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SUSTAINABILITY-LINKED BOND FRAMEWORK

GRUPO
VASCONIA
S.A.B.



CONTENT

1. Introduction	3
2. Commitment to Sustainability	6
Materiality Assessment	7
Sustainability Strategy for 2027	10
Cornerstones of Grupo Vasconia's Strategic Change	14
Alignment to the UN Sustainable Development Goals (SDGs)	15
3. Rationale for the Framework	17
4. Alignment with the Sustainability-Linked Bond Principles 2020	19
Selection of Key Performance Indicators (KPIs)	20
KPI 1: Carbon Intensity (tCO ₂ e/t Aluminum processed)	20
KPI 1: Calibration of the SPT	23
KPI 1: Strategy Deployment to achieve the SPT	26
KPI 2: Percentage of scrap in total Aluminum inputs processed (%)	28
KPI 2: Calibration of the SPT	30
KPI 2: Strategy Deployment to achieve the SPT	31
Bond Features	32
Reporting	32
Verification	33
5. Annex 1. History of the Grupo Vasconia	34

INTRODUCTION

This bond financing framework offers investors a description of the Sustainability Linked Bond (“SLB”) and Sustainability Linked Loan (“SLL”) instruments to be issued by Grupo Vasconia, S.A.B. (“Grupo Vasconia” or the “Group”). The framework provides transparency and accountability with respect to Grupo Vasconia’s sustainability strategy, KPIs, SPTs, and reporting methodology.

This framework will be published in the following link:
<https://www.grupovasconia.com/reportes-asg/>

Challenges and opportunities of our industry

Grupo Vasconia operates in the Mexican Aluminum industry. Aluminum has desirable properties such as being lightweight, having thermal conductivity, resistance to corrosion, and malleability, all of which have turned Aluminum into the second most used metal worldwide, with substantial prospect for growth. Although Aluminum is a key input for some of Mexico's most dynamic industries (i.e. auto-parts, automotive, construction, etc.), the country lacks bauxite, which is needed for primary Aluminum production. As a result, in 2021, Mexico produced only 1.7 million tons of Aluminum (about 1.6% of world production), while importing about 2.5 million tons. At the same, Mexico is a net exporter of Aluminum scrap. This presents an opportunity to implement processes of reutilization of Aluminum scrap within the country.

The use of scrap in the production of Aluminum has important advantages. Primary Aluminum is obtained through a process of open mining, melting, and transformation that is highly polluting, consumes substantial amounts of energy, and emits large quantities of carbon dioxide ("CO₂") to the atmosphere. As an alternative, Aluminum is perfectly circular –it can be recycled indefinitely without losing its properties and taking advantage of almost 100% of the material. It is estimated that about 75% of Aluminum produced to date remains in use. Through recycling, it is possible to reduce CO₂ emissions by up to 92% and to utilize less than 5% of the energy required for primary Aluminum production. It is estimated that one ton of recycled Aluminum saves up to 8 tons of bauxite, 14,000 kilowatt-hours of energy and 7.6 cubic meters of landfills. This reinforces the message that "scrap" is a valuable resource.

Mexico has a large potential to develop and strengthen supply chains related to circular economy. The country separates and collects more than 97% of the 20 million Aluminum cans that are discarded daily and recycles about 58% of the Aluminum scrap. However, the low technological development of existing recycling processes results in the remaining 42% of scrap (equivalent to 310,000 tons) being exported to other countries, limiting the growth of the industry, and increasing

¹ View Annex 1 for a history of the company.



prices. Moreover, Mexico lacks scrap collectors with national coverage and 95% of this activity is carried out by micro enterprises, who are in need of improving the recycling processes.

Through a higher use of scrap, Aluminum producers such as Grupo Vasconia, can help this industry develop while also reducing their own carbon footprint. However, substantial investments are needed to make this possible.

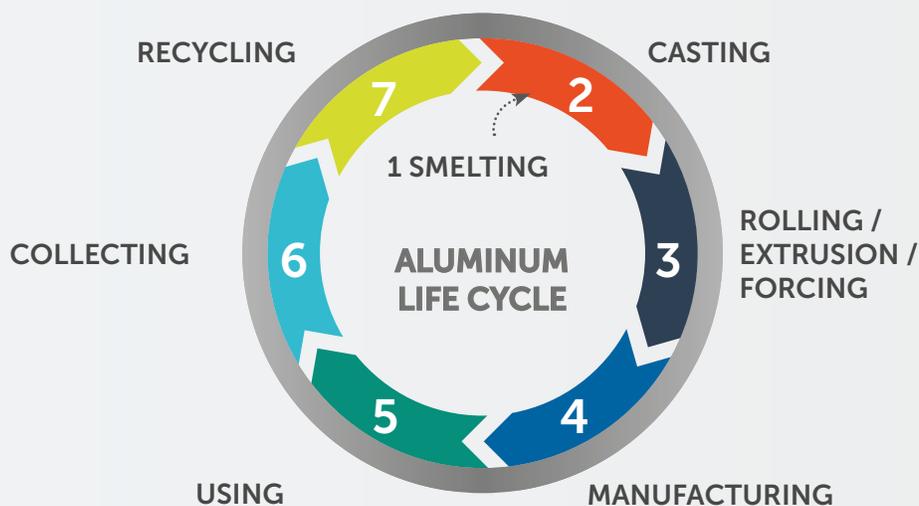
Our company and business model

Grupo Vasconia is a Mexican industrial group founded in 1911¹. The Group currently has two divisions: the Consumer Products Division called Vasconia Brands ("VB"), accounting for 52% of the Group's sales in 2021; and the Industrial Products Division called Almexa Aluminio ("Almexa"), accounting for the remaining 48% of sales.

Almexa produces flat Aluminum used in high impact industries such as automotive, HVAC, electrical, construction, pharmaceutical, food and household goods, among other. It specializes in Aluminum rolling, and it is the only Aluminum roller in Mexico and the leading one in LATAM. It has three plants, including Cuautitlán and Tulpetlac (State of Mexico), and opening in the first half of 2022 a state-of-the-art plant in Veracruz. Currently, Almexa offers low-carbon Aluminum products through its two registered brands: (i) Recycal Aluminum, made of 75% recycled Aluminum, reducing energy use in the production phase while still offering high-quality Aluminum; and (ii) Greenalum, made of low-carbon Aluminum slabs coming from smelters that use renewable energy sources such as hydropower.



Vasconia Brands is the largest houseware company in Mexico, dedicated to the design, development, manufacturing and commercialization of articles derived from Aluminum, primarily kitchenware. It has a presence in Mexico and other markets in the Americas through various distribution channels. VB has three manufacturing plants, including Ecatepec and Cuautitlán (State of Mexico) and Santiago de Querétaro. VB sources all the Aluminum in its production process from Almexa, and all of VB's and Almexa's scrap returns to Almexa to be reused in the production process, providing Grupo Vasconia with a strong circular economy business model.



² The distribution channels of VB are classified as follow: (i) Modern (49% of sales): supermarkets, price clubs, department stores, furniture stores; (ii) Traditional (35% of sales): distributors, regional, wholesale, institutional, VB own stores; (iii) Exports (12% of sales): mainly to Central America (8%) and the United States (4%), (iv) E-commerce (4% of sales): own online store, pure players clients, marketplaces.



2. COMMITMENT TO SUSTAINABILITY



Our strong commitment to sustainability is the result of strategic changes that took place within Grupo Vasconia since 2019. In that year, the Group hired an experienced management team who paved the road for a more sustainable production process. Grupo Vasconia aims to meet today's demanding performance standards while keeping our carbon footprint low, by embracing a circular economy model and production efficiencies. We see tremendous opportunities in continuing to expand the use of low-carbon Aluminum to help our customers achieve their own sustainability goals (reducing their scope 3 emissions), and to provide final consumers with environmentally friendly products.

MATERIALITY ASSESSMENT

In 2021, Grupo Vasconia conducted its first materiality study and defined its sustainability strategy. The Group's materiality study was conducted with the support of the sustainability agency named Social Value Institute in order to identify the most relevant Environmental, Social and Governance (ESG) aspects for the Group and its industry, identify sources of value creation in the long-term, and identify our positive and negative impacts. The materiality study had the following characteristics:

- Consistency with international standards, including the Sustainability Yearbook 2021, the Corporate Sustainability Assessment (CSA) of S&P Global, the -Mining- Iron, Aluminum, Other metals Sector of the Global Reporting Initiative (GRI) and the Materiality Map of Sustainability Accounting Standards Board (SASB) for the Metals & Mining industry.
- An industry benchmarking was carried out based on the leading companies in the sector, including companies from the United States (Alcoa Corporation and Newell), India (Hindalco Industries Limited), Norway (Norsk Hydro ASA), Sweden (AB Electrolux), Italy (De' Longhi Group)

and France (Groupe SEB). The benchmarking exercise assessed the main material issues of these companies and weighted them by their level of importance. This process helped us to identify the main material issues to be considered in our own materiality analysis.

- A selection and consultation of internal and external stakeholders was carried out through surveys and interviews. Internal stakeholders included from senior management to employees at different levels of the organization. External stakeholders included clients, investors, suppliers, authorities and communities.

