Nemak
Innovative Lightweighting

ANNUAL REPORT 2023

DRIVING MOBILITY
Forward

About

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 2023, the Company employed approximately 24,000 people at 38 production facilities worldwide and generated revenue of US$5.0 billion.

GRI 2-1, GRI 2-6

https://www.nemak.com/

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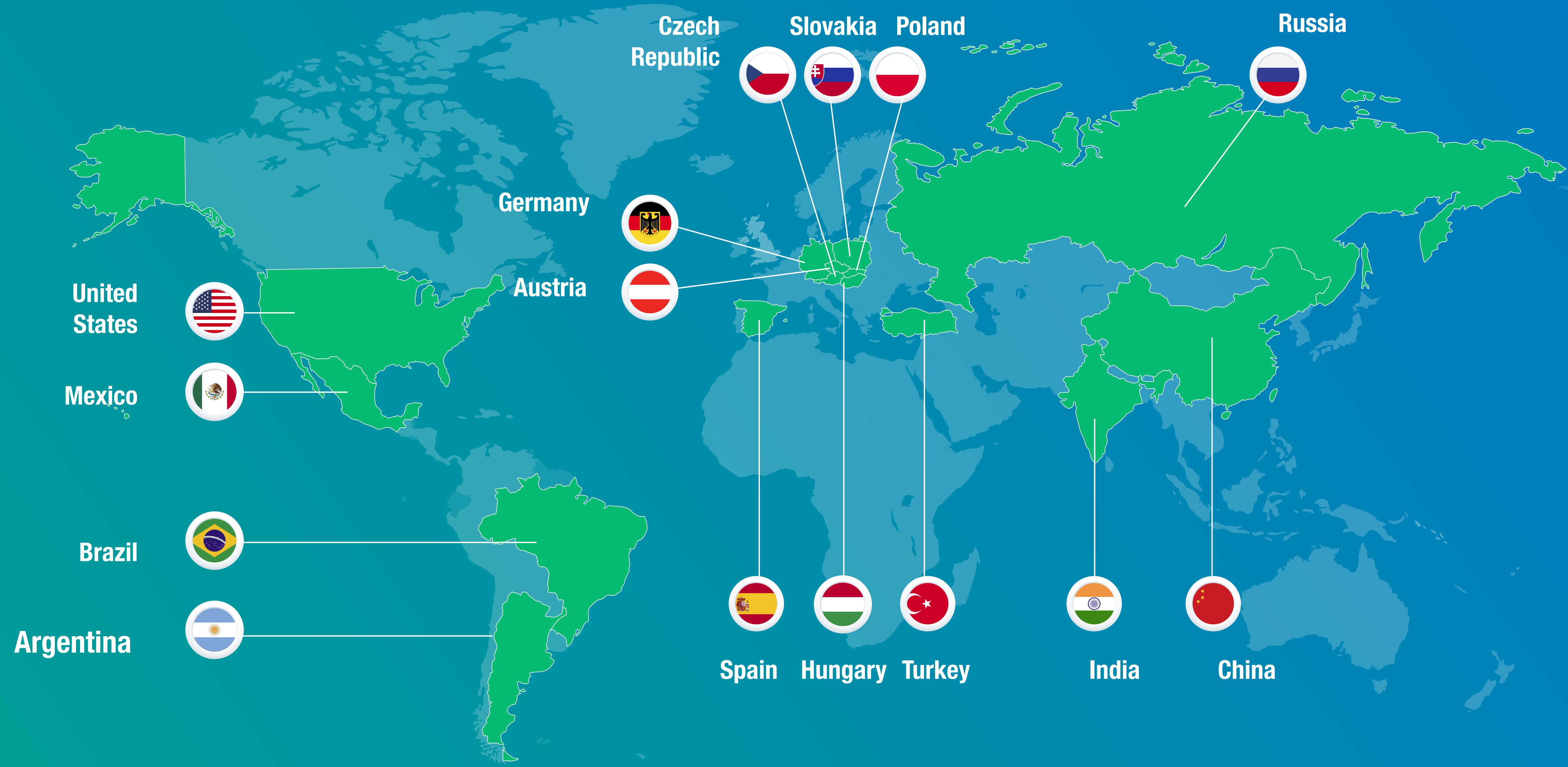
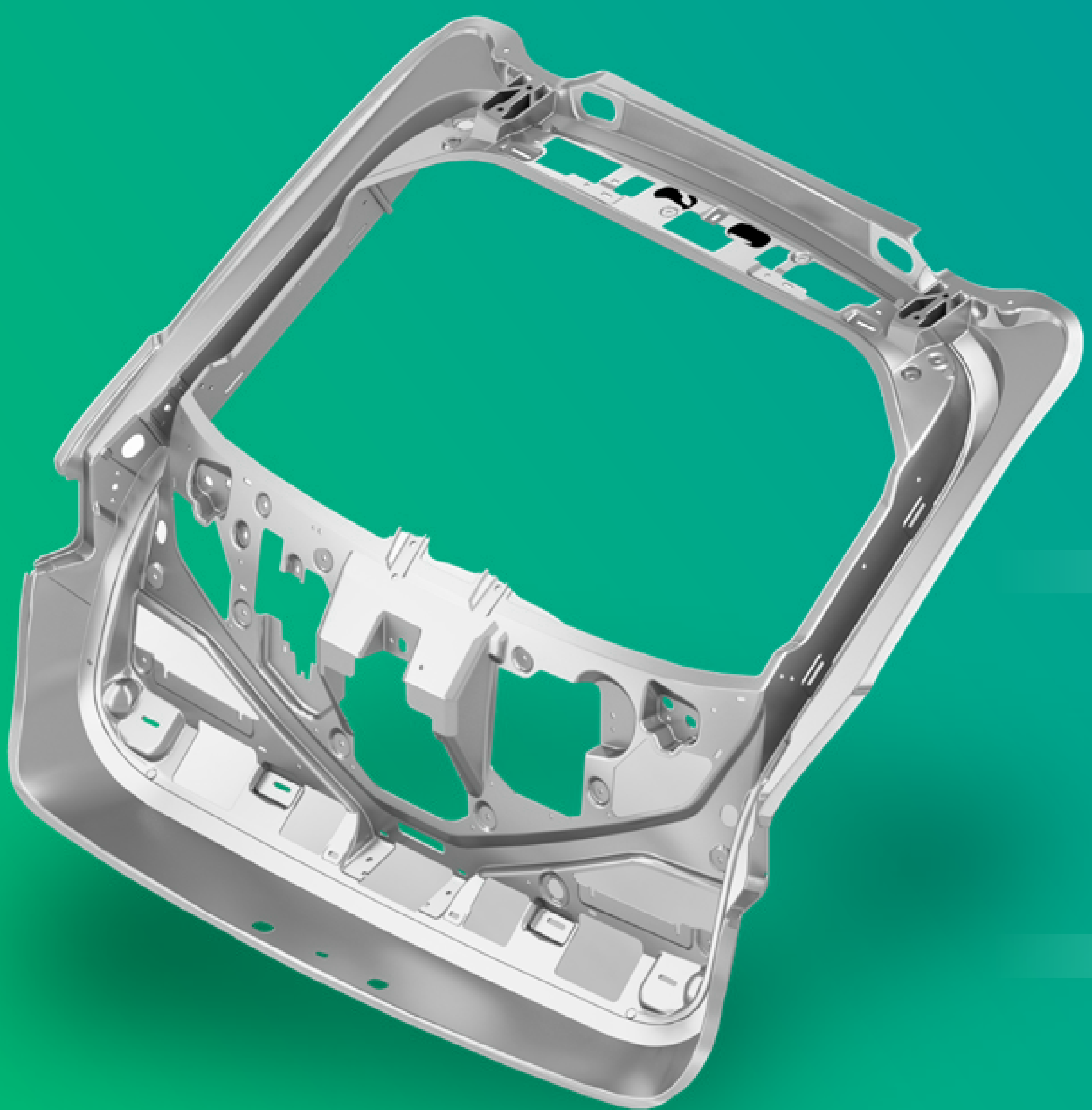
Nemak at **a glance**

