the Company has uncommitted short-term credit lines unused of more than US$532 ($10,300), US$349 ($7,184), and US$425 ($8,478), respectively. Additionally, as of December 31, 2022, 2021 and 2020, Nemak has committed medium-term credit lines available of US$525 ($10,165), US$405 ($8,335), and US$412 ($8,215), respectively. In order to maintain a solid liquidity position and have sufficient cash on hand to support operations and COVID-19 impacts, during the year ended December 31, 2020, Nemak disposed all of its committed lines for US$412, settling them in November. On the other hand, the uncommitted lines were disposed for US$250 during March 2020, partially liquidated in December 2020.

### Fair value hierarchy

The following is an analysis of financial instruments measured in accordance with the fair value hierarchy. The 3 different levels of the fair value hierarchy are presented below:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Other valuations including quoted prices for similar instruments in active markets, which are directly or indirectly observable.
- Level 3: Valuations made through technics where one or more of their significant data inputs are unobservable.

The Company's assets and liabilities that are measured at fair value as of December 31, 2022, 2021 and 2020, are classified within the level 2 of the fair value hierarchy.

There were no transfers between Levels 1 and 2 or between Level 2 and 3 during the period.

The specific valuation techniques used to value financial instruments include:

- Market quotations or trader quotations for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange agreements is determined using exchange rates at the closing balance date, with the resulting value discounted at present value.
- Other techniques such as the analysis of discounted cash flows, which are used to determine fair value of the remaining financial instruments.

## 5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### a. Estimated impairment of goodwill

The Company conducts annual tests to determine whether goodwill and intangible assets with indefinite useful lives have suffered any impairment (Note 12). For impairment testing, goodwill and intangibles assets with indefinite lives are allocated to those cash generating units ("CGUs") for which the Company has considered that economic and operational synergies of the business combinations are generated. The recoverable amounts of the groups of CGUs were determined based on the calculations of their value in use, which require the use of estimates, within which, the most significant are the following:

- Future gross and operating margins according to the historical performance and expectations of the industry for each CGU group.

- Discount rate based on the weighted cost of capital (WACC) of each CGU or CGU group.
- Long-term growth rates.

## b. Recoverability of deferred tax assets

The Company has tax losses to be utilized, derived mainly from significant foreign exchange losses, which may be used in the subsequent years (Note 25). Based on income and tax revenue projections Nemak will generate in subsequent years through a structured and robust business plan, which includes the sale of non-strategic assets, new services to be provided to its subsidiaries, among others, the Company's Management has considered that its tax loss carryforwards will be used before they expire and therefore it has been deemed appropriate to recognize a deferred tax asset for such losses.

## c. Contingent liabilities

Management also makes judgments and estimates in recording provisions for matters relating to claims and litigation. Actual costs may vary from estimates for several reasons, such as changes in cost estimates for resolution of complaints and disputes based on different interpretations of the law, opinions and evaluations concerning the amount of loss.

Contingencies are recorded as provisions when it is likely that a liability has been incurred and the amount of the loss is reasonably estimable. It is not practical to estimate sensitivity to potential losses if other assumptions were used to record these provisions, due to the number of underlying assumptions and the range of possible reasonable outcomes regarding potential actions by third parties, such as regulators, both in terms of loss probability and estimates of such loss.

## d. Long-lived assets

The Company estimates the useful lives of long-lived assets in order to determine the depreciation and amortization expenses to be recorded during the reporting period. The useful life of an asset is calculated when the asset is acquired and is based on past experience with similar assets, considering anticipated technological changes or any other type of changes. Were technological changes to occur faster than estimated, or differently than anticipated, the useful lives assigned to these assets could have to be reduced. This would lead to the recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of a charge for impairment to reflect the reduction in the expected future economic benefits associated with the assets.

The Company reviews the impairment indicators for depreciable and amortizable assets annually, or when certain events or circumstances indicate that the book value may not be recovered in the remaining useful life of those assets. On the other hand, intangible assets with an indefinite useful life are subject to impairment tests at least every year and provided there is an indication that the asset could have been impaired.

To evaluate the impairment, the Company uses cash flows, which consider the administrative estimates for future transactions, including estimates for revenues, costs, operating expenses, capital expenses and debt service. In accordance with IFRS, discounted future cash flows associated with an asset or cash-generating unit (CGU) would be compared to the carrying amount of the asset or CGU in question to determine whether an impairment or a reversal of impairment exists whenever such discounted future cash flows are less than their carrying amount. In such case, the carrying amount of the asset or group of assets is reduced to its recoverable amount.

## e. Estimation of default probabilities and recovery rate to apply the model of expected losses in the calculation of impairment of financial assets

The Company assigns to customers with whom it maintains an account receivable at each reporting date, either individually or as a group, an estimate of the probability of default on the payment of accounts receivable and the estimated recovery rate, with the purpose of reflecting the cash flows expected to be received from the outstanding balances on such date.

## f. Estimation of the discount rate to calculate the present value of future minimum income payments

The Company estimates the discount rate to be used in determining the lease liability, based on the incremental loan rate ("IBR").

The Company uses a three-tier model, with which it determines the three elements that make up the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, Management also considers its policies and practices to obtain financing, distinguishing between that obtained at the corporate level (that is, by the holder), or at the level of each subsidiary. Finally, for the real estate leases or in which there is significant and observable evidence of its residual value, the Company estimates and evaluates an adjustment for the characteristics of the underlying asset, taking into account the possibility that said asset be granted as collateral or guarantee against the risk of default.

### g. Estimate of the lease term

The Company defines the term of the leases as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are likely to be exercised. The Company participates in lease agreements that do not have a definite forced term, a defined renewal period (if it contains a renewal clause), or automatic annual renewals, therefore, to measure the lease liability, it estimates the term of the contracts considering their contractual rights and limitations, their business plan, as well as the administration's intentions for the use of the underlying asset. Additionally, the Company considers the early termination clauses of its contracts and the probability of exercising them, as part of its estimate of the lease term.

## 6. Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statements of financial position consist of the following:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Cash on hand and in banks | **$ 2,139** | $ 1,939 | $ 2,943 |
| Short-term bank deposits | **5,926** | 3,860 | 5,777 |
| **Total cash and cash equivalents** | **$ 8,065** | $ 5,799 | $ 8,720 |

## 7. Restricted cash

The value of restricted cash is composed as follows:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Current | **$ 30** | $ 100 | $ 121 |
| Non-current (Note 13) | **126** | 129 | 135 |
| **Restricted cash[1]** | **$ 156** | $ 229 | $ 256 |

[1] In accordance with the provisions of a credit agreement, the Company has made long-term cash deposit pursuant to a preferential loan arranged in order to participate in a financing by a US agency to promote investment in rural / low-development regions in the USA

.

## 8. Trade and other accounts receivables, net

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Trade accounts receivable | **$ 9,215** | $ 6,549 | $ 6,354 |
| Due from related parties (Note 26) | **199** | 1,431 | 1,076 |
| Recoverable taxes | **481** | 196 | 96 |
| Sundry debtors | **2,656** | 2,441 | 1,946 |
| Allowance for impairment of trade accounts receivable and related parties | **(240)** | (228) | (243) |
| **Total** | **$ 12,311** | $ 10,389 | $ 9,229 |

Movements in the allowance for impairment of trade accounts receivable are as follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Opening balance as of January 1 | **$ (228)** | $ (243) | $ (230) |
| Allowance for impairment of trade and related parties | **(26)** | (18) | (43) |
| Receivables written off during the year | **8** | 27 | 43 |
| Other | **6** | 6 | (13) |
| **Final balance as of December 31** | **$ (240)** | $ (228) | $ (243) |

The net change in the estimate of impairment of accounts receivable for the years ended December 31, 2022, 2021 and 2020 were $(12), $15, and $(13), respectively, it was mainly due to changes in the estimation of probabilities of default and the percentage of recovery, allocated to different customer groups in which the Company operates, which reflected an increase in credit risk over these financial assets.

The following describes the probability of default ranges and recovery rates allocated to the main customer segments with which the company has balances receivable in its different businesses:

| AS OF DECEMBER 31, 2022 | | |
|---|---|---|
| Clients or group of clients | Probability of default range | Severity of loss |
| Automotive | **0.0% - 5.16%[1]** | **99.42%** |
| Related parties | **0.0% - 1.93%** | **99.90%** |

| AS OF DECEMBER 31, 2021 | | |
|---|---|---|
| Clients or group of clients | Probability of default range | Severity of loss |
| Automotive | 0.00% - 5.43%[1] | 99.47% |
| Related parties | 0.00% - 0.23% | 99.85% |

| AS OF DECEMBER 31, 2020 | | |
|---|---|---|
| Clients or group of clients | Probability of default range | Severity of loss |
| Automotive | 0.00% - 3.75%[1] | 99.31% |
| Related parties | 0.00% - 0.61% | 99.09% |

[1] As of December 31, 2022, 2021, and 2020, the maximum probability of default range belongs to a single client. All the other clients of the Company maintain a maximum probability of default of 1.38%, 0.78% and 0.73%, respectively.