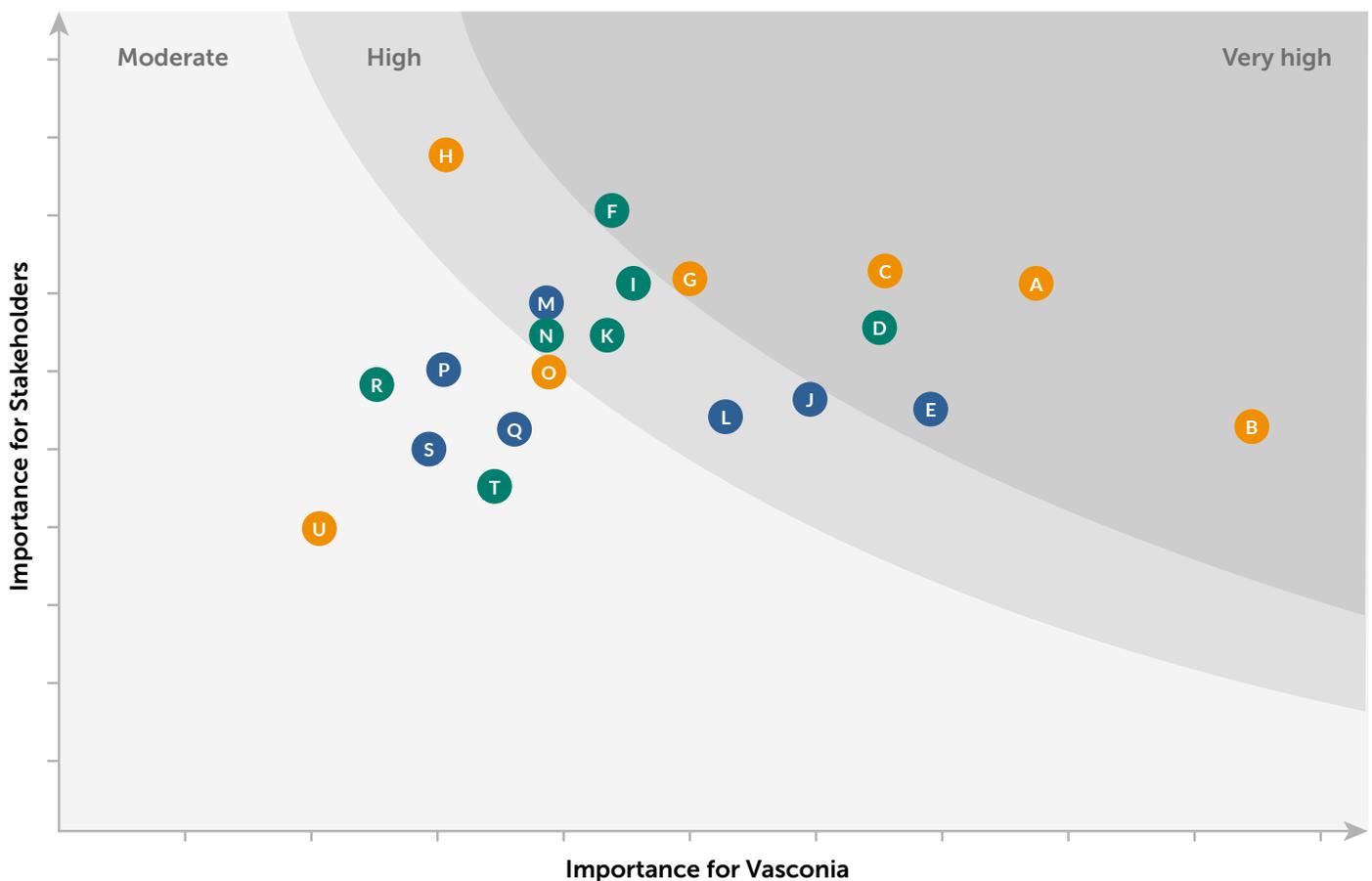
Through this process, Grupo Vasconia identified 21 material topics in the three ESG dimensions: Environmental, Social and Governance. The material topics identified allowed us to define and proactively address ESG risks and opportunities across our operations, shaping the pillars of our Sustainability Strategy for 2027, as well as our contribution towards the SDGs by 2025. Figure 1 shows the most material topics, both for us and for our stakeholders.

Figure 1: Grupo Vasconia Materiality Assessment

MATERIAL TOPICS:

A	Human Capital Development
B	Occupational Health and Safety
C	Talent Attraction and Retention
D	Operational Eco-Efficiency
E	Corporate Governance
F	Climate Strategy
G	Labor Practice Indicators
H	Human Rights
I	Environmental Policy and Management System
J	Codes of Business Conduct

K	Product Stewardship
L	Supply Chain Management
M	Economic Performance
N	Water Related Risks
O	Social Impacts on Communities
P	Brand Management
Q	Product Quality & Recall Management
R	Biodiversity
S	Innovation Management
T	Air quality
U	Corporate Citizenship & Philanthropy



Main Material Topics

Given that Grupo Vasconia considers the three ESG dimensions equally relevant, the first three material topics of each ESG dimension were mapped in our Sustainability Strategy. In accordance with the stakeholder's consultation, Grupo Vasconia will focus on the following 9 main material topics:

1. ENVIRONMENTAL



- **Operational Eco-Efficiency:** focuses on the inputs and outputs of operations in terms of emissions, energy, water consumption, and waste generation.
- **Environmental Policy and Management System:** focuses on the commitment to sustainability through the definition of an environmental policy and its objectives, and the management of environmental programs.
- **Product stewardship:** focuses on the circularity along the product life-cycle and the shared responsibility from manufacturers, retailers, users, and disposers to reduce the environmental impacts of products.

2. SOCIAL



- **Human Capital Development:** focuses on investments in training, improvement and updating of skills of the workforce.
- **Occupational Health and Safety:** focuses on health and wellness, as well as the reduction of accidents and fatalities, and the reduction of absenteeism.
- **Talent Attraction and Retention:** focuses on our hiring practices, performance measures, long-term incentives, and diversity and inclusion.

3. GOVERNANCE



- **Corporate Governance:** focuses on the structure and composition of the board of directors, related committees, and alignment with long-term interests of shareholders.
- **Codes of Business Conduct:** focuses on the implementation of the code, reporting on non-compliance, occurrence of cases of corruption and bribery and anti-competitive practices.
- **Supply Chain Management:** focuses on the characteristics and management of the supply chain, taking into account risk management and sustainability.

SUSTAINABILITY STRATEGY

Grupo Vasconia developed a comprehensive Sustainability Strategy for 2027, by proactively integrating the material issues identified into our business model and taking into account the perception of our stakeholders. This strategy is divided into three main action pillars, according to the three ESG categories:

ENVIRONMENTAL DIMENSION

We defined an action plan called High Environmental Commitment, to address our material topics in the environmental dimension. Grupo Vasconia's main material topic is the Operational Eco-Efficiency, for which we defined strategies within our organization and our supply chain, to become industry leaders in sustainable and ecological practices. Another material topic is Environmental Policy and Management System, for which we are establishing guidelines and measuring our compliance. The third material topic is related to Product Stewardship, for which we are implementing circular activities that will impact directly on our environmental and overall performance.

SOCIAL DIMENSION

Among the main material topics for Grupo Vasconia were Human Capital Development, Occupational Health and Safety, and Talent Attraction and Retention. Therefore, one of the lines of action of the Sustainability Strategy was focused on the Care for People program, which prioritizes caring for the well-being of all workers and their safety at the workplace, including all the supply chain of the organization. We are committed to reducing the accidents rate within the company, as well as becoming leaders of the industry in best practices related to people management. We want to ensure that all employees develop their skills and grow within the company in the long term, while their physical and mental wellness is protected.

GOVERNANCE DIMENSION

The Sustainability Strategy includes an Ethical and Governance Practices action plan focused on the management of ethical principles and standards management along all the organization's activities, by addressing two of the main governance material issues that are Codes of Business Conduct and Supply Chain Management. This action plan seeks to keep promoting good practices within the organization, as we have done since our creation, but also creating and updating codes and policies according to the current needs of the company. The Governance main material topic is Corporate Governance, which will be also addressed by this action plan, by promoting a fair, ethical and responsive management.



Other relevant issues in our strategy

Green Sourcing. Grupo Vasconia is aware that its total carbon footprint is heavily driven by the emissions content of its raw materials, and consequently we are implementing a green sourcing strategy. Prior to 2020, Almexa utilized mostly primary Aluminum produced with coal, the highest energy emission source. Since then, Almexa lowered its carbon intensity from raw materials by 84%, from 9.39 tCO₂e/ton in 2019 to 1.46 tCO₂e/ton in 2021, simply by changing its primary Aluminum supplier. The group now procures low-carbon primary Aluminum slabs, coming from smelters with access to renewable energy sources such as hydropower (see Figure 2). In the future, we will continue to lower our carbon footprint by increasing the share of scrap used in our production process, thanks to a recently acquired state of the art furnace (rotative furnace of 65 tons) for the processing of Aluminum scrap.

Supply Chain Initiatives:

- Almexa uses green primary Aluminum, produced with hydroelectric energy.
- Vasconia Brands is “zero waste to landfill”, the cardboard packaging used is 100% recyclable and any packaging not used in the production process is returned to the supplier so it can be recycled.
- Vasconia Brands eliminated single-use plastics.
- Grupo Vasconia will continue to develop plans to ensure the sustainability of its Supply Chain.

Social Risk Mitigation:

- Almexa only buys scrap from collectors that work for a formal company, to mitigate social issues.

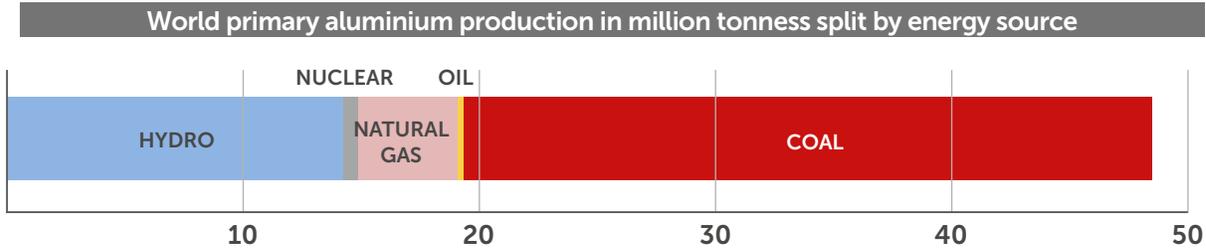
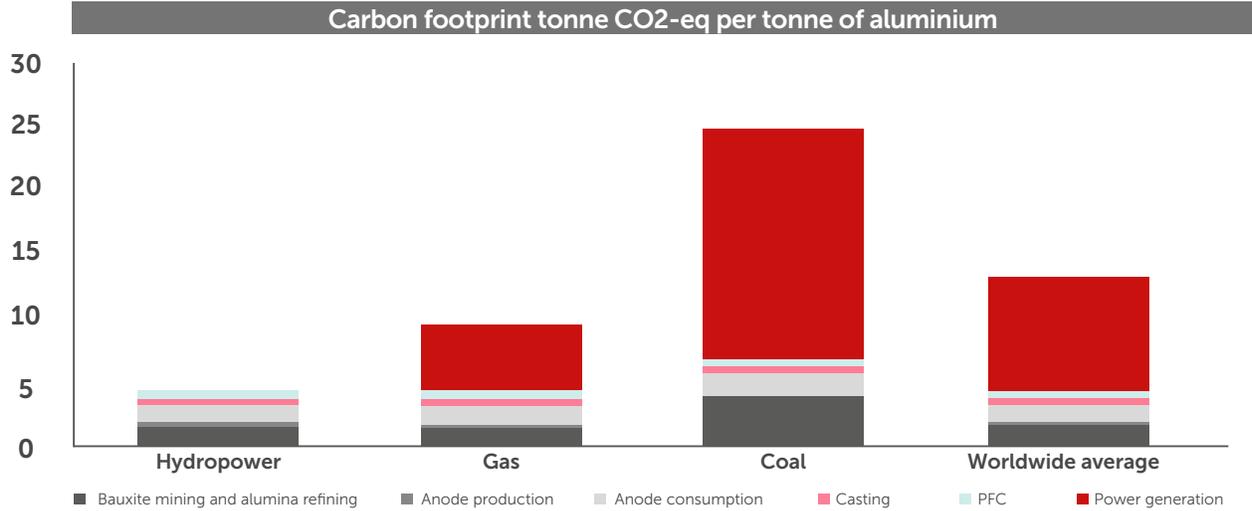
Environmental Risk Mitigation:

- Grupo Vasconia has the following certifications:
 - ISO 90000, which its purpose is to provide organizations with the guidance and tools needed to ensure that their products and services meet external requirements and drive consistent quality improvement.
 - “Industria Limpia” (Clean Industry) certificate granted by The Federal Office for Environmental Protection in Mexico (PROFEPA) to recognize companies that have proven to comply with legal environmental requirements.