GRI 2-1, GRI 2-6

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





REVENUE

54% North America

34% Europe

12% Rest of the World

SEGMENT REVENUE

44% Heads

30% Blocks

14% Transmissions & Other

12% EV/SC*

**E-Mobility, Structure & Chassis*

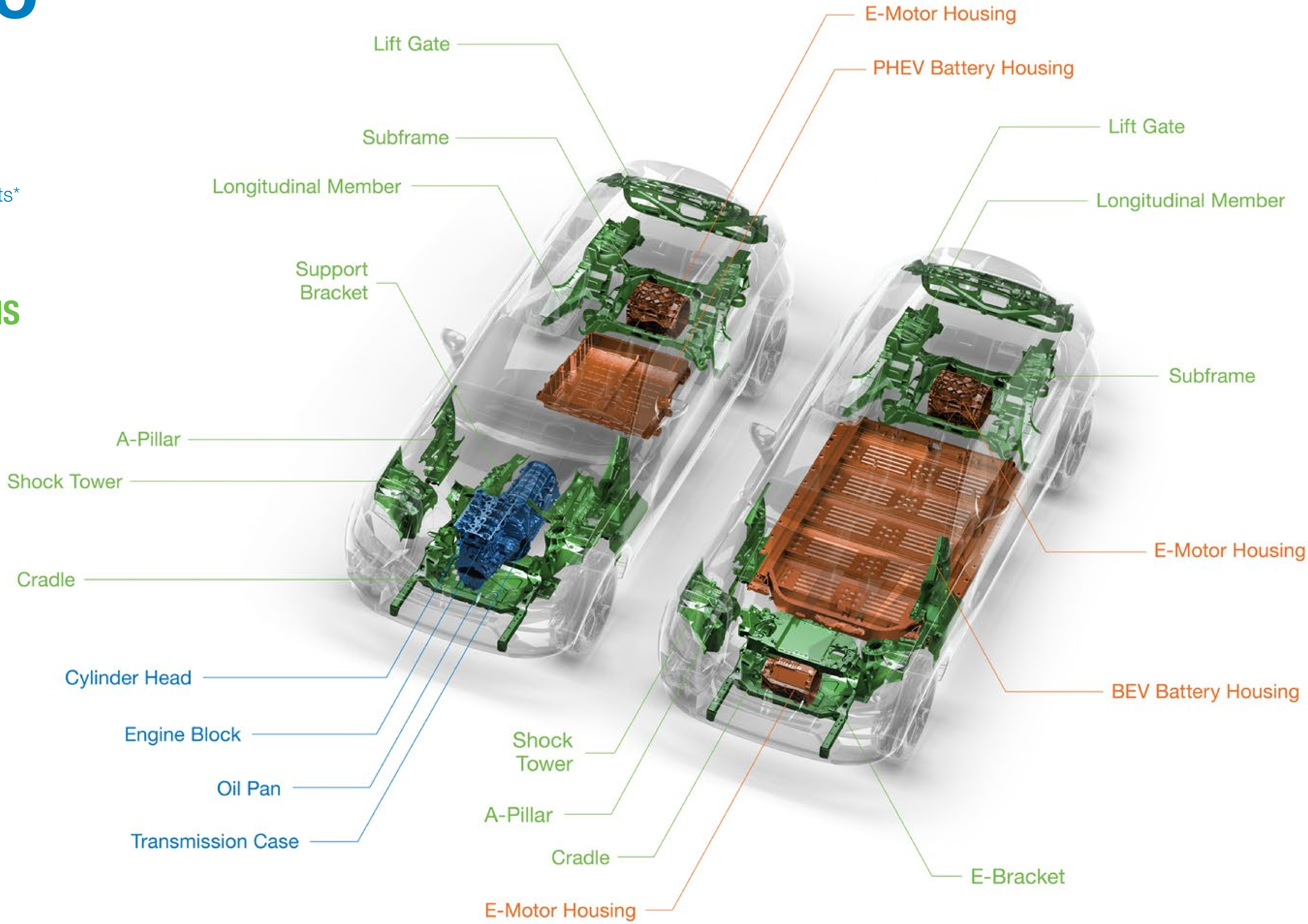
Product **portfolio**

ICE POWERTRAIN

Other ICE powertrain components*

E-MOBILITY

STRUCTURE & CHASSIS



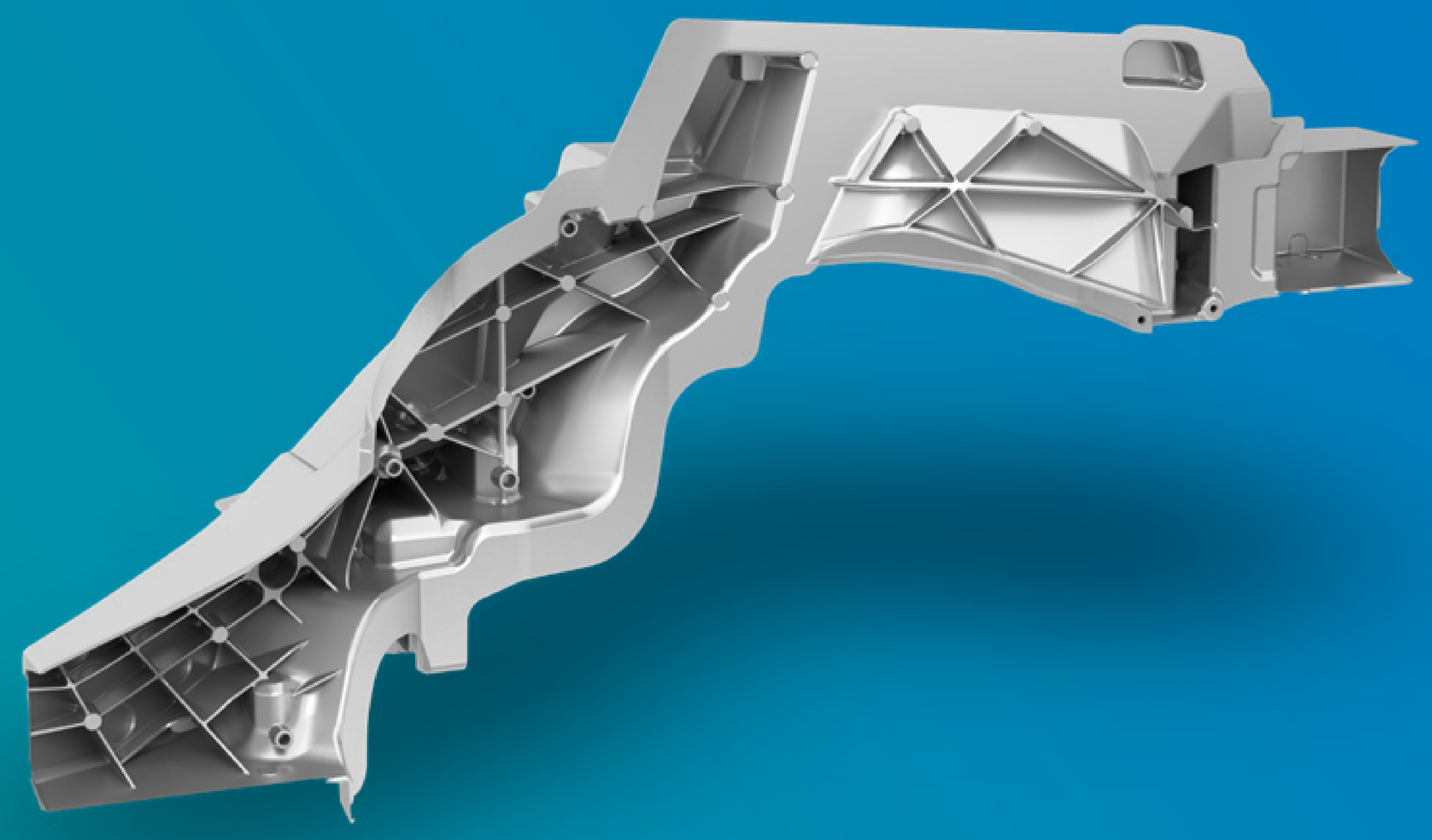
*Parts not specified in other categories