Increases and decreases in customer impairment estimation, when they do not imply the legal loss of an account receivable, are recognized in the consolidated statement of income within the heading of sales costs. On the other hand, when collection rights are legally lost, the Company cancels the accumulated doubtful collection estimate, with the gross amount of the account receivable

The company does not maintain any significant collateral or guarantees that mitigate exposure to the credit risk of its financial assets.

# 9. Inventories

| | | | DECEMBER 31 |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Raw material and other consumables | **$ 8,298** | $ 7,906 | $ 5,969 |
| Work in process | **5,230** | 5,465 | 4,134 |
| Finished goods | **2,859** | 3,624 | 2,527 |
| | **$ 16,387** | $ 16,995 | $ 12,630 |

For the years ended on December 31, 2022, 2021 and 2020, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of $110, $32, and $78, respectively.

As of December 31, 2022, 2021 and 2020, there were no inventories pledged as collateral.

# 10. Property, plant and equipment, net

| | Land | Buildings and constructions | Machinery and equipment | Vehicles | Furniture and equipment | Constructions in progress | Other fixed assets | **Total** |
|---|---|---|---|---|---|---|---|---|
| **FOR THE YEAR ENDED DECEMBER 31, 2020** | | | | | | | | |
| Opening balance, net | $ 1,607 | $ 8,370 | $ 31,148 | $ 42 | $ 659 | $ 5,058 | $ 1,256 | **$ 48,140** |
| Translation effect | 71 | 730 | 3,081 | 5 | 98 | 399 | 96 | **4,480** |
| Additions | - | - | 166 | - | 2 | 4,168 | 103 | **4,439** |
| Disposals | - | - | - | - | (1) | - | (211) | **(212)** |
| Impairment charge recognized in the year | - | - | (133) | - | - | - | - | **(133)** |
| Depreciation charge recognized in the year | - | (522) | (4,438) | (17) | (229) | - | (17) | **(5,223)** |
| Transfers | - | 430 | 4,001 | 11 | 97 | (4,548) | 9 | **-** |
| | $ 1,678 | $ 9,008 | $ 33,825 | $ 41 | $ 626 | $ 5,077 | $ 1,236 | **$ 51,491** |
| **As of December 31, 2020** | | | | | | | | |
| Cost | $ 1,678 | $ 16,351 | $ 89,480 | $ 287 | $ 2,726 | $ 5,077 | $ 1,317 | **$ 116,916** |
| Accumulated depreciation | - | (7,343) | (55,655) | (246) | (2,100) | - | (81) | **(65,425)** |
| **Net carrying amount as of December 31, 2020** | $ 1,678 | $ 9,008 | $ 33,825 | $ 41 | $ 626 | $ 5,077 | $ 1,236 | **$ 51,491** |
| **FOR THE YEAR ENDED DECEMBER 31, 2021** | | | | | | | | |
| Opening balance, net | $ 1,678 | $ 9,008 | $ 33,825 | $ 41 | $ 626 | $ 5,077 | $ 1,236 | **$ 51,491** |
| Translation effect | 6 | 16 | 367 | - | (8) | 15 | (132) | **264** |
| Additions | - | 3 | 144 | 1 | - | 6,101 | 1 | **6,250** |
| Disposals | - | - | - | - | (6) | (2) | (38) | **(46)** |
| Impairment charge recognized in the year | - | - | (141) | - | - | - | - | **(141)** |
| Depreciation charge recognized in the year | - | (513) | (4,394) | (18) | (199) | - | (15) | **(5,139)** |
| Transfers | - | 300 | 3,934 | 9 | 171 | (4,426) | 12 | **-** |
| | $ 1,684 | $ 8,814 | $ 33,735 | $ 33 | $ 584 | $ 6,765 | $ 1,064 | **$ 52,679** |
| **As of December 31, 2021** | | | | | | | | |
| Cost | $ 1,684 | $ 16,664 | $ 92,355 | $ 275 | $ 2,846 | $ 6,765 | $ 1,151 | **$ 121,740** |
| Accumulated depreciation | - | (7,850) | (58,620) | (242) | (2,262) | - | (87) | **(69,061)** |
| **Net carrying amount as of December 31, 2021** | $ 1,684 | $ 8,814 | $ 33,735 | $ 33 | $ 584 | $ 6,765 | $ 1,064 | **$ 52,679** |
| **FOR THE YEAR ENDED DECEMBER 31, 2022** | | | | | | | | |
| Opening balance, net | $ 1,684 | $ 8,814 | $ 33,735 | $ 33 | $ 584 | $ 6,765 | $ 1,064 | **$ 52,679** |
| Translation effect | (133) | (744) | (2,597) | (3) | (54) | (338) | (97) | **(3,966)** |
| Additions | - | 3 | 1,038 | 1 | 2 | 7,018 | 202 | **8,264** |
| Disposals | - | (3) | (354) | - | - | (1) | (72) | **(430)** |
| Impairment charge recognized in the year | - | - | (704) | - | - | - | - | **(704)** |
| Depreciation charge recognized in the year | - | (480) | (4,230) | (19) | (158) | - | (17) | **(4,904)** |
| Transfers | 1 | 489 | 4,227 | 22 | 199 | (4,988) | 50 | **-** |
| | $ 1,552 | $ 8,079 | $ 31,115 | $ 34 | $ 573 | $ 8,456 | $ 1,130 | **$ 50,939** |
| **As of December 31, 2022** | | | | | | | | |
| Cost | **$ 1,552** | **$ 15,719** | **$ 87,872** | **$ 265** | **$ 2,764** | **$ 8,456** | **$ 1,274** | **$ 117,902** |
| Accumulated depreciation | **-** | **(7,640)** | **(56,757)** | **(231)** | **(2,191)** | **-** | **(144)** | **(66,963)** |
| **Net carrying amount as of December 31, 2022** | **$ 1,552** | **$ 8,079** | **$ 31,115** | **$ 34** | **$ 573** | **$ 8,456** | **$ 1,130** | **$ 50,939** |

As of December 31, 2022, 2021 and 2020, the Company capitalized borrowing costs to qualifying assets for $58, $32, and $4, respectively, which were not significant.

Of the total depreciation expense, $4,604, $4,796, and $4,902 were charged to cost of sales, $2, $1, $5, to selling expenses and $298, $342, and $316, to administrative expenses in 2022, 2021 and 2020, respectively.

As of December 31, 2022, 2021 and 2020, there were property, plant and equipment pledged as collateral (Note 15).

The other fixed assets are mainly made up of spare parts and long-term improvements.

## 11. Right-of-use assets, net

The Company leases a different set of fixed assets including, buildings, machinery and equipment, vehicles, and computer equipment. The average term of the lease contracts as of December 31, 2022, 2021 and 2020 is 12 years.

a) The right of use recognized in the consolidated statement of financial position as of December 31, 2022, 2021 and 2020, and in the consolidated statements of income for the years ended December 31, 2022, 2021, 2020, are as follows:

| | Buildings | Machinery and equipment | Vehicles | Other fixed assets | Total |
|---|---|---|---|---|---|
| Final balances as of December 31, 2020 | $ 1,264 | $ 135 | $ 343 | $ 55 | **$ 1,797** |
| Final balances as of December 31, 2021 | $ 1,464 | $ 101 | $ 263 | $ 39 | **$ 1,867** |
| **Final balances as of December 31, 2022** | **$ 1,462** | **$ 76** | **$ 122** | **$ 53** | **$ 1,713** |

| | Buildings | Machinery and equipment | Vehicles | Other fixed assets | Total |
|---|---|---|---|---|---|
| Depreciation expense 2020 | $ (217) | $ (92) | $ (209) | $ (30) | **$ (548)** |
| Depreciation expense 2021 | $ (227) | $ (40) | $ (206) | $ (32) | **$ (505)** |
| **Depreciation expense 2022** | **$ (227)** | **$ (61)** | **$ (275)** | **$ (35)** | **$ (598)** |

The additions to the net book value of the right of use assets for the years ended December 31, 2022, 2021 and 2020 amounted $565, $653, and $376, respectively.

b) Expenses recognized in the consolidated statements of income for the years ended December 31, 2022, 2021 and 2020, are as follows:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Rent expenses from short-term and low-value asset leases | **$ 255** | $ 268 | $ 255 |

The Company has not signed lease contracts, which at the date of the consolidated financial statements have not started.