- Zero waste certification, awarded to companies that have proven to minimize the impact of their activity on the environment through the conservation of all resources by means of responsible production, consumption, reuse, and recovery of products, packaging, and materials without burning and with no discharges to land, water, or air that threaten the environment or human health.

- Grupo Vasconia’s EHS and Quality teams oversee the Group’s compliance with all applicable Social and Environmental laws and the adoption of good practices.
- The Group is evaluating other certifications than can help us move towards being a more Sustainable and Responsible Company.

Figure 2: Carbon footprint (tCO2e per ton of Aluminum) and world primary Aluminum production in million tons split by energy source



Source: Harbor Analytics

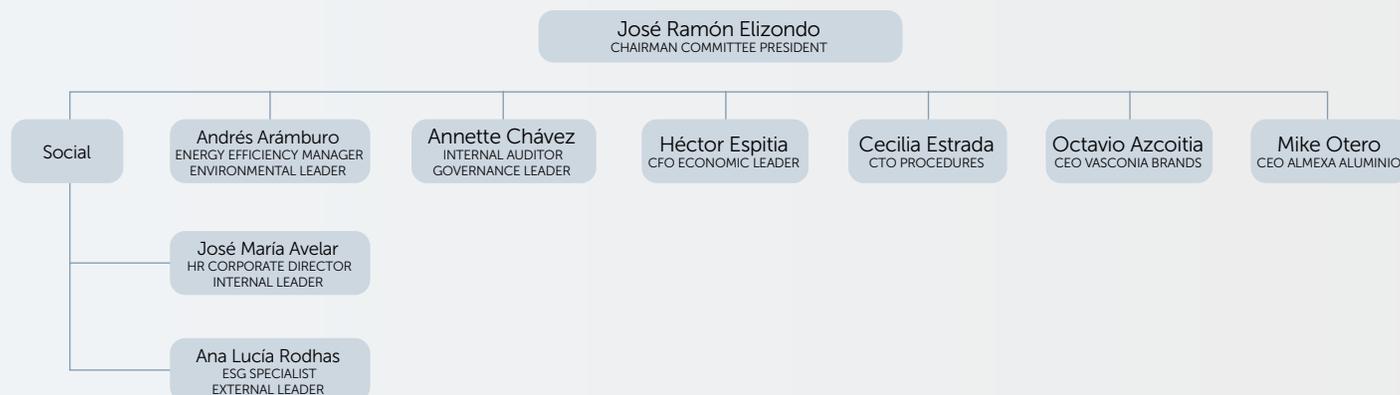
Oversight of the Sustainability Strategy

In 2021, Grupo Vasconia created a Sustainability Committee and appointed one of the members of its Board of Directors as responsible for the oversight of its sustainability strategy. This strategy will be reviewed in 2025 with a new Materiality Assessment based on a stakeholder consultation. The sustainability committee is in charge of the development and oversight of our sustainability roadmap with specific milestones in 2025 and 2030. Each member of the committee has a specific role and expertise, such as ESG dimension leaders, CEOs, president, and advisors.

The roles and responsibilities of the Sustainability Committee are discussed below:

- Supervise the definition and maintenance of Grupo Vasconia’s Sustainability Strategy.
- Promote the best governance practices.
- Promote the best social and environmental practices.
- Define the way Fundación Vasconia will participate in environmental and social initiatives.
- Participate in forums to promote the Group’s Sustainability Strategy.
- Establish alliances with organizations related to sustainability to gain more knowledge on these topics and to better communicate the best practices.
- Ensure investments will contribute to reach the goals set in the SLB.
- Review, improve, align, and implement the Compliance Program and the Code of Ethics according to Mexican laws and international standards.
- Define and validate that the selected projects meet the criteria defined in this framework and the SLB documents.
- Authorize the projects that will be financed by the SLB.
- Supervise the correct use of the proceeds obtained from the issuance of the SLB.
- Closely follow the performance of the KPIs and suggest improvements to meet the established goals.
- Provide any relevant information that may result in designing more solid strategies oriented towards achieving the Group’s ESG goals.
- Promote the reporting of non-financial information.
- Ensure a correct and precise interpretation of the KPIs.
- Measure the risks of the Group’s projects and actions and their potential impact on the environment and community.
- Issuance of the Sustainability Annual Report.
- Maintenance and updating of the ESG information on the Company’s website regarding the projects included in the SLB.
- Periodic supervision of the SLB’s KPIs.
- Reviewing and updating of the ESG criteria to incorporate the best practices in the industry.
- Conduct a sustainability audit with the help of an external team and consultants.
- Reporting on the progress of the projects and the ‘Group’s performance in terms of ESG.

All members must actively participate in the Committee’s sessions. The Chairman and Sustainability expert of the Sustainability Committee must sit at the board of directors.



CORNERSTONES OF GRUPO VASCONIA'S STRATEGIC CHANGE

This Sustainability Linked Bond Framework is the result of a strategic change that started in 2019 to transform Grupo Vasconia into a sustainable world-class company. The four cornerstones of this strategic change are the following:

1. New Management - New Culture: Starting in mid-2019, the Group hired a new management team (among others, VB's CEO, Head of Supply Chain, COO; Almexa's CEO, Head of Supply Chain and COO, and Grupo Vasconia's CFO, Sustainability Manager, Internal Auditor, ESG specialist). This new team started changing Vasconia's culture by implementing international best practices, such as operational efficiencies, use of KPIs, and sustainability practices.

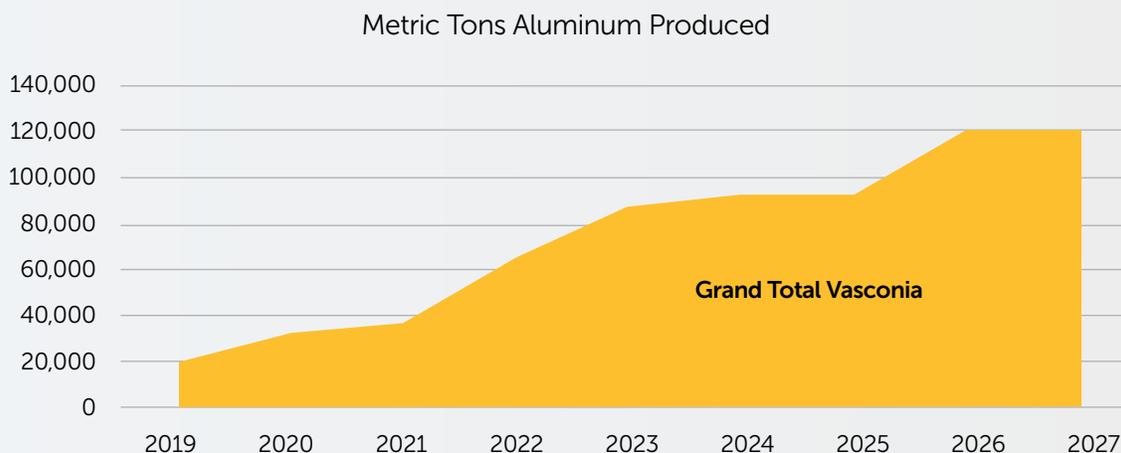
2. Back to Basics: In 2020, Almexa shifted towards an up the river strategy to focus on its core business in order to become a leading Aluminum rolling company in North America. The strategy required closing product lines that were more intensive in terms of time, specifications, and detail, shifting our focus to flat rolled Aluminum coils and Aluminum discs, achieving efficiencies and savings.

3. Growth: Almexa developed an aggressive strategy to increase its revenue, harnessing its unique position, and a great market opportunity with the T-MEC³

trade agreement in the North American market. Grupo Vasconia decided to increase Almexa's capacity with a new plant in Veracruz that will start operations in mid-2022, which enables a more sustainable production process, while increasing its total production capacity from about 30,000 tons of Aluminum per year in 2021 to over 100,000 tons in 2027. Additionally, VB is implementing projects to duplicate its core manufacturing capacities over 2022-23 (See Figure 3).

4. Environment: Grupo Vasconia recognizes the need for transitioning to a low carbon economy by setting ambitious de-carbonization goals, measured through our KPIs, with strategic commitments. In order to minimize our environmental impact, our long-term climate action efforts target the following two main aspects: Operational Eco-Efficiency through our Carbon Intensity KPI (tCO₂e/tons Aluminum processed), and Product Stewardship through our Share of Scrap in the Total Aluminum Input KPI. We are making large investments in modernizing the furnaces in our plants in Tlaxiaco and Cuautitlán, in the State of Mexico, as well as the construction of a new plant in the Bruno Pagliai Industrial Park, in the state of Veracruz, which will be a state of the art facility with high eco-efficiency technology, and in compliance with European and American standards.

Figure 3: Historic and forecast of Grupo Vasconia's Aluminum production (metric Tons)

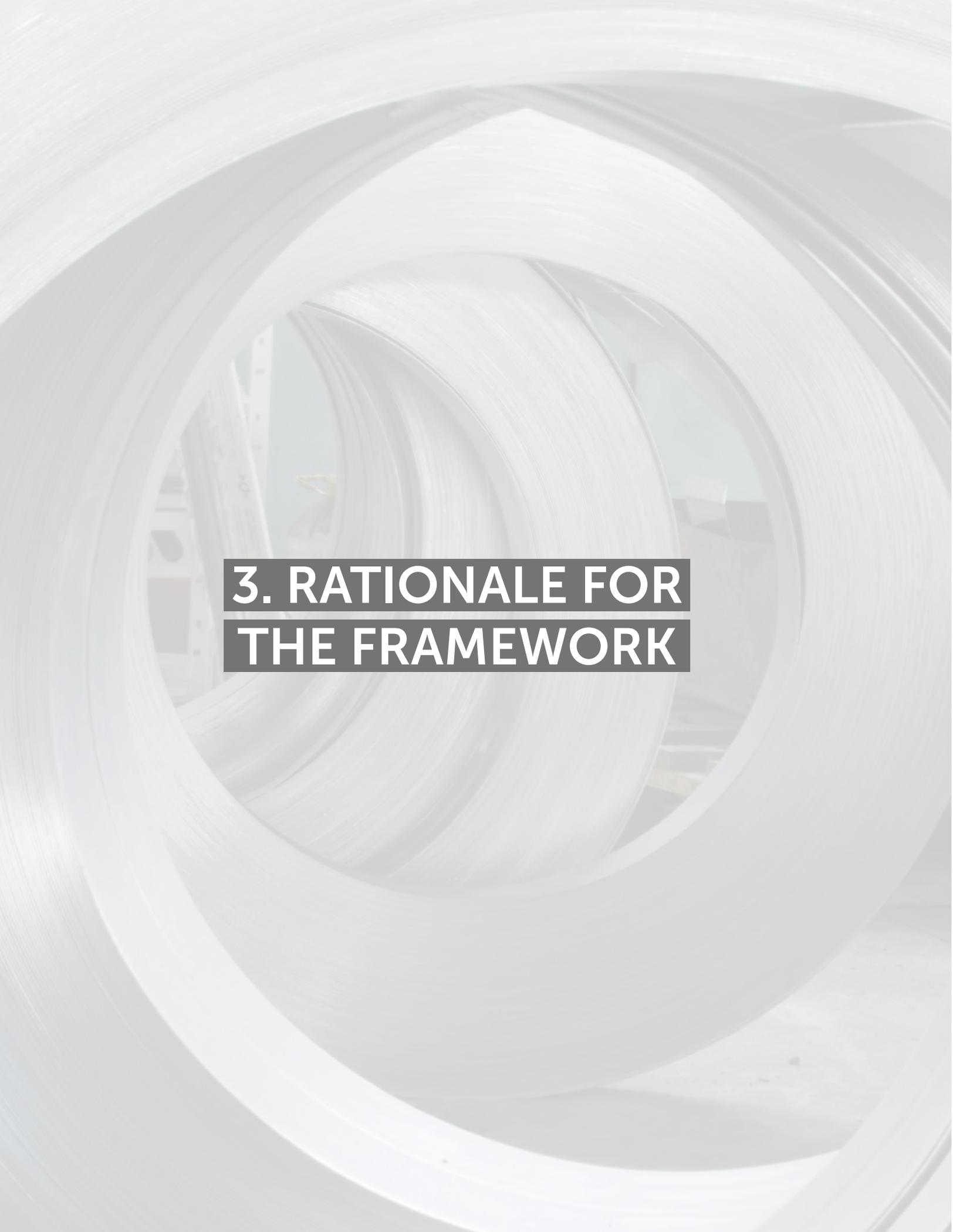


³ T-MEC: trade agreement between Mexico, US, and Canada.