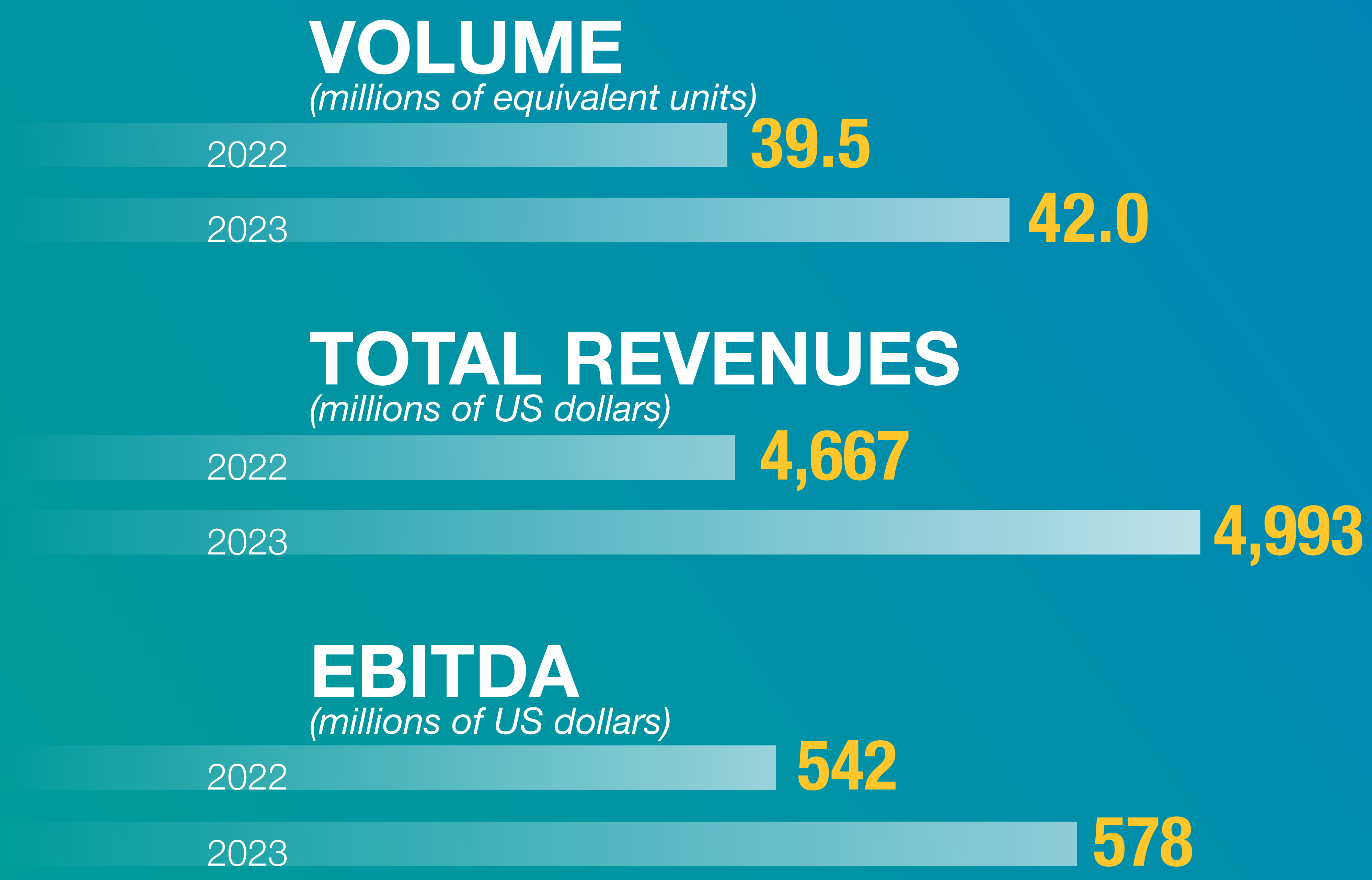
Financial **highlights**

GRI 201-1

MILLIONS OF US DOLLARS	2023	2022	% CHANGE
Volume (M. Eq. Units)	42.0	39.5	6.4
Total revenues	4,993	4,667	7.0
Gross profit	537	505	6.3
Sales & administrative expenses	(344)	(292)	17.8
Other income (expense), net	(16)	(26)	(38.5)
Operating income	177	186	(4.8)
Interest expenses	(129)	(75)	72.0
Interest income	7	6	16.7
Foreign exchange (loss)	(57)	(10)	NA[2]
Financing expenses, net	(179)	(79)	NA[2]
Participation in associates results	2	(1)	NA[2]
Income tax	3	(56)	NA[2]
Net income	4	51	NA[2]
EBITDA[1]	578	542	6.6
Capex	537	468	NA[2]
Net debt[3]	1,556	1,236	25.9

(1) EBITDA = Operating Income + Depreciation, Amortization & other Non-Cash Charges
(2) NA: Not Applicable, applied to large percentage change
(3) Net Debt = Total Debt - Total Cash





Letter to **shareholders**

Nemak navigated a dynamic and fast-paced environment in 2023, pursuing its long-term strategy and surpassing guidance. While the automotive industry saw substantial recovery during the year, there were several macroeconomic challenges to withstand. The Company remained resilient, pivoting where needed, and remaining firm in pursuit of its strategic, financial, and sustainability goals.

As the industry witnesses a fundamental shift towards electric vehicles, Nemak continues to position itself strategically to capitalize on this trend, while maintaining a key position in the Internal Combustion Engine Powertrain ("ICE Powertrain") business. The Company's growth is the result of a proactive approach to these secular market trends, upheld by a strong commitment to sustainable practices and environmental stewardship.