During the year, the Company did not realize significant extensions to the term of its lease contracts.

## 12. Goodwill and intangible assets, net

| | Development costs | Relationships with customers | Software and licenses | Intellectual property rights | Goodwill | Others | **Total** |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| As of January 1, 2020 | $ 9,271 | $ 2,184 | $ 338 | $ 102 | $ 5,535 | $ 635 | **$ 18,065** |
| Translation effects | 693 | 307 | 16 | 6 | 659 | (11) | **1,670** |
| Additions | 965 | 221 | 13 | - | - | 17 | **1,216** |
| Disposals | - | - | (14) | - | - | (6) | **(20)** |
| As of December 31, 2020 | $ 10,929 | $ 2,712 | $ 353 | $ 108 | $ 6,194 | $ 635 | **$ 20,931** |
| Translation effects | 239 | (48) | 7 | 3 | (98) | (8) | **95** |
| Additions | 1,082 | - | 6 | - | - | 5 | **1,093** |
| Disposals | (249) | (167) | (6) | - | - | (114) | **(536)** |
| As of December 31, 2021 | $ 12,001 | $ 2,497 | $ 360 | $ 111 | $ 6,096 | $ 518 | **$ 21,583** |
| Translation effects | (997) | (197) | (36) | (7) | (589) | (23) | **(1,849)** |
| Additions | 1,102 | - | 6 | - | - | 6 | **1,114** |
| Disposals | (152) | (9) | (3) | - | - | (6) | **(170)** |
| As of December 31, 2022 | $ 11,954 | $ 2,291 | $ 327 | $ 104 | $ 5,507 | $ 495 | **$ 20,678** |
| **ACCUMULATED AMORTIZATION** | | | | | | | |
| January 1, 2020 | $ (4,746) | $ (1,368) | $ (269) | $ (102) | $ - | $ (398) | **$ (6,883)** |
| Amortizations | (931) | (218) | (28) | - | - | (46) | **(1,223)** |
| Disposals | - | - | 14 | - | - | 6 | **20** |
| Translation effects | (418) | (196) | (9) | (6) | - | 5 | **(624)** |
| As of December 31, 2020 | $ (6,095) | $ (1,782) | $ (292) | $ (108) | $ - | $ (433) | **$ (8,710)** |
| Amortizations | (1,022) | (174) | (24) | - | - | (9) | **(1,229)** |
| Disposals | 237 | 159 | 6 | - | - | 7 | **409** |
| Translation effects | (210) | 54 | 7 | (3) | - | (6) | **(158)** |
| As of December 31, 2021 | $ (7,090) | $ (1,743) | $ (303) | $ (111) | $ - | $ (441) | **$ (9,688)** |
| Amortizations | (896) | (141) | (18) | - | - | (8) | **(1,063)** |
| Disposals | 133 | 9 | 2 | - | - | 6 | **150** |
| Translation effects | 466 | 202 | 34 | 7 | - | 22 | **731** |
| As of December 31, 2022 | $ (7,387) | $ (1,673) | $ (285) | $ (104) | $ - | $ (421) | **$ (9,870)** |
| **NET CARRYING AMOUNT** | | | | | | | |
| Cost | $ 10,929 | $ 2,712 | $ 353 | $ 108 | $ 6,194 | $ 635 | **$ 20,931** |
| Accumulated amortization | (6,095) | (1,782) | (292) | (108) | - | (433) | **(8,710)** |
| As of December 31, 2020 | $ 4,834 | $ 930 | $ 61 | $ - | $ 6,194 | $ 202 | **$ 12,221** |
| Cost | $ 12,001 | $ 2,497 | $ 360 | $ 111 | $ 6,096 | $ 518 | **$ 21,583** |
| Accumulated amortization | (7,090) | (1,743) | (303) | (111) | - | (441) | **(9,688)** |
| As of December 31, 2021 | $ 4,911 | $ 754 | $ 57 | $ - | $ 6,096 | $ 77 | **$ 11,895** |
| Cost | $ 11,954 | $ 2,291 | $ 327 | $ 104 | $ 5,507 | $ 495 | **$ 20,678** |
| Accumulated amortization | (7,387) | (1,673) | (285) | (104) | - | (421) | **(9,870)** |
| **As of December 31, 2022** | **$ 4,567** | **$ 618** | **$ 42** | **$ -** | **$ 5,507** | **$ 74** | **$ 10,808** |

Of the total amortization expense, $514, $896, and $869, were charged to cost of sales, $267, $174, and $183, to administrative expenses, $4, $4, and $3 to selling expenses, $139, $155, and $168 decreasing the revenues to costs incurred to obtain new agreements with clients in 2022, 2021 and 2020, respectively.

## Impairment testing of goodwill

Goodwill is allocated to operating segments that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units, as follows:

| | North America | Europe | Total |
|---|---|---|---|
| Balance as of January 1, 2020 | $ 2,013 | $ 3,522 | **$ 5,535** |
| Translation effect | 117 | 542 | **659** |
| Balance as of December 31, 2020 | $ 2,130 | $ 4,064 | **$ 6,194** |
| Translation effect | 69 | (167) | **(98)** |
| Balance as of December 31, 2021 | $ 2,199 | $ 3,897 | **$ 6,096** |
| Translation effect | (131) | (458) | **(589)** |
| **Balance as of December 31, 2022** | **$ 2,068** | **$ 3,439** | **$ 5,507** |

The estimated gross margin has been budgeted based on past performance and market development expectations. The growth rate used is consistent with the projections included in the industry reports. The discount rate used is before taxes and it reflects the inherent risk in future cash flows.

The recoverable amount of all cash generating units has been determined based on fair value less costs of disposal considering a market participant's perspective. These calculations use cash flow projections based on pre-tax financial budgets approved by Management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in calculating the value in use in 2022, 2021 and 2020 were as follows:

**2022**

| | North America | Europe | Rest of the World |
|---|---|---|---|
| Growth rate | **1.50%** | **1.50%** | **2.50%** |
| Discount rate | **11.03%** | **10.12%** | **11.66%** |

**2021**

| | North America | Europe | Rest of the World |
|---|---|---|---|
| Growth rate | 1.50% | 1.50% | 2.50% |
| Discount rate | 10.32% | 9.59% | 10.66% |

**2020**

| | North America | Europe | Rest of the World |
|---|---|---|---|
| Growth rate | 1.50% | 1.50% | 2.50% |
| Discount rate | 10.97% | 10.15% | 11.57% |

The Company performed a sensitivity analysis considering an increase in the discount rate of 100 basis points, as well as a similar decrease in the long-term growth rate. As a result of the analysis, the Company concluded that there are no significant variations in the impairment calculations as of December 31, 2022.

# 13. Other non-current assets

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Restricted cash (Note 7) | **$ 126** | $ 129 | $ 135 |
| Equity investments [(1)] | **71** | 71 | 71 |
| Investments in associates | **350** | 521 | 565 |
| Tax credits receivable | **-** | 160 | 128 |
| Other assets | **129** | 80 | 103 |
| **Total other non-current assets** | **$ 676** | $ 961 | $ 1,002 |

[(1)] Equity investments are investment in shares of non-publicly traded companies. No impairment loss was recognized as of December 31, 2022, 2021 and 2020.

The accumulated summarized financial information for investments in associates accounted for under the equity method and that are not considered material, is as follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Net loss and comprehensive loss | **$ (10)** | $ (22) | $ (29) |

There are no contingent liabilities or commitments related to the Company's investments in associates.

## 14. Trade and other accounts payable

DECEMBER 31

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Trade account payable | **$ 22,391** | $ 20,628 | $ 17,408 |
| Advances from customers | **878** | 879 | 522 |
| Other social security fees and benefits | **1,891** | 1,790 | 1,859 |
| Related parties (Note 26) | **106** | 46 | 43 |
| Other payables | **5,270** | 4,843 | 5,153 |
| | **$ 30,536** | $ 28,186 | $ 24,985 |

## 15. Debt

DECEMBER 31

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **CURRENT:** | | | |
| Bank loans[(1) (2) (3)] | **$ 1,677** | $ 3,733 | $ 3,894 |
| Current portion of non-current debt | **257** | 237 | 250 |
| Interest payable[(1)] | **137** | 146 | 346 |
| **Total current debt** | **$ 2,071** | $ 4,116 | $ 4,490 |
| **NON-CURRENT DEBT:** | | | |
| Secured bank loans | **$ 3** | $ 4 | $ 5 |
| Unsecured bank loans | **8,378** | 4,942 | 5,057 |
| **In U.S dollars:** | | | |
| Sustainability-linked bonds / Senior Notes | **9,681** | 10,292 | 9,974 |
| **In Euros:** | | | |
| Sustainability-linked bonds / Senior Notes | **10,326** | 11,704 | 12,203 |
| Non-current debt before debt issuance and obtaining costs | **28,388** | 26,942 | 27,239 |
| Less: Debt issuance and obtaining costs | **(253)** | (239) | (266) |
| Less: current portion of other debts | **(257)** | (237) | (250) |
| **Non-current debt** | **$ 27,878** | $ 26,466 | $ 26,723 |

(1) As of December 31, 2022, 2021 and 2020, short-term bank loans bore interest at an average rate of 4.51%, 3.55%, and 3.97%, respectively. The short-term interest payable as of December 31, 2022, 2021, and 2020 amounted to $16, $19, and $-.