ALIGNMENT TO THE UN SUSTAINABLE DEVELOPMENT GOALS (SGDS)

	Specific Target	Actions in Grupo Vasconia
	<p>6.3.1. Proportion of domestic and industrial wastewater flows safely treated.</p> <p>6.4.1. Change in water-use efficiency over time.</p>	<p>Almexa:</p> <p>6.4.1 The project is being carried out to recover and reuse 19,000 m³ of water per year, the technology of the current plant will be improved.</p> <p>Vasconia Brands:</p> <p>6.3.1 100% of industrial wastewater is treated by aerobic treatment, discharge is in compliance with local regulations, and nevertheless domestic/sanitary wastewater is not treated.</p> <p>6.4.1 During the production process of Vasconia Brands, water is used only in the washing process with a low consumption. In fact, in 2021, in the Cuautitlán facility washing process to eliminate oils from product in process was replaced by manual cleaning, saving around 2,500 m³.</p>
	<p>7.3 By 2030, double the global rate of improvement in energy efficiency.</p> <p>Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples.</p>	<p>Almexa:</p> <p>7.3 In the process of automating cooling tower pumps and placement of LED lighting, Almexa estimates to decrease 3,458,400 Mjoul per year.</p> <p>Vasconia Brands:</p> <p>7.3 In our Cuautitlán facility, lighting was replaced by LED reducing 194 tCO₂e per year. The same adjustments will be implemented in the Queretaro facility in 2022.</p> <p>Additionally, as a part of safety operational controls, burns have had a maintenance program to assure correct carburation to get the total combustion power of the natural gas.</p>
	<p>9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>	<p>Almexa:</p> <p>9.4 In the plants in operation, retrofits and changes in almost 90% of burners are being carried out.</p> <p>High-efficiency furnaces will be installed in Veracruz to reduce natural gas consumption by 40%.</p>

 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>12.2 Percentage of recycled input materials used to manufacture the organization's primary products and services.</p> <p>12.4 A description of how the organization interacts with water, including how and where water is withdrawn, consumed, and discharged, and the water-related impacts caused or contributed to, or directly linked to the organization's activities, products or services by a business relationship (e.g., impacts caused by runoff).</p> <p>12.5 Actions, including circularity measures, taken to prevent waste generation in the organization's own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated.</p>	<p>Almexa:</p> <p>12.2 The organization is committed to use 83% of recycled materials, either for in-plant smelting or purchase of Aluminum slabs, by 2027.</p> <p>12.4 The water is used as part of the cooling process for the production of Aluminum ingots. We have a tank where cold water is stored and another for hot water after the process, in a closed cycle where water is lost by evaporation. A part of the water supply is used for irrigation of gardens and own uses.</p> <p>12.5 The reuse of the desired material from the production is guaranteed either in the production or as a sub-process by the supplier.</p> <p>Vasconia Brands:</p> <p>12.5 In the Cuautitlán facility 100% of the waste is recycled, composted or re-processed to prevent it from being sent to landfills. Since November 2020 Cuautitlán facility is a Zero Waste to Landfill site.</p>
 <p>13 CLIMATE ACTION</p>	<p>13.1 GHG emissions intensity ratio for the organization.</p> <p>13.1.2 GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO2 equivalent.</p>	<p>Almexa:</p> <p>13.1 With the improvements to the furnaces to reduce the consumption of natural gas and energy efficiency actions, it will be possible to reduce current Ton CO2 emissions for each ton of Aluminum produced, from our 2021 intensity ratio 1.429.</p> <p>13.1 With the change in our primary Aluminum supplier, with the lowest emissions in production using hydropower.</p> <p>13.1.2 With the improvements and retrofit to furnaces in 2021 we managed to reduce 157 Ton CO2.</p> <p>Vasconia Brands:</p> <p>13.1 tCO2e/eq unit Cuautitlán: 000177 Querétaro: 000864</p> <p>13.1.2 Lighting was replaced by LED, reducing 194 tCO2e per year in both plants.</p>

A large roll of white material, possibly fabric or paper, is shown in a close-up, slightly blurred perspective. The material is coiled, creating a series of overlapping, curved layers that recede into the background. The lighting is soft and even, highlighting the texture of the material. In the center of the image, there is a dark rectangular box with white text. The text is bold and sans-serif, arranged in two lines. The background is a light, neutral color, possibly a wall or a floor, which is also slightly blurred.

3. RATIONALE FOR THE FRAMEWORK



In order to address the main environmental issues under Grupo Vasconia’s control, and to create positive change, we intend to periodically issue Sustainability-Linked Bonds (“SLBs”) and Sustainable-Linked Loans (“SLLs”) and together, Sustainability Linked instruments (“SLIs”) and commit to specific environmental targets in a transparent manner. This framework provides a high-level approach to our first SLB. For additional details about the issuance, investors should refer to the relevant documentation for the specific securities. We hope our issuance of Sustainability-Linked Instruments will inspire other similar companies to embark on the same path. This transaction will also support the long-term goals of our Sustainability Strategy.

While Grupo Vasconia is a recurring issuer of securities, this is our first SLB, and it is the result of several years of work to strengthen our sustainability. Our sustainability efforts can be classified in the following phases:

2020

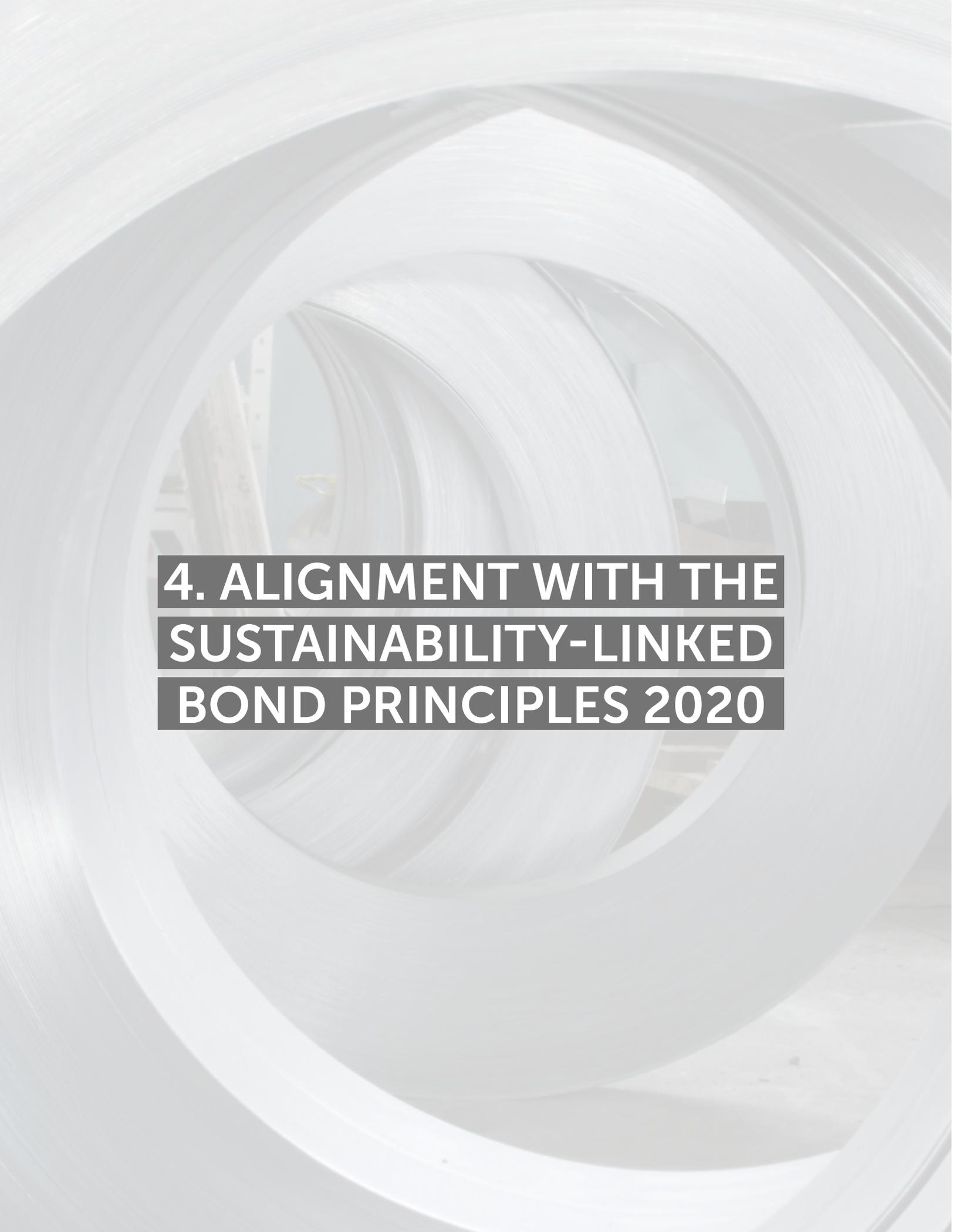
The Change Year: Grupo Vasconia started a conscious effort to reduce its environmental footprint. Operational efficiencies, scale, maintenance, and the implementation of best practices achieved a 7.07% reduction in the Carbon intensity KPI from 2020 to 2021 compared with business-as-usual activities. At the Tulpetlac plant, major maintenance efforts were carried out on the furnaces, and the burners were replaced by a high-efficiency alternative. In addition, thanks to the implementation of a green sourcing strategy, coal-based primary Aluminum was replaced with low carbon Aluminum slabs coming from smelters with access to renewable energy sources, and the share of scrap in our Aluminum inputs began to increase.

2021

The Baseline: After the implementation of operational efficiencies, green sourcing, and best practices in 2020, 2021 serves as an ideal baseline year to compare the results of Grupo Vasconia’s future investment plan (the new Veracruz plant, the retrofit of the current facilities and the investments in renewable energy). This investment plan is part of Grupo Vasconia’s decarbonization strategy based on i) energy efficiency, ii) renewable energy, and iii) green sourcing.