Armando Garza Sada
Co-Chairman of the Board of Directors

Álvaro Fernández Garza
Co-Chairman of the Board of Directors

Armando Tamez Martínez
Chief Executive Officer

During 2023, global light-vehicle production improved vis-à-vis 2022, driven by fulfillment of pent-up demand and easing of supply chain conditions, amidst a backdrop of high interest rates. Light-vehicle production in North America increased 10% compared to the prior year, marked by industry recovery and inventory replenishment. In Europe, this metric mirrored the same trends, reaching 12% growth on the year, as the region continues its transition to electrification. The Rest of the World increased production as well, by 10% and 1%, in China and Brazil, respectively.

In the e-mobility, structure, and chassis ("EV/SC") segment, new contracts awarded during the year took Nemak's order book to $1.75 billion annually, keeping the Company well on track to achieve its announced target of US$2 billion by 2025, which demonstrates a steady but efficient approach to accomplish its goals. During 2023, a portion of the order book materialized in the form of revenue, with the EV/SC segment experiencing a 22% growth, totaling US$575 million. Marking its first year of operation, the engineering center in Frankfurt has proven to be a competitive advantage, solidifying Nemak's well-established expertise in producing a diverse range of battery housing models. This milestone further strengthens the Company's leading position in the EV/SC segment. Despite the move towards electrification, Nemak's ICE Powertrain business remains strong, as the Company recognizes that the transition to e-mobility is a multi-year endeavor. If adoption of electric vehicles continues to encounter headwinds, Nemak will be able to quickly leverage its current capacity and expertise through its ICE Powertrain business, due to its capabilities and some of the most advanced technology in the segment.

Nemak posted stable results and financial performance during 2023, with a 6% increase in volume over the previous year, which was mainly attributed to increased customer production and the launch of new products in the EV/SC segment. Revenue rose 7% during the year, due to higher volumes and pricing updates, which were partially offset by the decrease in aluminum prices. EBITDA grew 7% over the previous year, despite the impacts of the appreciation of the Mexican peso against the U.S. dollar, driven by top-line growth, increased contribution of EV/SC products, and commercial negotiations that addressed the pressures of inflation. EBITDA per equivalent unit finished at US$13.7, in line with 2022 results and guidance. Net income was $US4 million in 2023, down from US$51 million in 2022. This was mainly due to non-cash effects of foreign exchange and asset write-offs, in addition to higher financial expenses.

During the year Nemak invested US$537 million in capital expenditures to support new business, including the launch of three new facilities and the introduction of cutting-edge products. With these investments in place, Nemak remains committed to responding to industry demands and different electrification scenarios. Capacity for the EV/SC segment will continue to be key to the Company's long-term revenue generation and transformative efforts.

Nemak's net debt was US$1.6 billion at the end of the year, higher than the US$1.2 billion posted the year before. The incremental debt responded to transitory needs, derived from higher working capital and the setup of the three new facilities for the EV/SC segment. The Company will continue to implement a prudent financial approach and prioritize deleveraging. Moreover, cash and cash equivalents totaled US$323 million.

Despite challenging conditions, Nemak maintained consistent credit ratings stable from main rating agencies, sustaining investment grade by Fitch, and one notch below investment grade by Moody's and S&P. These ratings recognize the soundness of Nemak's operations, reflect confidence in the Company's financial health, and underscore its ability to navigate challenges and remain creditworthy.

Nemak's sustainability strategy is well integrated into its business model, ensuring stakeholders' expectations are met, while continuing to embrace its leadership role in sustainability in the automotive industry. Advocating responsible outcomes for people, communities, and the environment, 2023 was marked by substantial improvements in sustainability ratings. This transformative journey is embodied in the three pillars of Nemak's sustainability model —green sourcing, green production, and green products— led by a dedicated committee that oversees effective implementation

As a result of its dedicated approach to increasing sustainability throughout its operations, Nemak achieved significant milestones in the past year. The Company was awarded the EcoVadis Platinum Medal, a prestigious recognition awarded to only 1% of suppliers, and a testament to its commitment to sustainable business practices. Furthermore, it was included in the Dow Jones MILA Pacific Alliance Index for the fifth consecutive year, and received a "B" score by Carbon Disclosure Project ("CDP") in climate change. These recognitions showcase measurable progress and demonstrate Nemak's active engagement with suppliers to help mitigate climate change.

Nemak's commitment to its talent and responsible business practices is showcased by its recognition as a Top Employer at various facilities across the United States, Mexico, Germany, Poland, and Brazil. The Company has also committed to being an Early Adopter in the Forward Faster Initiative of the UN Global Compact, which pursues a more rapid and impactful influence on achieving gender equality.