(2) The fair value of bank loans approximates their current book value, due to their short maturity.

(3) During 2022, the Company made payments on current bank debt for an amount of US $70. This credit was fully settled at the March 2022 close.

The carrying amounts, terms and conditions of non-current debt were as follows:

| Description | Contractual currency | Value (MXP) | Debt issuance and obtaining costs | Interest paid | Balance as of December 31, 2022 | Balance as of December 31, 2021 | Balance as of December 31, 2020 | Inception date MM/DD/YYYY | Maturity date MM/DD/YYYY | Interest rate |
|---|---|---|---|---|---|---|---|---|---|---|
| Brazil | BRL | $ 3 | $ - | $ - | $ 3 | $ 4 | $ 5 | 02/26/2015 | 01/25/2025 | 6.00% |
| Total secured bank loans | | 3 | - | - | 3 | 4 | 5 | | | |
| Bancomext LP | USD | 3,543 | 9 | 5 | 3,539 | 3,828 | 3,788 | 12/23/2019 | 12/23/2029 | 6.30% |
| The Bank of Nova Scotia | USD | 1,936 | 15 | - | 1,921 | - | - | 12/19/2022 | 12/19/2027 | 6.81% |
| BBVA Mexico | USD | 1,936 | 15 | - | 1,921 | - | - | 12/19/2022 | 12/19/2027 | 6.81% |
| Scotiabank Turkey | EUR | 258 | - | 1 | 259 | 440 | 612 | 10/28/2019 | 10/28/2024 | 1.35% |
| Spain | EUR | 51 | - | 1 | 52 | 70 | 86 | 08/13/2012 | 02/01/2028 | 1.50% |
| USA | USD | 654 | 101 | - | 553 | 503 | 476 | 04/06/2017 | 12/21/2025 | 1.32% |
| Total unsecured bank loans | | 8,378 | 140 | 7 | 8,245 | 4,841 | 4,962 | | | |
| Total bank loans | | 8,381 | 140 | 7 | 8,248 | 4,845 | 4,967 | | | |
| Sustainability-linked bond / Senior Notes | USD | 9,681 | 59 | 28 | 9,650 | 10,225 | 10,103 | 06/28/2021 | 06/28/2031 | 3.63% |
| Sustainability-linked bond / Senior Notes | EUR | 10,326 | 54 | 86 | 10,358 | 11,760 | 12,249 | 07/20/2021 | 07/20/2028 | 2.25% |
| Total Senior Notes | | 20,007 | 113 | 114 | 20,008 | 21,985 | 22,352 | | | |
| Total | | 28,388 | 253 | 121 | 28,256 | 26,830 | 27,319 | | | |
| Less: current portion of non-current debt | | (257) | - | - | (257) | (237) | (250) | | | |
| **Non-current debt (including non-current interest debt payable)** | | $ 28,131 | $ 253 | $ 121 | $ 27,999 | $ 26,593 | $ 27,069 | | | |

As of December 31, 2022, the annual maturities of non-current debt, gross of debt issuance and obtaining costs are as follows:

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 and thereafter | **Total** |
|---|---|---|---|---|---|---|---|
| Bank loans [1] | $ 256 | $ 420 | $ 841 | $ 392 | $ 4,424 | $ 2,048 | **$ 8,381** |
| Sustainability-linked bonds [2] | - | - | - | - | - | 20,007 | **20,007** |
| | $ 256 | $ 420 | $ 841 | $ 392 | $ 4,424 | $ 22,055 | **$ 28,388** |

[1] Interest on bank loans will be paid quarterly.
[2] Interest on Sustainability-linked bonds will be paid semiannually.

Based on the expectation of decreased sales and generation of cash flow derived from COVID-19, Nemak decided to negotiate amendments with the banks with which it has committed credit line contracts (Note 4), to obtain flexibility in its financial obligations. The amendments to these contracts were made during the months of May and June of 2020, in such a way that Nemak was able to obtain flexibility in its financial obligations as of June 30, 2020 and until June 30, 2021. Derived from these amendments, Nemak paid a fee of US$0.49, which was recognized in the consolidated statement of income. The amendments included modifications to the restrictive and unrestrictive covenants as mentioned below. Some of the loan contracts and debt agreements contain restrictions, primarily regarding the compliance with certain financial ratios, including:

a. Interest coverage ratio: which is defined as EBITDA (Note 27) for the period of the last four complete quarters [(1)] divided by financial expenses, net, for the last four quarters, which shall not be less than 3.0 times.

b. Leverage ratio: which is defined as consolidated debt at that date, being the gross debt or net debt appropriate, divided by EBITDA (Note 27) for the period of the last four complete quarters [(1)], which shall not be more than 3.5, 3.5, and 4.75 times for the year ended December 31, 2022, 2021 and 2020, respectively.

[(1)] As part of the amendments to the credit agreements, EBITDA for the periods ended from the third quarter of 2020 until the second quarter of 2021, did not comprehend expenses related to COVID-19.

During 2022, 2021 and 2020, the financial ratios mentioned above were calculated in accordance with the established formulas in the credit agreements.

In 2021, the Company issued 2 Senior Notes with the characteristic of “Sustainability-Linked Bonds”:

The first one was issued in June for US$ 500 with a fixed rate of 3.625% and a 10-year maturity, and its use was to prepay the Senior Notes issued for the same amount in January 2018.

The second one was issued in July for EUR 500 with a fixed rate of 2.25% and a 7-year maturity, and its use was to prepay the Senior Notes issued for the same amount in March 2017.

Both issuances were contracted without financial obligations and without joint and several obligors under an investment grade structure.

Both issuances incorporate a measurement for the year concluding December 31, 2026 to achieve at least a 18% reduction of CO2 emissions, if the goal is not achieved, the interest coupons shall increase 25 basis points as of June 28, 2027, with respect to the Sustainability-Linked Bonds in dollars and as of July 20, 2027, with respect to the Sustainability-Linked Bond in euros. This goal is consistent with our sustainability commitment to reduce GHG emissions in 28% by 2030, which were approved by the Science-Based Targets initiative (SBTi) in 2021.

In 2022, the Company secured a loan of US$200 with two banks featuring a five-year bullet repayment. Under the terms of the loan, the banks provided US$100 each. This transaction represents the Company’s first-ever green bank loan, with the proceeds being used to finance the installation of new plants dedicated to the production of components for electric vehicles of global customers. These plants are located in Mexico, Germany, and the Czech Republic.

At December 31, 2022, 2021 and 2020 and the date of issuance of these consolidated financial statements, the Company is in compliance with all obligations and affirmative and negative covenants contained in its credit agreements; such obligations, among other conditions are subject to certain exceptions, and require or limit the ability of the Company to:

- Provide certain financial information;
- Maintain books and records;
- Maintain assets in appropriate conditions, except for those that cannot be expected to have a substantially adverse effect;
- Comply with applicable laws, rules and regulations, whose compliance may have a substantially adverse effect;
- Incur additional indebtedness, except if it is in compliance with affirmative and negative covenants in credit agreements;
- Pay dividends (only applicable to Nemak SAB), except if it is in compliance with affirmative and negative covenants in credit agreements;
- Grant liens on assets when the amount of secured obligations exceeds a percentage of total consolidated assets, as defined in each case;
- Enter into certain transactions with affiliates that are not in market conditions;
- Perform a consolidation or merger, except if the Company is the surviving one, and

- Carry out sale of assets, including sale and lease-back operations, whose value exceeds the amount determined in each case, except if it involves obsolete or abandoned assets, or such sale is performed according to ordinary course of business, fair market price and market conditions.

As of December 31, 2022, 2021 and 2020, there are no assets pledged as collateral for any of the subsidiaries, except for some assets, pledged as collateral in a long-term debt granted by a Brazilian government entity to promote investment ("BNDES"). As of December 31, 2022, the outstanding balance and the value of the pledged assets are approximately US$0.1 ($2.5) and US$0.1 ($2.5), respectively. As of December 31, 2021, the outstanding balance and the value of the pledged assets are approximately US$0.2 ($3.7) and US$0.2 ($3.7). As of December 31, 2020, the outstanding balance and the value of the pledged assets are approximately US$0.3 ($5.1) and US$0.3 ($5.1), respectively.