2022
-
2027

The Ramp Up: We aim to continue reducing our carbon intensity and increasing the share of scrap used in our production process. These improvements will require substantial efforts and investments, given that the low-hanging fruits have already been addressed in prior years. Details about our commitments and strategies to achieve them are described below.



**4. ALIGNMENT WITH THE
SUSTAINABILITY-LINKED
BOND PRINCIPLES 2020**

Sustainability-Linked Bonds are bond instruments for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined ESG sustainability targets. In that sense, at Grupo Vasconia we are committed to future improvements in our sustainability outcomes within a predefined timeline.

In line with the Sustainability-Linked Bond Principles ("SLBP") of 2020, administered by the International Capital Markets Association ("ICMA") and the Sustainability Linked Loan Principles ("SLLP") administered by the Loan Syndications and Trading Association ("LSTA"), our framework is aligned with the five core components of the SLBP and the SLLP, and contains the following structure:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond- Loan characteristics
4. Reporting
5. Verification

Grupo Vasconia is transitioning towards a more transparent reporting of climate related risks and opportunities, aligned with international best practices. For that purpose, we are committed to follow the disclosure guidelines from the ICMA Climate Transition Finance ("CFT") Handbook (2020), which includes the following: i) climate transition strategy and governance, ii) business model environmental materiality of climate change, iii) science-based transition approach and iv) implementation transparency.

SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Grupo Vasconia is committed to selecting KPIs that are relevant, core, and material to our industry, and that are consistent with our Climate Action Strategy. As a result, the Group has selected the following KPIs:

1. Carbon intensity (tCO₂e/t Aluminum processed)
2. Percentage of scrap in total Aluminum inputs processed (%)

The selected KPIs are under Grupo Vasconia's control and will reflect various strategies including a more sustainable sourcing of key inputs, as

well as efficiencies in our production process and investments in renewable energy. Any bond issuances using this framework are expected to maintain both KPIs as they are interrelated.

KPI 1: Carbon Intensity (tCO₂e/t Aluminum processed)

KPI definition and methodology. Grupo Vasconia calculates its Carbon Intensity KPI (tCO₂ /t Aluminum processed) as the weighted average of the carbon intensities of its two divisions, VB and Almexa, as follows:

Proportional Carbon Intensity for Aluminum based products = Carbon Intensity of Aluminum-based products of VB + Carbon Intensity of all (Aluminum-based) products of Almexa

Where the weights are calculated as the share of each division in the Group's total Aluminum input processed. VB and Almexa calculate their respective carbon intensities, based on the GHG Protocol, as tons of CO₂ emissions over tons of Aluminum input processed. A technical description of the KPI is presented in Table 6.

VB's carbon emissions measurement. VB measures scope 1 and scope 2 CO₂ emissions. Specifically, VB accounts for 100% of the natural gas used in production as well as 100% of electricity used. Although VB currently only focuses on scope 1 and 2 emissions, one of the main components of its scope 3 emissions is Aluminum sourcing, which is already captured in the Group's Carbon Intensity KPI as part of Almexa's carbon emissions, considering that as much as 82% of VB's products are Aluminum based, and 100% of the Aluminum it uses comes from Almexa. Amongst VB's input purchases, 37% corresponds to intercompany Aluminum, 12% to product handles, 8% to virtual materials, 6% to cardboard boxes, and the remaining is distributed among various items such as paints, glass covers, etc.⁴

Almexa's carbon emissions measurement. Almexa measures scope 1, scope 2 and the main scope 3 categories of CO₂ emissions. Specifically, it includes 100% of natural gas used in the production process as well as 100% of electricity used. Almexa's scope 3 emissions include the CO₂ content of the Aluminum input production, as well as transportation and distribution. All of Almexa's products are Aluminum based, and Aluminum is the only material input used in Almexa's production process.

Improvements in measurement. Grupo Vasconia recognizes the importance of measuring its carbon footprint in a comprehensive manner. The Group is currently analyzing strategies to calculate the total scope 3 emissions of its operations, both for VB and Almexa, in order to have a full understanding of its environmental impact. However, given that this exercise is expected to take substantial time, it is currently not possible to include a more complete measurement of the Group's scope 3 as part of its Carbon Intensity KPI. Nevertheless, the KPI already includes the CO₂ emissions from the production of the Aluminum input, which is expected to be the main driver of the Group's total carbon footprint because it is the Group's main input, and it can have high emissions depending on its source (see Figure 2).

Rationale. Grupo Vasconia believes that sustainable growth is key to a successful future. Given the overwhelming evidence of global warming, and the call for action for countries and companies and their co-responsibility for changing practices that damage the environment, Grupo Vasconia is committed to become more sustainable, driven by the present SLB and through its sustainability strategy. Since 2019, the Group has been working to more strongly measure and manage its carbon footprint. At the same time, Grupo Vasconia is currently at a stage of substantial growth in production. As shown in Table 10, the Group's production is expected to more than triple between 2021 and 2027. Hence, carbon intensity is a more appropriate KPI for the Group's current stage, as opposed to focusing on absolute reductions in carbon emissions that do not account for the company's expected future growth in production. Moreover, carbon intensity is a key indicator for the Aluminum industry as it can be more easily benchmarked.

⁴ For VB, the main scope 3 emissions categories that are excluded from the Group's Carbon Intensity KPI are the CO₂ emissions from the production of other materials used by VB, besides aluminum, as well as VB's upstream and downstream transportation.

Table 6: KPI 1 - Technical Description

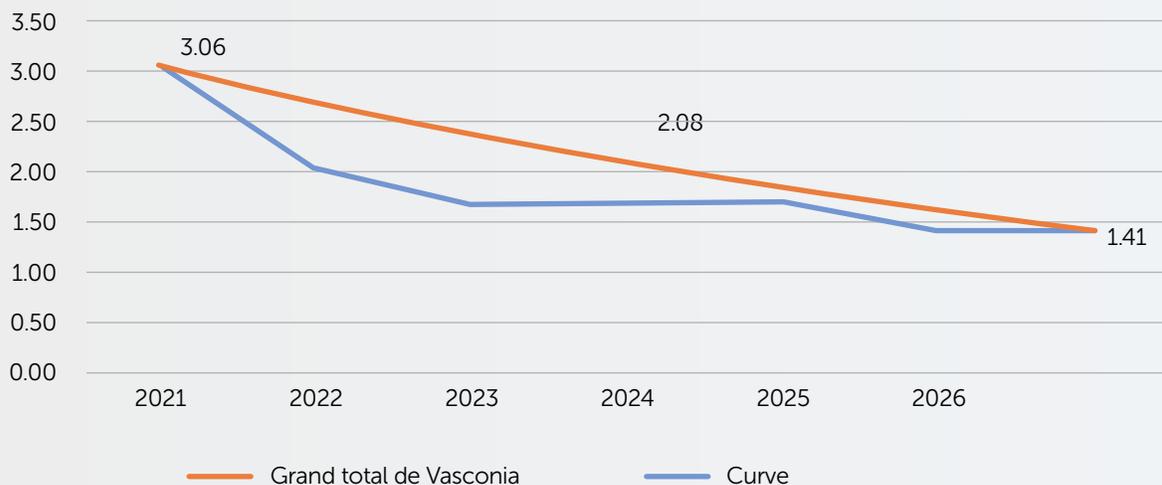
KPI Definition	
KPI	Carbon Intensity (tCO ₂ e for Aluminum-based products/t Aluminum processed)
Formula for calculation	<p>Weighted average of the following:</p> <ul style="list-style-type: none"> Carbon intensity for Aluminum-based products of VB + Carbon intensity of all (Aluminum-based) products of Almexa <p>Where the carbon intensity for each division is calculated as tons of CO₂ emissions over tons of Aluminum input processed.⁵</p>
Key definitions	<p>Metric tons of CO₂ emissions: Includes the emissions from processing Aluminum inputs (scope 1 and 2), and the emissions from the production of the Aluminum input (scope 3). It excludes the emissions from the production of other non-Aluminum inputs used by VB (scope 3).</p> <p>Metric tons of Aluminum processed: Includes the volume of all Aluminum processed by each division. It excludes the volume of non-Aluminum based production by VB.</p>
Source of Information	Information systems for Almexa and VB.
Periodicity	Annual
Coverage	Almexa's outputs are 100 % Aluminum based, and VB's outputs are 82% (since this is subject to change, perhaps best to state that this is for 2021) Aluminum based (the other 18% of VB business includes mainly other metals and appliances).
Calibration of the SPT	
Baseline	3.06 (tCO ₂ e for Aluminum-based products/t Aluminum processed) in 2021.
SPT	2.08 (tCO ₂ e/t Aluminum processed) by 2024. This is equivalent to a (compound) CO ₂ emissions reduction of 12% per year over 2021-2024 (consistent with our long-term target for this KPI).
SPT Observation Date	The observation will take place in Q1-2025, based on performance data as of December 2024. Grupo Vasconia will deliver the external verification report up to 120 days after year end 2024.
Long term target	By 2027, Grupo Vasconia aims to reach a carbon intensity index of 1.41 (tCO ₂ e/t Aluminum). This is equivalent to a compound CO ₂ emissions reduction of 12% per year over 2021-2027.

⁵ This formula, which has the volume of aluminum processed in the denominator, is used to calculate the carbon intensity for both VB and Almexa, even though 18% of VB's production is not aluminum-based. However, using the same formula makes it more appropriate to combine VB's and Almexa's respective carbon intensities into a single one. Moreover, both VB and Almexa are in the aluminum industry, where this is a benchmarkable KPI.

KPI 1: Calibration of the SPT

SPT. Grupo Vasconia commits to reduce its Carbon Intensity KPI from 3.06 to 2.08 tCo2/ton between 2021 and 2024. The SPT for 2024 was determined by maintaining the same compound CO2 emissions reduction as our long-term target for 2027, of 12% per year (see more details below). This SPT differs from the projection for 2024 based on the Group's detailed carbon model in order to focus on our long term-trajectory, thus smoothing annual variations in the performance of the KPI.

Figure 7: Carbon Intensity KPI Evolution



The SPT Observation Date. The observation will take place in Q1-2025, based on performance data as of December 2024.

Baseline. The Group has determined 2021 as its baseline year, starting with a carbon intensity of 3.06 (tCO₂e/t Aluminum). This is considered the preferred baseline in order to capture the result of CO₂ mitigation strategies that are expected to be implemented after the issuance of this SLB in 2022, while excluding those CO₂ reductions that have already occurred in the past, thus, challenging Grupo Vasconia to keep reducing its carbon footprint. After the implementation of operational efficiencies and best practices in 2020, 2021 will be the baseline year to compare the results of Grupo Vasconia's investments plan (the new Veracruz plant, the retrofit of the current facilities and the investments in renewable energy, as discussed later on).