As the automotive industry navigates the shift to electrification, Nemak will continue creating pioneering innovations, and partnering with its customers to provide lightweighting solutions from the earliest stages of design. Nemak's exceptional talent, technical expertise, and global footprint combine to place the Company at the forefront of this shift. Positioned solidly in the powertrain industry, Nemak is poised to capitalize on existing strengths while fostering the growth of the EV/SC segment. This strategic approach aligns with the Company's vision for continued success in the evolving landscape of the automotive sector.

Nemak would like to express its gratitude to all stakeholders—shareholders, employees, partners, and communities—for your continued support. Your trust and collaboration have played a key role in Nemak's achievements, and we look forward to a future of shared success and sustainable growth.

San Pedro Garza Garcia,
N.L. Mexico

January 31, 2024

Armando Garza Sada
Co-Chairman of the Board of Directors

Álvaro Fernández Garza
Co-Chairman of the Board of Directors

Armando Tamez Martínez
Chief Executive Officer

LIGHTWEIGHTING DEVELOPMENTS

As the global automotive industry continues its significant shift towards electrification, Nemak stands at the forefront of this transformative journey, as automakers increasingly seek a broader set of capabilities from their supply base. In Nemak's case, this trend is contributing to a surge in new business opportunities.

The Company's total addressable market in EV/SC applications is projected to expand from approximately US$12 billion to US$36 billion by 2030, while continuing to make progress in innovation and maintaining a leading position in the ICE powertrain business.

As electric vehicles continued to gain market share worldwide, Nemak saw significant growth in 2023, due to a substantial ramp-up in production in the lightweighting sector. This expanded production resulted in a notable increase in revenue to US$575 million in EV/SC applications, compared to US$470 million in 2022, marking 22% year-over-year (y-o-y) growth. Additionally, the order book for EV/SC applications increased by 8% y-o-y, rising from US$1.60 billion to US$1.75 billion annually. This growth reflects the Company's selective approach, prioritizing profitability and long-term financial health. Additionally, Nemak continues to actively explore a pipeline of potential new opportunities in this segment, with an estimated annual value of U$1.7 billion. This dynamic performance underscores the Company's ability to capitalize on the evolving landscape of the electric mobility industry.

Nemak's value proposition centers on proactive collaboration, partnering in the early design stages to create significant value for its customers, while supporting and optimizing development timelines. In the EV/SC segment, the Company continues to race up the learning curve, leveraging its years of experience and commitment to continuous innovation. This approach enables Nemak to continue leading in the dynamic landscape of electric and structural chassis applications, solidifying its reputation as a trustworthy and efficient partner in the evolving reality of mobility solutions. These developments mark a significant step for the Company as it expands its production capabilities.

Key milestones in executing Nemak's technology roadmap for the year included:

- Committing to global expansion through progress on three new plants located in Mexico, Germany, and the Czech Republic, all three specializing in battery housing production for fully electric vehicles. The facilities are scheduled to begin operations during 2024, aligned with customers' launch schedules. This strategic move is expected to contribute to the Company's annual revenue, aligning seamlessly with its dedication to serving customers on a global scale.