## 16. Lease liability

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CURRENT PORTION:** | | | |
| USD | **$ 115** | $ 234 | $ 212 |
| EUR | **167** | 153 | 186 |
| Other currencies | **20** | 54 | 24 |
| **Current lease liability** | **$ 302** | $ 441 | $ 422 |
| **NON-CURRENT PORTION:** | | | |
| USD | **$ 504** | $ 662 | $ 458 |
| EUR | **1,015** | 900 | 973 |
| Other currencies | **432** | 521 | 545 |
| | **1,951** | 2,083 | 1,976 |
| Less; Current portion of lease liability | **(302)** | (441) | (422) |
| **Non-current lease liability** | **$ 1,649** | $ 1,642 | $ 1,554 |

As of December 31, 2022, 2021 and 2020, changes in the lease liability related to the financing activities in accordance with the statement of cash flows consist of the following:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Beginning balance | **$ 2,083** | $ 1,976 | $ 1,853 |
| New contracts | **565** | 653 | 376 |
| Write-offs | **(9)** | (95) | (9) |
| Interest expense from lease liability | **84** | 89 | 86 |
| Lease payments | **(623)** | (698) | (298) |
| Exchange loss (income) | **(149)** | 158 | (32) |
| **Ending balance** | **$ 1,951** | $ 2,083 | $ 1,976 |

The total of future minimum payments of leases that include non-accrued interest is analyzed as follows:

| | DECEMBER 31, |
|---|---|
| | **2022** |
| Less than 1 year | **$ 302** |
| Over 1 year and less than 3 years | **591** |
| Over 3 year and less than 5 years | **227** |
| Over 5 years | **831** |
| **Total** | **$ 1,951** |

## 17. Other liabilities

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CURRENT:** | | | |
| Other taxes and withholdings | **$ 236** | $ 144 | $ 216 |
| Statutory employee profit sharing | **357** | 214 | 170 |
| Share-based payment (Note 20) | **17** | 14 | 12 |
| Derivative financial instruments (Nota 4) | **95** | 18 | - |
| Others | **2** | 2 | 18 |
| **Total** | **$ 707** | $ 392 | $ 416 |
| **NON-CURRENT:** | | | |
| Other [1] | **$ 151** | $ 225 | $ 273 |
| **Total** | **$ 151** | $ 225 | $ 273 |

[1] It includes share-based payments (Note 20).

## 18. Employee benefits

In 2020, due to the COVID-19 pandemic (Note 2 i.), the Company carried out labor terminations representing 9% of the total workforce, resulting in the recognition of US$36 for severance and other COVID-19 related expenses. In addition, Nemak received support from the European government for a total of US$24, recognized in the operating income. This support did not entail any commitment from the Company. The Company did not receive any government support during the years 2022 and 2021, respectively.

The valuation of employee benefits for retirement plans is based primarily on their years of service, current age and estimated salary at retirement date.

Subsidiaries of the Company have established funds for the payment of retirement benefits through irrevocable trusts.

Employee benefit obligations recognized in the consolidated statement of financial position are shown below:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **Country** | | | |
| Mexico | **$ 793** | $ 635 | $ 604 |
| United States | **-** | 7 | 38 |
| Canada | **61** | 110 | 168 |
| Poland | **211** | 216 | 243 |
| Austria | **161** | 204 | 228 |
| Germany | **104** | 182 | 174 |
| Other | **109** | 100 | 113 |
| **Total** | **$ 1,439** | $ 1,454 | $ 1,568 |

Below is a summary of the primary financial data of these employee benefits:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **Obligations in the consolidated statement of financial position:** | | | |
| Pension benefits | **$ 1,289** | $ 1,312 | $ 1,426 |
| Post-employment medical benefits | **150** | 142 | 142 |
| Liability recognized in the consolidated statement of financial position | **1,439** | 1,454 | 1,568 |
| **Charge in the consolidated statements of income for:** | | | |
| Pension benefits | **(158)** | (141) | (195) |
| Post-employment medical benefits | **(5)** | (10) | (6) |
| | **(163)** | (151) | (201) |
| **Remeasurements from employee benefit obligations recognized in other comprehensive income for the year** | | | |
| Pension benefits | **(24)** | 204 | (40) |
| Post-employment medical benefits | **36** | 7 | 26 |
| | **12** | 211 | (14) |
| **Remeasurements accumulated in stockholders' equity** | **$ (129)** | $ (141) | $ (352) |

The Company manages post-employment medical benefits in Mexico and Canada. The accounting method, assumptions and frequency of valuations are similar to those used for benefits defined in pension schemes.

Amounts recognized in the consolidated statement of financial position are determined as follows:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Present value of the obligations | **$ 1,958** | $ 2,187 | $ 2,220 |
| Fair value of plan assets | **(519)** | (733) | (652) |
| Net liabilities in the consolidated statement of financial position | **$ 1,439** | $ 1,454 | $ 1,568 |

The movement in the defined benefit obligation during the year was as follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| As of January 1 | **$ 2,187** | $ 2,220 | $ 2,035 |
| Current service cost | **148** | 298 | 157 |
| Interest cost | **58** | 52 | 57 |
| Contributions from plan participants | **1** | 1 | 1 |
| **Remeasurements:** | | | |
| Actuarial remeasurements | **(127)** | (71) | 341 |
| Settlements | **(46)** | - | (4) |
| Benefits paid | **(92)** | (137) | (246) |
| Exchange differences | **(171)** | (176) | (121) |
| **As of December 31,** | **$ 1,958** | $ 2,187 | $ 2,220 |

The movement in the fair value of plan assets for the year was as follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| As of January 1 | **$ (733)** | $ (652) | $ (627) |
| Interest income | **(22)** | (18) | (22) |
| Remeasurements – return from plan assets, net | **112** | (65) | (42) |
| Exchange differences | **112** | (22) | (41) |
| Contributions from plan participants | **(54)** | (7) | (5) |
| Employee contributions | **1** | (1) | (1) |
| Benefits paid | **65** | 32 | 86 |
| **As of December 31** | **$ (519)** | $ (733) | $ (652) |

The primary actuarial assumptions were as follows:

| | DECEMBER 31 | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| **MEXICO:** | | | |
| Inflation rate | **7.82%** | 7.36% | 3.15% |
| Wage increase rate | **5.00%** | 4.50% | 4.50% |
| Future wage increase | **3.50%** | 3.50% | 3.50% |
| Medical inflation rate | **7.00%** | 7.00% | 6.50% |
| **DISCOUNT RATE:** | | | |
| Mexico | **9.25%** | 7.75% | 6.75% |
| Canada | **5.14%** | 3.07% | 2.79% |
| Austria | **4.00%** | 1.00% | 1.00% |
| United States | **5.10%** | 2.35% | 3.05% |
| Germany | **3.15%** | 1.35% | 1.60% |
| Poland | **6.70%** | 3.20% | 1.30% |

The sensitivity analysis of the main assumptions for defined benefit obligations discount rate were as follows:

| | IMPACT ON DEFINED BENEFIT OBLIGATIONS | | |
|---|---|---|---|
| | Change in assumptions | Increase in assumptions | Decrease in assumptions |
| Discount rate | 1% | $ (107) | $ 131 |

## Pension benefit assets

Plan assets are comprised of the following:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Equity instruments | **$ 149** | $ 496 | $ 440 |
| Short and long-term fixed-income securities | **370** | 237 | 212 |
| | **$ 519** | $ 733 | $ 652 |

# 19. Stockholders' equity

At December 31, 2022, 2021 and 2020, the fixed, capital stock of $6,552, $6,553, and $ 6,599, respectively, was represented by 3,055, 3,055, and 3,077 million registered common shares, "Class I" of the Series "A", without face value, fully subscribed and paid, respectively.

As of December 31, 2020, the shares were represented as follows:

| | NUMBER OF SHARES | |
|---|---|---|
| Stockholder | (In millions) | Amount |
| Controladora Nemak | $ 2,316 | $ 4,966 |
| Public investors | 761 | 1,633 |
| Repurchase of shares | - | - |
| **Balances as of December 31, 2020** | $ 3,077 | $ 6,599 |

As of December 31, 2021, the shares were represented as follows:

| | NUMBER OF SHARES | |
|---|---|---|
| Stockholder | (In millions) | Amount |
| Public investors | $ 3,077 | $ 6,599 |
| Repurchase of shares (1) | (22) | (46) |
| **Balances as of December 31, 2021** | $ 3,055 | $ 6,553 |

(1) As of December 31, 2022, the repurchase of shares corresponds to 480,000 of shares.