Long term target. The SPT is consistent with a more ambitious long-term target. Grupo Vasconia is committed to reduce its Carbon Intensity KPI an

average of 12% per year between 2021 and 2027, from 3.06 tCo₂/ton in 2021 to 1.41 tCo₂/ton in 2027. This is equivalent to a reduction of CO₂ emissions by 12% per year over 2021-2027. Grupo Vasconia's ambitious strategy will result in a reduction of up to 54% in carbon intensity from the base year (2021) to 2027, and a total reduction of 89% from 2019⁶. Figure 9 below shows historical data and projections for the Group's carbon emissions, disaggregated by scope and division. Table 10 shows historical data and projections of Aluminum input processed by each division. This data was used to calculate the Carbon Intensity KPI for each division, based on the methodology discussed earlier, which is shown in Table 11. Finally, Table 12 shows the weighted KPI for the Group.

With all improvements implemented by Grupo Vasconia, the company expects to achieve a continuous carbon emission reduction, with the aim to reach, by 2050, at least a 2 Degrees scenario of our carbon intensity metric aligned with the Transition Pathway Initiative for the Aluminum Industry. Grupo

⁶ El Grupo ha medido sus emisiones de CO₂ desde 2019, por lo que no se dispone de datos anteriores.

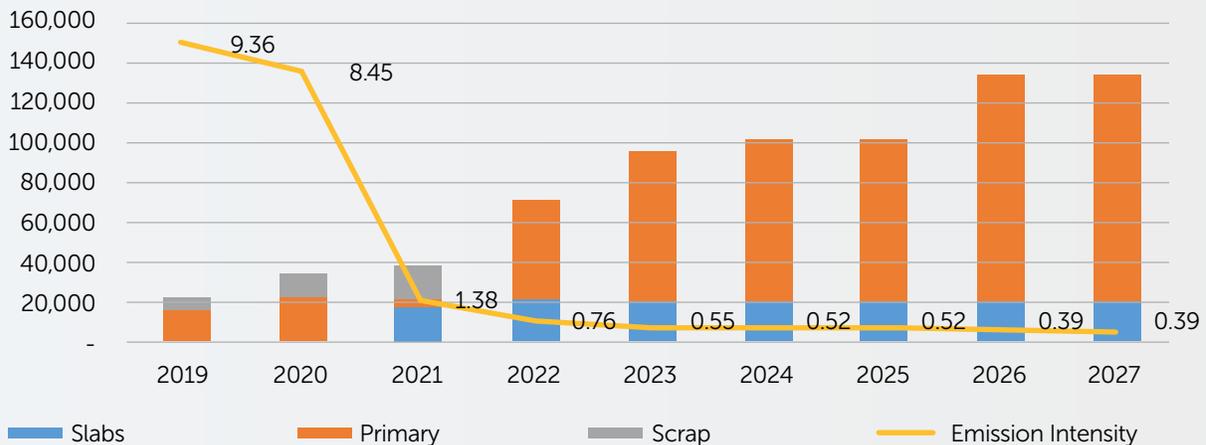
Vasconia will continue to develop new plans and projects to achieve this vision.

Ambition. The level of ambition of Grupo Vasconia’s SPT is assessed by comparing this target to the following benchmarks: (i) business-as-usual scenario, (ii) international standards, and (iii) comparable peers in the Aluminum industry.

Comparison with business-as-usual. The SPT is a material improvement beyond the “business as usual” trajectory because the substantial improvements observed after 2021 would not be possible without introducing new strategies, such as the investments in new facilities, and the incorporation of clean energy alternatives, among other. The main strategy that allowed the Group’s CO2 emissions intensity to decrease between 2019 and 2021 is the replacement of non-green primary Aluminum ingots with green primary Aluminum slabs. However, this strategy was nearly exhausted in 2021, when the use of non-green

ingots was virtually eliminated. While this strategy had a substantial impact on the Group’s carbon intensity index, it was easier to implement, requiring mainly a change in the Group’s procurement strategy. Instead, the measures that remain available to be implemented in the future require substantial capital investments and changes to the production process, which will be attained thanks to starting operations of the new plant in Veracruz.

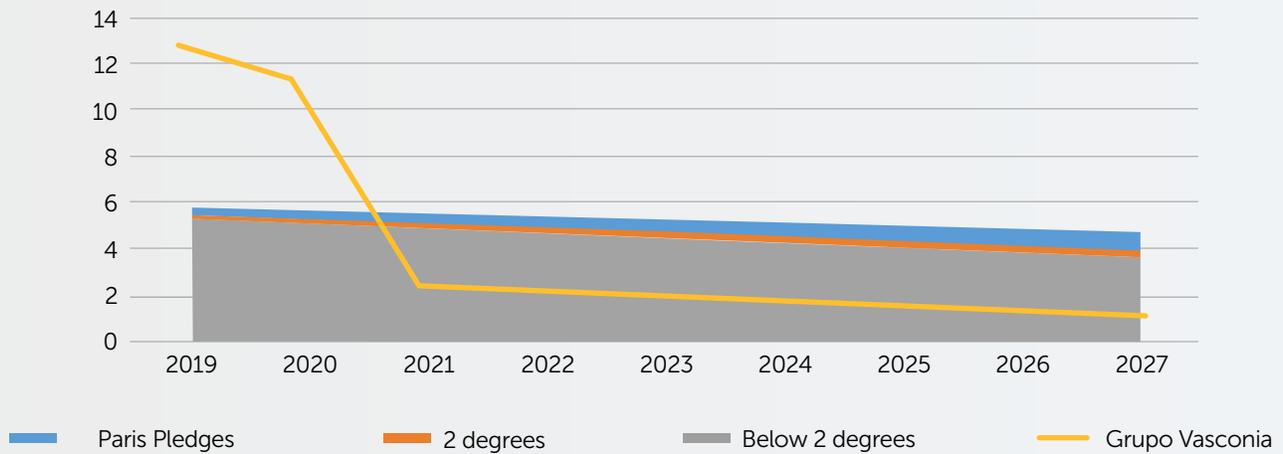
Figure 8: Carbon Intensity from Green Sourcing vs Aluminum Tons



Comparison with international standards. Grupo Vasconia is developing an ambitious carbon strategy that manages risks and opportunities related to a low-carbon transition. The strategy includes a long-term 2027 goal to achieve a carbon intensity index of 1.41 (tCO₂e/t Aluminum) aligned with the Transition Pathway Initiative (TPI), a key international standard. Specifically, by 2027 the Group’s index is expected to be substantially below the “below 2 degrees”⁷ scenario for that year of 3.63 for the Aluminum industry. The Carbon Intensity goal of Grupo Vasconia by 2027 (1.41 tCO₂e/tons Aluminum) is only slightly higher than the “below 2 degrees” carbon intensity goal for 2030 according to the TPI for the Aluminum industry of .996 (tCO₂e/t Aluminum).

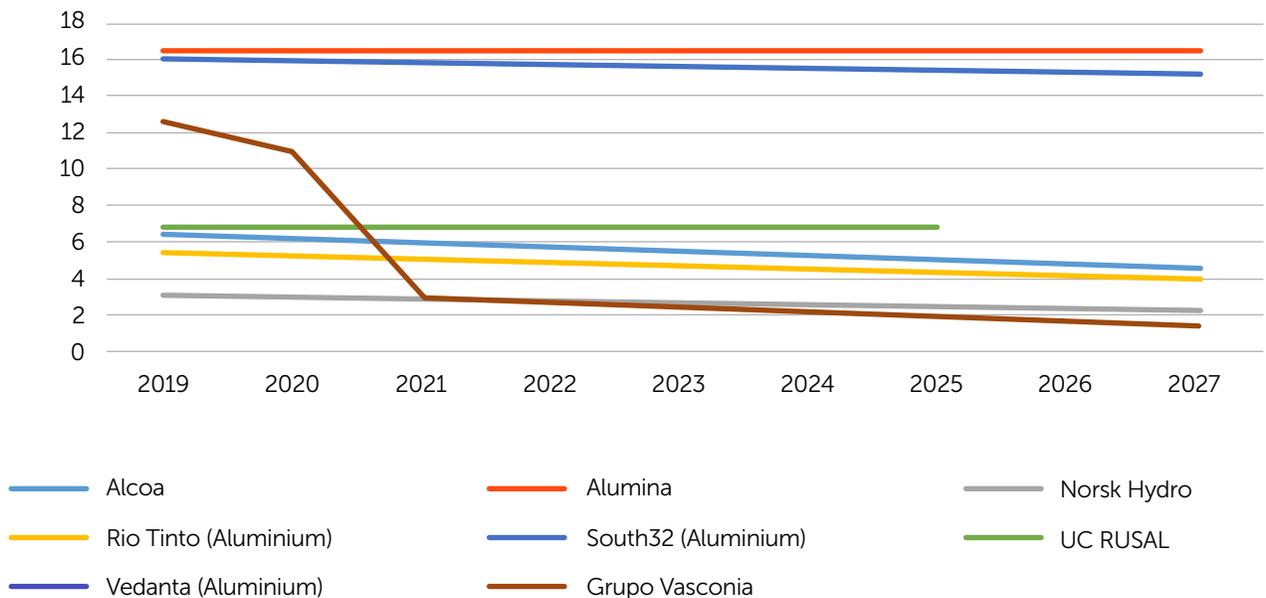
⁷ Under the Paris Agreement reached in December 2015, almost 200 countries pledged to control greenhouse gas emissions to limit global warming to 2 degrees Celsius by 2100 from pre-industrial levels, aiming to keep warming at or below 1.5 degrees C.

Figure 9: Carbon Intensity based on TPI for Aluminum vs. Grupo Vasconia



Comparison with peers. The TPI website includes historical data and targets on the carbon intensity of various Aluminum producers, which can be used to benchmark Grupo Vasconia’s ambition. Amongst these sector peers, some are highly comparable to Grupo Vasconia. For instance, we used Alcoa (USA) and Norsk Hydro ASA (Norway) as benchmarks for the design of our Sustainability Strategy due to the similarity of their business to ours. As shown in Figure 9b, over 2019-2027 Grupo Vasconia shows the largest reduction in its carbon intensity relative to all Aluminum companies for which data is available. Moreover, by 2024, Grupo Vasconia aims to have the lowest carbon intensity amongst all these sector peers.

Figure 9b: Carbon Intensity of Sector Peers vs. Grupo Vasconia



KPI 1: Strategy Deployment to achieve the SPT

To achieve its environmental goal, Grupo Vasconia has a holistic strategy based on investments in new melting furnaces, energy efficiencies, renewable energy procurement measures, and green sourcing of Aluminum, which will reduce our carbon footprint through the three scopes of emissions:

Scope 1. The carbon intensity will be reduced in Almexa with a CAGR of -7.8%, and VB with a CAGR of -.1% from 2021 to 2027.

- **Almexa, natural gas usage:** The investments in Almexa processes will generate efficiencies in the natural gas usage, which will make the Aluminum process up to 40% more efficient.
 - With the new technology of melting furnaces in Veracruz, it is expected that the production of Aluminum will increase by 3 times using a similar amount of natural gas consumption compared to our current plants.
 - Monitoring the efficiency of combustion of burns in order to take advantage of total calorific power of natural gas.

VB, natural gas usage: The investments planned in Vasconia Brands will replace natural gas burns with infrared burns to eliminate natural gas consumption.