As of December 31, 2022, the shares were represented as follows:

| | NUMBER OF SHARES | |
|---|---|---|
| Stockholder | (In millions) | Amount |
| Public investors | **$ 3,055** | **$ 6,553** |
| Repurchase of shares (1) | **0** | **(1)** |
| **Balances as of December 31, 2022** | **$ 3,055** | **$ 6,552** |

(1) As of December 31, 2022, the repurchase of shares corresponds to 480,000 of shares.

The movement in outstanding shares for the year was as follows:

| | Number of shares (In millions) |
|---|---|
| Shares as of January 1, 2020 | 3,077 |
| Repurchase of shares | - |
| Shares as of December 31, 2020 | 3,077 |
| Repurchase of shares | (22) |
| Shares as of December 31, 2021 | 3,055 |
| Repurchase of shares (1) | 0 |
| **Shares as of December 31, 2022** | **3,055** |

(1) As of December 31, 2022, the repurchase of shares corresponds to 480,000 of shares.

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock. As of December 31, 2022, 2021 and 2020, the legal reserve amounted to $1,188, $1,188, and $1,179, respectively, which is included in retained earnings.

On February 25, 2020, the Annual Ordinary Shareholders' Meeting was held, at which the payment of a cash dividend of US$0.0164 per outstanding share was approved, equivalent to approximately US$51 ($954). However, taking into account the effects derived from COVID-19, the Company approved at the Annual Ordinary Shareholders' Meeting held on June 19, 2020, to revoke the payments of the dividend declarations scheduled for July 1, October 1 and December 18, 2020, equivalent to US$38 ($715).

Dividends paid as of December 31, 2020 were US$13 ($306) ($0.10 per share) which fully arise from the Net Tax Profit Account (CUFIN). The Company did not pay any dividends as of December 31, 2022 and 2021.

Dividends paid are not subject to income tax if paid from the CUFIN. Any dividends paid in excess of this account will cause a tax equivalent to 42.86% if they are paid in 2022. This tax is payable by the Company and may be credited against its income tax in the same year or the following two years or, if applicable, against the flat tax of the period. Dividends paid from profits, which have previously paid income tax are not subject to tax withholding or to any additional tax payment. As of December 31, 2022, the tax value of the consolidated CUFIN and value of the Capital Contribution Account (CUCA) amounted to $25,140 and $9,963, respectively.

The incentive is applicable provided that such dividends or profits were generated in 2014, 2015 and 2016 and are reinvested in the legal entity that generated such profits, and consists of a tax credit equal to the amount obtained by applying the dividend or profits distributed, which corresponds to the year in which such amounts are distributed as follows:

| Year of distribution of dividend or profit | Percentage of application to the amount of dividend or profit distributed. |
|---|---|
| 2021 | 5% |
| 2022 | 5% |
| 2023 onwards | 5% |

The tax credit will be used against the additional 10% income tax that the entity must withhold and pay.

To apply the tax credit, the Company must meet the following requirements:

- Must identify in its accounting records the corresponding records to the profits or dividends generated in 2014, 2015 and 2016 and the respective distributions.
- Present in the notes to the consolidated financial statements information for the period in which profits were generated, dividends that were reinvested or distributed.

Entities distributing dividends or profits in respect of shares placed among the investing public should inform brokerage firms, credit institutions, investment firms, the people who carry out the distribution of shares of investment companies, or any other intermediary, the necessary details for these brokers to be able to make the corresponding withholding. For the years ended December 31, 2022, 2021 and 2020, the Company generated taxable income (loss) of $1,018, $85, and $(933), respectively, which may be subject to this withholding.

In the case of a capital reduction, Mexican tax law establishes that any excess of stockholders' equity over capital contributions be given the same tax treatment as applicable to dividends.

## 20. Share-based payments

The Company has a compensation plan referenced to the value of its shares for senior executives of Nemak and its subsidiaries. From 2021, the compensation plan is only referenced to the value of Nemak's shares. According to the terms of the plan, eligible executives will receive a cash payment conditional on the achievement of certain quantitative and qualitative metrics based on the following financial measures:

- Improved share price
- Improvement in net income
- Tenure of the executives in the Company

The bonus will be paid in cash over the next five years, i.e. 20% each year based on the average price per share in pesos for the month of December of each year. The average share´s price considered for the compensation´s measurement in Mexican pesos in 2022, 2021 and 2020 was $5.78, $6.07, and $6.41, the measurement is considered to be within level 1 of the fair value hierarchy.

Short and long-term liability are included in Other liabilities (Note 17) and are integrated as follows:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Short-term | **$ 17** | $ 14 | $ 12 |
| Long-term | **39** | 35 | 31 |
| **Total carrying amount** | **$ 56** | $ 49 | $ 43 |

## 21. Expenses classified by nature

The total cost of sales and administrative and sales expenses, classified by nature, were as follows:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Raw materials | **$ (44,668)** | $ (33,092) | $ (24,699) |
| Maquila (production outsourcing) | **(5,550)** | (5,058) | (5,254) |
| Employee benefit expenses (Note 24) | **(17,084)** | (15,938) | (15,630) |
| Personnel expenses | **(91)** | (63) | (54) |
| Maintenance | **(4,284)** | (3,928) | (3,760) |
| Depreciation and amortization | **(6,426)** | (6,718) | (6,826) |
| Freight charges | **(537)** | (473) | (451) |
| Advertising expenses | **(12)** | (14) | (9) |
| Consumption of energy and fuel | **(5,494)** | (3,615) | (3,253) |
| Travel expenses | **(183)** | (67) | (73) |
| Operating leases | **(255)** | (268) | (255) |
| Technical assistance, professional fees and administrative services | **(2,183)** | (1,243) | (1,070) |
| Other | **(2,884)** | (2,050) | (1,989) |
| **Total** | **$ (89,651)** | $ (72,527) | $ (63,323) |

## 22. Other income (expenses), net

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Gain on sale of property, plant, and equipment | **$ 5** | $ 1 | $ 6 |
| Impairment of property, plant, and equipment (Note 27) | **(704)** | (141) | (133) |
| Other income [1] | **202** | 251 | (908) |
| **Total other income (expenses), net** | **$ (497)** | $ 111 | $ (1,035) |

[1] As of December 31, 2020, it primarily includes COVID-19 related items.

## 23. Financial results, net

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **FINANCIAL INCOME:** | | | |
| Interest income in short-term bank deposits | **$ 35** | $ 29 | $ 49 |
| Financial income with related parties (Note 26) | **7** | 5 | 4 |
| Other financial income [1] | **73** | 37 | 23 |
| Total financial income | **$ 115** | $ 71 | $ 76 |
| **FINANCIAL EXPENSES:** | | | |
| Interest expense on bank loans [3] | **$ (1,114)** | $ (2,154) | $ (1,641) |
| Other financial expenses [2] | **(388)** | (105) | (105) |
| Total financial expense | **$ (1,502)** | $ (2,259) | $ (1,746) |
| **EXCHANGE FLUCTUATION GAIN (LOSS), NET:** | | | |
| Exchange fluctuation gain | **$ 11,327** | $ 2,462 | $ 8,484 |
| Exchange fluctuation loss | **(11,523)** | (2,867) | (9,504) |
| Total exchange fluctuation loss, net | **$ (196)** | $ (405) | $ (1,020) |
| **Financial results, net** | **$ (1,583)** | $ (2,593) | $ (2,690) |

[1] It includes interest on plan assets (Note 18) and other items.
[2] It includes the financial cost of employee benefits (Note 18).
[3] As of December 31, 2021, it includes debt prepayment costs of $576 of Senior Notes.

## 24. Employee benefit expenses

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Salaries, wages and benefits | **$ 14,423** | $ 13,283 | $ 13,137 |
| Contributions to social security | **2,260** | 2,191 | 2,176 |
| Employee pension benefits (Note 18) | **148** | 298 | 157 |
| Other contributions | **253** | 166 | 160 |
| **Total** | **$ 17,084** | $ 15,938 | $ 15,630 |

### Holiday Labor Reform

On December 27, 2022, the amendments of the articles 76 and 78 of the Federal Labor Law ("LFT" by its initials in Spanish) were published in Mexico and will be effective on January 1, 2023. The amendments resulting from this labor reform consider the increase in the minimum annual vacation period for workers with more than one year of service.

The Company evaluated the accounting impacts generated by this labor reform and determined that the increases in the vacation and vacation premium provision, as a result of the increase of vacation days, were not significant as of December 31, 2022.

## 25. Income taxes

The Company is subject to income tax, whose rate is 30% in Mexico. The statutory income tax rates applicable to the main foreign subsidiaries were as follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Germany | **30.0%** | 30.0% | 30.0% |
| Austria | **25.0%** | 25.0% | 25.0% |
| Brazil | **34.0%** | 34.0% | 34.0% |
| China | **25.0%** | 25.0% | 25.0% |
| Spain | **24.0%** | 24.0% | 24.0% |
| Slovakia | **21.0%** | 21.0% | 21.0% |
| United State of America | **21.0%** | 21.0% | 21.0% |
| Hungary | **9.0%** | 9.0% | 9.0% |
| Poland | **19.0%** | 19.0% | 19.0% |
| Turkey | **23.0%** | 25.0% | 20.0% |

a) Income tax recognized in the consolidated statements of income:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Current tax | **$ (1,330)** | $ (890) | $ (513) |
| Deferred tax | **163** | (1,072) | 332 |
| **Income tax expensed** | **$ (1,167)** | $ (1,962) | $ (181) |

b) The reconciliation between the statutory and effective income tax rates was as follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Income before taxes | **$ 2,185** | $ 2,047 | $ (752) |
| Equity in losses of associates recognized through the equity method | **10** | 22 | 29 |
| Income before interests in associates | **2,195** | 2,069 | (723) |
| Statutory rate | **30%** | 30% | 30% |
| Taxes at statutory rate | **(659)** | (621) | 217 |
| **(Add) less tax effect on:** | | | |
| Inflation adjustments | **(559)** | (527) | (254) |
| Non-deductible expenses | **83** | 71 | (330) |
| Tax loss recovery valuation reserve | **-** | (1,031) | - |
| Non-taxable exchange effects | **73** | 49 | 286 |
| Other | **(105)** | 97 | (100) |
| **Total income tax expense** | **$(1,167)** | $(1,962) | $ (181) |
| **Effective rate** | **53%** | 96% | (24)% |

c) The detail of the deferred income tax asset and liability is as follows:

| | DECEMBER 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Inventories | **$ -** | $ - | $ 43 |
| Property, plant and equipment | **(146)** | (107) | (1,520) |
| Intangible assets | **(166)** | (47) | (181) |
| Provisions | **198** | 202 | 1,236 |
| Tax loss carryforwards | **35** | 588 | 1,137 |
| Other temporary differences, net | **575** | (511) | 315 |
| **Deferred tax asset** | **$ 496** | $ 125 | $ 1,030 |
| | | | |
| Inventories | **$ 4** | $ (9) | $ (13) |
| Property, plant and equipment | **(1,873)** | (3,551) | (2,443) |
| Intangible assets | **(480)** | (588) | (1,392) |
| Provisions | **1,496** | 1,583 | 1,495 |
| Tax loss carryforwards | **466** | 4 | 77 |
| Other temporary differences, net | (1,805) | 319 | 325 |
| **Deferred tax liability** | **$ (2,192)** | $ (2,242) | $ (1,951) |

Tax losses as of December 31, 2022 expire in the following years:

| Expiration year | Amount |
|---|---|
| 2023 | $ 186 |
| 2024 | 344 |
| 2025 | 486 |
| 2026 | 199 |
| 2027 and thereafter | 890 |
| No maturity | 2,588 |
| | **$ 4,693** |

Additionally, as of December 31, 2022, the Company holds tax loss carryforwards of $788 and has decided to reserve the total amount.

d) The tax charge/(credit) related to comprehensive income is as follows:

| | 2022 | | | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Before taxes | Tax charged/ (credited | After taxes | Before taxes | Tax charged/ (credited | After taxes | Before taxes | Tax charged/ (credited | After taxes |
| Translation effect of foreign entities | **$ (3,094)** | **$ -** | **$(3,094)** | $ (63) | $ - | $ (63) | $ 2,909 | $ - | $ 2,909 |
| Remeasurements of obligations for employee benefits | **12** | **(2)** | **10** | 211 | (52) | 159 | (14) | 1 | (13) |
| Derivative financial instruments designated as cash flow hedges | **(77)** | **22** | **(55)** | (28) | 8 | (20) | - | - | - |
| **Other comprehensive income items** | **$ (3,159)** | **$ 20** | **$ (3,139)** | $ 120 | $ (44) | $ 76 | $ 2,895 | $ 1 | $ 2,896 |

## 26. Transactions with related parties

Transactions with related parties during the years ended December 31, 2022, 2021 and 2020, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

**DECEMBER 31, 2022 LOANS WITH RELATED PARTIES**

| | Accounts receivable | Capital and Interest | Currency | Maturity date MM/DD/YYYY | Interest rate | Accounts payable |
|---|---|---|---|---|---|---|
| ALFA | **$ -** | **$ 87** | **MXP** | **12/31/2023** | **11.50%** | **$ 75** |
| Associates | **63** | **42** | **EUR** | **08/03/2023** | **4.25%** | **30** |
| Affiliates | **7** | **-** | | | | **1** |
| **Total** | **$ 70** | **$ 129** | | | | **$ 106** |

**DECEMBER 31, 2021 LOANS WITH RELATED PARTIES**

| | Accounts receivable | Capital and Interest | Currency | Maturity date MM/DD/YYYY | Interest rate | Accounts payable |
|---|---|---|---|---|---|---|
| ALFA | $ - | $ 83 | MXP | 2/31/2022 | 6.42% | $ 23 |
| Associates | 69 | 46 | EUR | 03/04/2022 | 4.35% | 23 |
| Affiliates | 18 | - | MXP | | | - |
| Ford | 1,215 | - | | | | - |
| **Total** | **$ 1,302** | **$ 129** | | | | **$ 46** |

**DECEMBER 31, 2020 LOANS WITH RELATED PARTIES**

| | Accounts receivable | Capital and Interest | Currency | Maturity date MM/DD/YYYY | Interest rate | Accounts payable |
|---|---|---|---|---|---|---|
| ALFA | $ - | $ 80 | MXP | 08/16/2021 | 5.49% | $ - |
| Associates | 73 | 41 | EUR | 03/04/2021 | 4.35% | 43 |
| Ford | 882 | - | | | | - |
| **Total** | **$ 955** | **$ 121** | | | | **$ 43** |

Sales revenues and other related parties:

| | YEAR ENDED DECEMBER 31, 2022 | | |
|---|---|---|---|
| | Finished goods | Interest | Other |
| **ALFA** | **$ -** | **$ 4** | **$ -** |
| Associates | **-** | **3** | **422** |
| Affiliates | **-** | **-** | **17** |
| **Total** | **$ -** | **$ 7** | **$ 439** |

| | YEAR ENDED DECEMBER 31, 2021 | | |
|---|---|---|---|
| | Finished goods | Interest | Other |
| ALFA | $ - | $ 3 | $ - |
| Ford | 19,506 | - | - |
| Associates | - | 2 | 372 |
| Affiliates | - | - | 18 |
| **Total** | $ 19,506 | $ 5 | $ 390 |

| | YEAR ENDED DECEMBER 31, 2021 | | |
|---|---|---|---|
| | Finished goods | Interest | Other |
| ALFA | $ - | $ 2 | $ - |
| Ford | 13,772 | - | - |
| Associates | - | 2 | 266 |
| **Total** | $ 13,772 | $ 4 | $ 266 |

Cost of sales and other expenses with related parties:

| | YEAR ENDED DECEMBER 31, 2022 | | |
|---|---|---|---|
| | Administrative services | Other costs and expenses | Dividends paid |
| **ALFA** | **$ 184** | **$ -** | **$ -** |
| Affiliates | **54** | **23** | **-** |
| **Total** | **$ 238** | **$ 23** | **$ -** |

| | YEAR ENDED DECEMBER 31, 2021 | | |
|---|---|---|---|
| | Administrative services | Other costs and expenses | Dividends paid |
| ALFA | $ 45 | $ - | $ - |
| Affiliates | 51 | 39 | - |
| **Total** | $ 96 | $ 39 | $ - |

| | YEAR ENDED DECEMBER 31, 2020 | | |
|---|---|---|---|
| | Administrative services | Other costs and expenses | Dividends paid |
| ALFA | $ 43 | $ - | $ 231 |
| Affiliates | - | 97 | - |
| **Total** | $ 43 | $ 97 | $ 231 |

For the years ended December 31, 2022, 2021 and 2020, wages and benefits received by senior management of the Company were $157, $130, and $132, respectively, an amount comprising base salary and other benefits associated with the Company's share-based payment plans.

# 27. Segment financial information

Segment information is presented consistently with the internal reporting provided to the chief executive officer who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance. The Company manages and evaluates its operation through its primary operating segments, which are:

- North America; in which Mexican and United States operations are grouped.
- Europe operations include the plants in Germany, Spain, Hungary, Czech Republic, Austria, Poland, Slovakia, Russia and Turkey.
- Operating segments that do not meet the threshold established by the standard itself to be reported separately, such as Asia (including plants in China and India), South America (including plants in Brazil and Argentina), and other less significant operations, are added and shown under the "rest of the world".