Scope 2. The carbon intensity will be reduced in Almexa with a CAGR of -8.1%, and VB with a CAGR of -.1% from 2021 to 2027.

Renewable energy procurement measures: Grupo Vasconia is planning to invest progressively between 2023 and 2026 in energy self-generation in-situ projects in all its plants (Solar plants of 500 KW will be installed at each site to reduce 1,200 Ton CO₂e per year) and subject to regulation, the implementation of Power Purchase Agreements (PPAs).

Energy efficiency measures: Grupo Vasconia is planning to invest by 2023 in energy efficiency measures including but not limited to:

- Replace LPG as Forklift to electric Forklift to reduce CO₂e
- Led illumination in plants and corporate buildings
- Cooling systems automation
- Adopt new melting technologies for the furnaces in the Cuautitlán and Tulpetlac plants

Scope 3. The carbon intensity will be reduced in Almexa with a CAGR of -12.2% from 2021 to 2027.

Green Sourcing: Vasconia reinforced the green sourcing of Aluminum, the main material for production, through two main drivers:

- **Primary Aluminum:** Almexa committed to Purchase its Primary Aluminum based on low carbon Aluminum slabs coming from smelters that work with renewable energy sources such as hydropower, as aforementioned in the strategy section, Grupo Vasconia decided to change its business-as-usual Aluminum sourcing and began to increase its percentage of scrap and signed a 5 year agreement with a new green Aluminum supplier.
- **Scrap:** Almexa will get to its maximum primary Aluminum input of approximately 20,900 tons of primary Aluminum slabs in 2023. From that point forward, there will be continued growth arising from Veracruz's new plant that will focus on the production of recycled Aluminum, reaching up to 83% of recycled Aluminum in the mix by 2027. Grupo Vasconia's new facility in Veracruz has been equipped with cutting-edge furnaces with lower energy consumption and capacity to process scrap. In this sense, the company will be able to continue incorporating scrap in the production process and meet carbon intensity index reduction goals. Veracruz's plant will increase the company's production from 36,034 tons to 65,500 tons in its first year of operation, from which it is intended to take the largest participation in processed Aluminum in the coming five years. In addition, since 2019 - 2020, the company has been developing scrap suppliers networks to ensure future scrap needs. As evidence, Grupo Vasconia has a total of 89 scrap suppliers, in 2020 and 2021, the top 10 suppliers (including VB) provided 64% of the scrap for Almexa. With the opening of Veracruz, in 2022 Almexa will process approximately 50,000 tons of scrap, an increase of 199% vs the 17,019 tons processed in 2021.

Table 10: Carbon Intensity

t CO ₂ eq									
Year	Vasconia Brands		Grand Total Vasconia Brands	Almexa			Grand Total Almexa	Grand Total Vasconia	
	Scope 1	Scope 2		Scope 1	Scope 2	Scope 3			
2019	1,617	2,828	4,445	24,783	15,995	205,819	246,597	251,042	
2020	1,787	3,040	4,827	27,828	14,978	291,739	334,545	339,372	
2021	2,460	3,780	6,240	33,451	16,484	54,230	104,166	110,406	
Forecast	2022	2,705	4,157	47,088	22,982	56,631	126,701	133,563	
	2023	2,975	4,574	7,549	55,099	26,789	56,087	137,975	145,524
	2024	3,273	5,030	8,303	61,255	30,281	56,694	148,230	156,534
	2025	3,600	5,533	9,134	60,957	30,159	56,694	147,810	156,944
	2026	3,960	6,087	10,047	68,841	33,395	57,607	159,844	169,891
	2027	4,356	6,695	11,051	68,841	33,395	57,697	159,844	170,895

Table 11: Tons Aluminum Processed

t Aluminum Processed				
Year	Vasconia Brands	Almexa	Grand Total Vasconia	
2019	55	19,745	19,800	
2020	60	30,996	31,057	
2021	84	36,034	36,118	
Forecast	2022	92	65,500	65,592
	2023	100	86,800	86,900
	2024	112	91,800	91,912
	2025	123	91,800	91,923
	2026	135	120,800	120,935
	2027	150	120,800	120,950

Table 12: Carbon intensity by Business Unit

t CO ₂ eq / t Aluminum			
Year	Vasconia Brands	Almexa	
2019	81.4371	12.4891	
2020	80.1095	10.7930	
2021	74.2857	2.8908	
Forecast	2022	74.2641	1.9344
	2023	75.3825	1.5896
	2024	74.2673	1.6147
	2025	74.2673	1.6101
	2026	74.2670	1.3232
	2027	73.6741	1.3232

Table 13: Weighted Carbon Intensity

t CO2 eq / t Aluminum (Weighted)				
Year	Vasconia Brands	Almexa	Grand Total Vasconia	Percentage of reduction since
2019	0.2245	12.4546	12.68	
2020	0.1554	10.7721	10.93	-13.81%
2021	0.1728	2.8841	3.06	-72.03%
Forecast	2022	0.1046	1.9316	-33.39%
	2023	0.0869	1.5877	-17.76%
	2024	0.0903	1.6127	1.70%
	2025	0.0994	1.6080	0.25%
	2026	0.0831	1.3217	-17.72%
	2027	0.0914	1.3216	0.58%
	Average reduction per year			-19.02%
	Accumulated reduction			-152.18%
	Compound Annual Growth Rate (CAGR) 2021 to 2027			-12.07%

Note: "Curve" data refers to KPI 1 and SPT 1 performance calculated as the CAGR 2021-2027 of -12.07%.

KPI 2: Percentage of scrap in total Aluminum inputs processed (%)

KPI Definition and Methodology. Grupo Vasconia calculates KPI 2 as the percentage of scrap in total Aluminum inputs processed. A technical description of the KPI is presented in Table 14.

Rationale. Product Stewardship is the cornerstone of Grupo Vasconia's Circularity Strategy. 100% of Vasconia Brands' Aluminum comes from Almexa, which reinforces our green sourcing strategy, and also 100% of Vasconia Brands' Aluminum scrap goes back to Almexa to be recycled. KPI 2 contributes to reducing Grupo Vasconia's carbon intensity by lowering the amount of primary Aluminum used for our final products, and it is a key element of the Group's green sourcing strategy. In 2021 the CO2 content of the Aluminum input processed by Almexa accounted for 51% of the Group's CO2

emissions (calculated as discussed for KPI 1). Over 2019-2020 the CO2 content of the Aluminum input represented an even higher share of the Group's CO2 emissions, as the main input was primary Aluminum (ingots) with a higher CO2 content than the primary Aluminum (slabs) used in 2021.

In line with the three principles of a circular economy (design out waste and pollution; keep products and materials in use; and regenerate natural systems), Grupo Vasconia is developing an ambitious Aluminum scrap strategy that will reduce in more than 25 percentage points (p.p.) the primary Aluminum input, by promoting circularity in its Aluminum production process. The strategy includes forward-looking targets of percentage of scrap used as proportion of total Aluminum input.

Table 14: KPI 2 Technical Description

KPI Definition	
KPI 2	Percentage of scrap in total Aluminum inputs processed.
Formula for calculation	Scrap Aluminum (tons) / Aluminum inputs processed (tons) .
Key definitions	<p>Aluminum inputs processed in tons: calculated as the sum of all Aluminum inputs processed by Almexa (which may then be re-processed by VB to turn them into final goods)⁸. The main industrial activity of both Almexa and VB is processing Aluminum.</p> <p>Scrap Aluminum in tons: Scrap Aluminum includes both: (i) post-consumer scrap, generated at the end-of-life phase of finished goods; and (ii) post-industrial scrap (pre-consumer) generated downstream from operations of the Group.</p>
Source of Information	Information systems for Almexa.
Periodicity	Annual.
Coverage	100% of Aluminum inputs of Almexa ⁹ .
Calibration of the SPT	
Baseline	45% in 2021
SPT	By 2024, increase the percentage of scrap in total Aluminum inputs processed to 79%.
SPT observation date	The observation will take place in Q1-2025, based on performance data for December 2024. Grupo Vasconia will deliver the external verification report up to 120 days after year end 2024.
Long term target	By 2027, increase in the percentage of scrap used in the total Aluminum input mix up to 83%, equivalent to a (compound) increase of 11% per year over 2021-2027.

⁸ Although aluminum may be subject to multiple processes before the final product is complete, processed aluminum is counted only once.

⁹ VB uses Almexa's output as an input.

KPI 2: Calibration of the SPT

SPT. Grupo Vasconia commits to increase its share of scrap Aluminum KPI from 45% to 79% between 2021 and 2024. This corresponds to a compound growth rate of 21% per year over that period. The expected growth rate over 2021-2024 is higher than the expected growth rate over 2021-2027 as most of the improvements are expected to be concentrated in the near term.

The SPT Observation Date. The observation will take place in Q1-2025, based on performance data for December 2024.

Baseline. Grupo Vasconia has determined 2021 as its baseline year, starting with a percentage of scrap of 45% of total Aluminum inputs processed.

Long-term target. Our long-term target is to increase the percentage of scrap used in the total Aluminum input mix up to 83% by year 2027, equivalent to a (compound) increase of 11% per year over 2021-2027 (see figure 15). The target is based on Almexa's expected production output mix. Output projections are based on the current demand of Almexa's clients, which could change in the future based on market fluctuations.

Ambition. The level of ambition of Grupo Vasconia's SPT is assessed by comparing this target to the following benchmarks: (i) business-as-usual scenario, (ii) international standards, and (iii) comparable peers in the Aluminum industry.

Comparison with business-as-usual. Between 2019 and 2021 the share of scrap Aluminum used in the production process increased from 28% to 45%, equivalent to a 17p.p. increase in 2 years and a CAGR of 26%. By comparison, over 2021-2023, the share of scrap Aluminum in the production process is expected to increase from 45% to 70%, equivalent to a 33p.p. increase in 2 years and a CAGR of 32%, substantially higher than in prior years. While detailed records are not available prior to 2019, the characteristics of the plants as well as knowledge about the Group's Aluminum suppliers suggest that the share of scrap used may have been similar to 2019 levels in earlier years.

Importantly, to maintain optimal quality on some production lines, a minimum input of primary Aluminum is needed, which depends on various factors such as the technical characteristics of the furnaces in the plants, the product mix, amongst others. While the increase in the share of scrap

between 2019 and 2021 may seem like an ongoing trend, it would be difficult to continue improving at this rate without important investments. By 2021, the Group was already near the maximum share scrap (minimum share of primary Aluminum) that was possible given the technical specification of its two existing plants, and the types of alloys demanded by its clients.

The projected increase in the share of scrap Aluminum used over 2021-2023 is only possible thanks to start of operations of the new Veracruz plant, which has a high efficiency furnace, and will operate almost entirely on recycled Aluminum. In 2023, the Group will reach the minimum primary Aluminum input use of approximately 20,900 tons of primary Aluminum slabs. This limit is determined mainly by the technical specifications of the two existing plants that will be operating at capacity. From then on, any increase in input use will be driven solely by the growth of the Veracruz plant. Given that this plant can operate almost entirely on scrap, the share of scrap used will continue to increase but at a much slower rate. The increase in recycled Aluminum can only get up to 83% in order to be able to process the alloys our clients require.