Transactions between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared, are consistent with those described in Note 3.

The Company evaluates the performance of each of the operating segments based on income before financial results, income taxes, depreciation and amortization ("EBITDA"), considering that this indicator is a good metric to evaluate operating performance and the ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined the Adjusted EBITDA by also adjusting for the impacts of asset impairment.

Below is the condensed financial information on these operating segments:

For the year ended December 31, 2022

| | North America | Europe | Rest of the world | Eliminations | Total |
|---|---|---|---|---|---|
| **STATEMENT OF INCOME** | | | | | |
| Income by segment | **$ 52,608** | **$ 31,687** | **$ 11,345** | **$ (1,714)** | **$ 93,926** |
| Inter-segment income | **(501)** | **(1,203)** | **(10)** | **1,714** | **-** |
| Income from external customers | **$ 52,107** | **$ 30,484** | **$ 11,335** | **$ -** | **$ 93,926** |
| **EBITDA** | | | | | |
| Operating income (loss) | **$ 2,341** | **$ 1,689** | **$ (252)** | **$ -** | **$ 3,778** |
| Depreciation and amortization | **3,684** | **2,124** | **618** | **-** | **6,426** |
| Impairment | **58** | **229** | **417** | **-** | **704** |
| Adjusted EBITDA | **$ 6,083** | **$ 4,042** | **$ 783** | **$ -** | **$ 10,908** |
| **Capital investments (Capex and intangibles)** | **$ 6,056** | **$ 2,517** | **$ 806** | **$ -** | **$ 9,379** |

For the year ended December 31, 2021

| | North America | Europe | Rest of the world | Eliminations | Total |
|---|---|---|---|---|---|
| **STATEMENT OF INCOME** | | | | | |
| Income by segment | $ 39,373 | $ 30,610 | $ 9,988 | $ (2,893) | **$ 77,078** |
| Inter-segment income | (174) | (2,099) | (620) | 2,893 | **-** |
| Income from external customers | $ 39,199 | $ 28,511 | $ 9,368 | $ - | **$ 77,078** |
| **EBITDA** | | | | | |
| Operating income | $ 1,754 | $ 2,614 | $ 294 | $ - | **$ 4,662** |
| Depreciation and amortization | 3,756 | 2,347 | 615 | - | **6,718** |
| Impairment | 17 | 74 | 50 | - | **141** |
| Adjusted EBITDA | $ 5,527 | $ 5,035 | $ 959 | $ - | **$ 11,521** |
| **Capital investments (Capex and intangibles)** | $ 4,215 | $ 2,237 | $ 891 | $ - | **$ 7,343** |

For the year ended December 31, 2020

| | North America | Europe | Rest of the world | Eliminations | Total |
|---|---|---|---|---|---|
| **STATEMENT OF INCOME** | | | | | |
| Income by segment | $ 34,586 | $ 25,023 | $ 8,461 | $ (1,745) | **$ 66,325** |
| Inter-segment income | (76) | (1,013) | (656) | 1,745 | **-** |
| Income from external customers | $ 34,510 | $ 24,010 | $ 7,805 | $ - | **$ 66,325** |
| **EBITDA** | | | | | |
| Operating income (loss) | $ 1,348 | $ 825 | $ (206) | $ - | **$ 1,967** |
| Depreciation and amortization | 3,658 | 2,407 | 761 | - | **6,826** |
| Impairment | 117 | 12 | 4 | - | **133** |
| Adjusted EBITDA | $ 5,123 | $ 3,244 | $ 559 | $ - | **$ 8,926** |
| **Capital investments (Capex and intangibles)** | $ 3,452 | $ 1,875 | $ 328 | $ - | **$ 5,655** |

The reconciliation between "Adjusted EBITDA" and income (loss) before tax is as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Adjusted EBITDA | **$ 10,908** | $ 11,521 | $ 8,926 |
| Depreciation and amortization | **(6,426)** | (6,718) | (6,826) |
| Impairment | **(704)** | (141) | (133) |
| | | | |
| Operating income | **3,778** | 4,662 | 1,967 |
| Financial results, net | **(1,583)** | (2,593) | (2,690) |
| Equity in associates | **(10)** | (22) | (29) |
| **Income (loss) before taxes** | **$ 2,185** | $ 2,047 | $ (752) |

For the year ended December 31, 2022

| | Property, plant and equipment, net | Goodwill | Intangible assets and right of use |
|---|---|---|---|
| North America | **$ 28,780** | **$ 2,068** | **$ 3,520** |
| Europe | **18,154** | **3,439** | **2,784** |
| Rest of the world | **4,005** | **-** | **710** |
| **Total** | **$ 50,939** | **$ 5,507** | **$ 7,014** |

For the year ended December 31, 2021

| | Property, plant and equipment, net | Goodwill | Intangible assets and right of use |
|---|---|---|---|
| North America | $ 28,027 | $ 2,199 | $ 3,798 |
| Europe | 20,051 | 3,897 | 2,972 |
| Rest of the world | 4,601 | - | 896 |
| **Total** | $ 52,679 | $ 6,096 | $ 7,666 |

For the year ended December 31, 2020

| | Property, plant and equipment, net | Goodwill | Intangible assets and right of use |
|---|---|---|---|
| North America | $ 26,582 | $ 2,130 | $ 3,622 |
| Europe | 20,754 | 4,064 | 3,224 |
| Rest of the World | 4,155 | - | 978 |
| **Total** | $ 51,491 | $ 6,194 | $ 7,824 |

Nemak's clients are automotive companies, known as OEMs. The Company has the following global clients whose transactions represent more than 10% of the consolidated sales: Ford 24%, 24%, and 23%, General Motors 18%, 16%, and 19%, Stellantis [1] 11%, 9%, and 11% and Volkswagen Group 12%, 14% and 15% in 2022, 2021 and 2020, respectively.

[1] Stellantis" means Stellantis N.V. and its relevant subsidiaries in different countries, the new automotive group resulting from the merger of Fiat Chrysler Automobiles and PSA Group, effective as of January 2021.

## 28. Commitments and contingencies

In the normal course of its business, the Company is involved in disputes and litigation. Although the outcome of the disputes cannot be predicted, as of December 31, 2022, the Company does not believe that there are current or threatened actions, claims or legal proceedings against it or affecting the Company that, if determined adversely to it, would significantly damage its individual or overall results of operations or financial position.

As of December 31, 2022, 2021 and 2020, the Company had the following contingency:

Nemak México, S.A. received a claim from the Canada Revenue Agency (CRA) for a tax credit for refunds of Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) for an approximate total amount, including interest, of US$82. The CRA alleges that Nemak delivered certain assets in Canada that were subject to GST and HST. However, the Company filed an objection to the CRA's Audit Division arguing that its clients acted as importers in Canada and that Nemak delivered the goods to them outside such country. Based on a face-to-face meeting with the CRA in which the evidences and arguments necessary to support our objection were presented, Management and its legal advisors consider that the case will be adjudicated favorably, therefore it has not recognized any provision in its statement of financial position.

## 29. Subsequent events

In preparing the consolidated financial statements the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2022, and through January 31, 2023, (issuance date of the consolidated financial statements), and has concluded that there are no subsequent events that require recognition or disclosure.

## 30. Authorization to issue the consolidated financial statements

On January 31, 2023, the issuance of the accompanying consolidated financial statements was authorized by Armando Tamez Martínez, Chief Executive Officer and Alberto Sada Medina, Chief Financial Officer.

These consolidated financial statements are subject to the approval of the Company's shareholders' meeting.

**Armando Tamez Martínez**
Chief Executive Officer

**Alberto Sada Medina**
Chief Financial Officer

## Investor Relations

investor@nemak.com
Libramiento Arco Vial Km 3.8,
García N.L., 66017, México
+52 (81) 8748-5107

## Media Relations

inquiries@nemak.com
Libramiento Arco Vial Km 3.8,
García N.L., 66017, México
+52 (81) 8748-5200

## Independent Auditor

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited
Av. Juárez 1102, Piso 40
Col. Centro
Monterrey, Nuevo León
C.P. 64000, México

## Stock exhange and symbol

**Nemak S.A.B. de C.V.**
Trades on the Mexican Stock Exchange under the symbol Nemak.

cotiza en Bolsa Mexicana
NEMAK

**For more information visit us at:**
http://www.nemak.com
http://investors.nemak.com

/NemakGlobal
/Nemak_Global
/nemakglobal
/company/nemakglobal

Nemak

Innovative Lightweighting