Comparison with international standards. While there is limited information regarding international standards on the percentage use of recycled scrap, it is unlikely to find companies with higher scrap usage than Grupo Vasconia's target, as we are reaching the upper limit that is possible for us while still maintain the quality of the product. Likely other companies will face similar technical limitations that prevent them from using 100% scrap Aluminum.

Comparison with peers. Although there is limited information available about the performance of sector peers regarding the share of scrap used in their operations, some information is publicly available. Granges is a designer and manufacturer of value-added Aluminum products, with production facilities across Europe, Asia, and the Americas. Grange's operations are very similar to those of Grupo Vasconia. Granges has committed to increase its share of recycled Aluminum to 30% of total sourced metal inputs by 2025. This target is substantially below our commitment of reaching 79%.

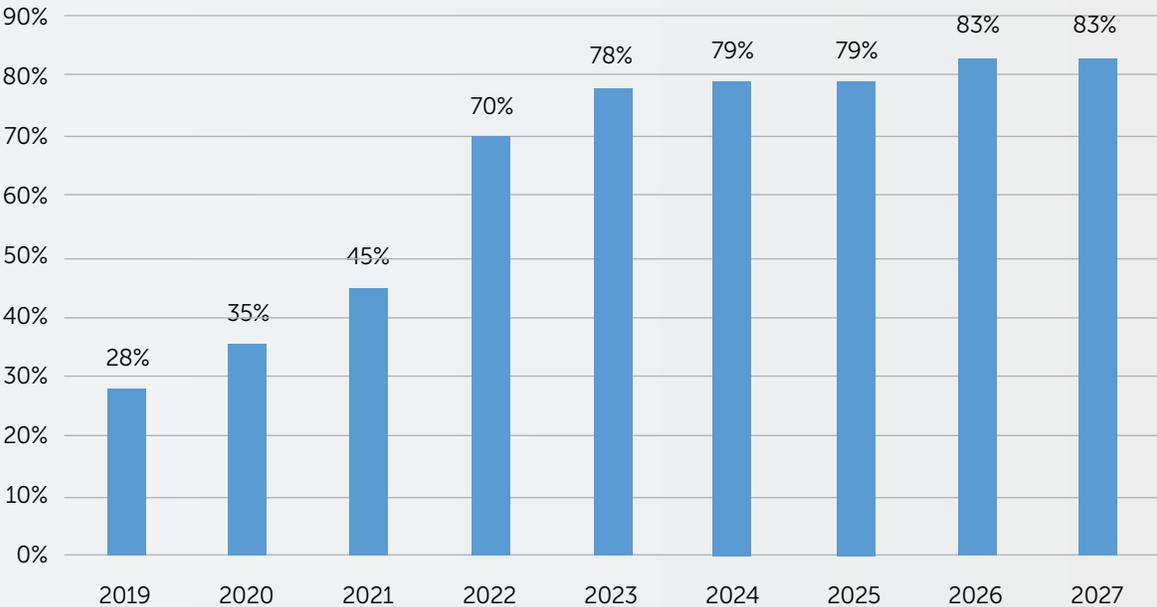
KPI 2: Strategy Deployment to achieve the SPT

Green Sourcing. In order to achieve the SPT, the group will rely on Aluminum inputs with lower CO2 content. In 2021, Almexa committed itself to procure its primary Aluminum from low carbon Aluminum slabs from smelters with access to renewable energy sources such as hydropower and replacing Aluminum ingots with a higher CO2 content. However, this driver for improvements is nearly exhausted as there are almost no ingots in the input mix. Going forward, the main strategy will focus on replacing primary Aluminum with recycled Aluminum.

The actions to achieve the SPT are aligned with Grupo Vasconia’s Green Products Initiative in its Sustainability Strategy. The main action to be implemented is the use of better technology thanks to the start of operations of the new plant. The new factory in Veracruz is designed to heavily increase the scrap Aluminum usage in line with

Grupo Vasconia’s circularity strategy. This plant has furnaces specialized in recycling, which allows Almexa to increase the scrap usage in its Aluminum input mix. The Veracruz plant can use a higher scrap content than the two existing plants operating in Mexico City. While the existing plants will continue to use shares of scrap similar to the past, the new plant will operate primarily using scrap.

Figure 15: KPI 2 Percentage of Scrap Aluminum



BOND FEATURES

The proceeds of Grupo Vasconia's Sustainability-Linked Bond are expected to be used for general corporate purposes, which may include the acquisition of assets linked to its growth strategy and the payment of debt. The financial characteristics of any security issued, or debt raised under this Framework, would be specified in the corresponding transactional documentation. The bond or loan documentation will include the KPI(s) definition and SPT(s) (including calculation methodologies) and the potential variation of the financial and/or structural characteristics.

Grupo Vasconia will commit to offer financial compensation to investors and in the event that at least one of the KPIs assigned to the applicable bond instrument misses its corresponding SPTs. In case Grupo Vasconia does not meet one or more of the SPTs on the specified Target Observation Date, it will trigger a one-time 25 bps step-up over the existing coupon spread. The step-up will be payable from the date it is determined that the company did not meet any of the SPTs until maturity date. If for any reason, the company is not able to produce the KPI performance report or any of the KPIs cannot be calculated, the 25 bps step-up will also apply.

REPORTING

Grupo Vasconia will publish annually and will maintain easily available on its website (<https://www.grupovasconia.com/reportes-asg/>) its Annual Sustainability Report, which will include information regarding KPIs performance and its respective SPTs, Company's ESG progress and any other relevant information. In particular, the report will include:

- Updated information related to the SPTs, and the performance of the KPIs, including their corresponding baselines.
- A verification report, prepared by an independent third party, related to KPI performance, and progress towards achieving their SPTs.
- Information related to any impacts of the KPI performance on the financial and/or structural characteristics of the bonds, and the timing of such impacts.
- Any relevant and updated information related to the strategies or to the different corporate factors that may impact or contribute to progress of the KPI against the SPT¹⁰.

¹⁰ Any information enabling investors to monitor the level of ambition of the SPT (e.g., update in the issuer/borrower's sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of the KPIs and SPTs).



When necessary, the following information will also be included:

- Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the KPI performance (which may include merger and acquisition activities, amongst other).
- Explanation of positive or negative impacts on sustainability; and/ or
- Any reassessment or reevaluation of the KPIs and/or reformulation of the SPTs and/or proforma adjustments of the baselines.
- Likewise, Grupo Vasconia undertakes to report material changes related to coverage, the methodology for calculating KPIs and, in particular, changes related to the calibration of SPTs through its website.

Beyond the reporting of the performance of the KPIs for any sustainable linked instruments issued under the Framework and aligned to the best practices of the Climate Transition Finance Handbook 2020, Grupo Vasconia will disclose the following in its sustainability report:

- Information regarding the capital expenditures or any other trackable expense related to the relevant investments needed to achieve the sustainability strategy and its Environmental impacts.
- The climate-related outcomes of the strategy implementation

In case the goals are not met, the company agrees to provide investors with an action plan including remedial actions to increase the probability that the goals will be successfully achieved in the coming years.

Likewise, Grupo Vasconia will publish on its website, after the first date of issuance, the Sustainability-Linked Bond Framework, as well as the Second Party Opinion issued in this process.

Additionally, the financial reports currently published on quarterly basis will report on the management of the expenses as well the progress in the ESG strategy. With these financial and sustainability reports, Grupo Vasconia will guarantee the transparency and the availability of public information, providing certainty to interested parties.

Reporting for Investors

In addition to the above, Grupo Vasconia will report other relevant information to investors annually, such as the following:

- Volume of Aluminum processed (metric tons), disaggregated by division
- CO2 emissions (tCO2), disaggregated by division and by scope
- Capex expenditures in energy efficiency (MXN)
- Capex expenditures in green energy (MXN)
- Green energy production (KWh)

VERIFICATION

Grupo Vasconia has mandated an environmental consultant with recognized experience in environmental and social governance research to provide a Second Party Opinion (SPO) on the environmental and social benefits of its Sustainability-Linked Bond Framework, as well as the alignment with the relevant Sustainability-linked Bond Principles (SLBP). The SPO will be available for the public on Grupo Vasconia's website (<https://www.grupovasconia.com/reportes-asg/>).

The annual performance of the KPIs will be subject to an external limited verification or audit, conducted by an internationally qualified provider of third-party assurance or attestation services. Vasconia will assess in a best effort doing a reasonable verification. In addition, the achievement of the SPTs will be audited on the observation date. Following a target observation date, a verification certificate will be issued and publicly disclosed, confirming whether the performance on the KPIs meet the established SPTs. Verification of annual performance towards the SPT and of performance on the Observation Date defined for the SPT will be made available to the public on *our website*. Annual external verifications of the performance of the KPIs will continue to be made after the Observation Date until the maturity of the securities.

ANNEX 1. HISTORY OF GRUPO VASCONIA

- 1911** Grupo Vasconia was founded in 1911 by Aurelio and Enrique Huerta García-Asenjo, Spanish immigrants, who created in Mexico City the factory of Aluminum household products, which they called at first "Huerta Hermanos y Sucesores", which would later change to Industrias La Vasconia, S.A. due to the Basque origins of the Huerta family.
- 1934** Ekco, an old American company, founded its Mexican subsidiary, Ekco, S.A.
- 1944** Almexa (Aluminio Industrial Mexicano, S.A. de C.V.), resulted from the merge of former Mexican subsidiaries of Reynolds Aluminum and ALCAN.
- 1979** Imasa (Industria Mexicana del Aluminio S.A de C.V.) was founded.

Over the years, there have been a series of acquisitions that led to the formation of what we know today as Grupo Vasconia, among which we can highlight:

- 1990** Ekco, S.A., by the time the largest producer of kitchenware in Mexico, was acquired by UNICA (Unión de Capitales, S.A. de C.V.), a private equity fund, and later, in 1991, they merge and listed its shares in the Mexican Stock Exchange.
- 1993** Ekco, S.A.B. merged with Industrias La Vasconia S.A. de C.V.
- 2003** Ekco, S.A.B. acquired the kitchen division of Grupo Steele, and several registered trademarks.
- 2007** Ekco, S.A.B. acquired IMASA; Industria Mexicana del Aluminio, S.A. de C.V., Imasa, and later partnered with Lifetime Brands Inc. a leading household products company in the United States.
- 2008** Ekco, S.A.B. changed its name to Grupo Vasconia, S.A.B.
- 2012** Imasa acquired Almexa Aluminio. These two subsidiaries of Grupo Vasconia merge in 2019, under the name of Almexa Aluminio.
- 2020** Almexa completed the acquisition of 100% of Alucal, S.A. de C.V., where the Veracruz plant is located.
- 2021** Grupo Vasconia placed a Follow-on Public Offering of its shares, raising capital to improve its balance and financially reinforce its growth strategy, reaching more than 2,000 new shareholders.

This consolidated GRUPO VASCONIA, S.A.B. as a Mexican industrial group, with its two described divisions.

GRUPO
VASCONIA
S.A.B.

SUSTAINABILITY-LINKED BOND FRAMEWORK