EV/SC orderbook increased from

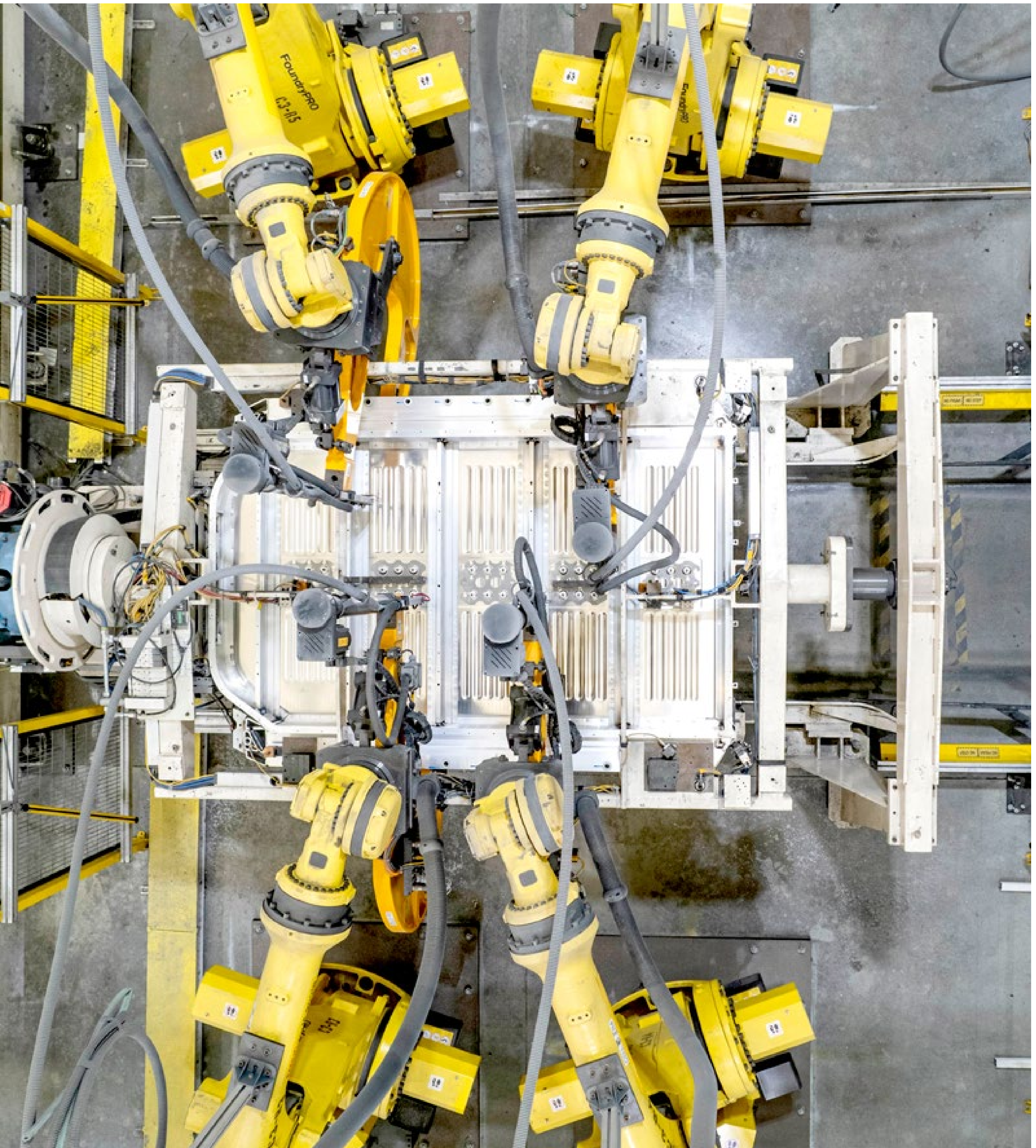
US$1.60 billion to US$1.75 billion

reflecting Nemak's selective approach with a focus on profitability.

Substantial growth in 2023, with revenue topping

US$575 million

in EV/SC applications, expanding from US$470 million in 2022, marking 22% y-o-y increase.



- The engineering center has achieved remarkable success in the first year of operation, boasting a team of 50 employees with vast technical knowledge. The center played a pivotal role in managing 13 series development projects, conducting 6 concept studies, and leading 14 key R&D projects. Notably, its focus on innovative lightweighting solutions garnered attention, optimizing product weight without sacrificing performance. Frequent visits to the center by customers highlight its vital role in collaborative efforts, and solidify its position as a hub for cutting-edge developments in the mobility industry. The engineering center underscores the significance of collaborative engagement and the value Nemak brings to its partners.
- Deploying projects aimed to develop high-performance alloys designed to eliminate the need for heat treatment and additional processes, all while meeting the highest automotive performance standards. This is an example of the Company's ability to create solutions, by combining profound knowledge of alloys with process expertise.
- Collaborating with academia and technology partners in Europe and Canada to encourage the use of recycled and secondary materials, emphasizing the significance of sustainable and eco-friendly alloys.
- Design for sustainability, multi-material battery housing prototypes, that can be used in hybrid vehicles, heavily emphasizing the complete recyclability of the component.
- Successfully collaborating with customers in black box design projects, taking the lead in designing components that achieved weight reduction up to a 45%. A standout success story includes the complete engineering of a structural component using this methodology, designed by Nemak in conjunction with the customer. This remarkable achievement received recognition through prestigious honors from the Altair Enlighten Awards and PACE Awards.
- Successfully executing projects that leverage existing Rotacast capacity to manufacture structural components, facilitating the gradual conversion of the Company's facilities. This strategic initiative emphasizes Nemak's dual priority in production, accommodating both powertrain and EV/SC components.
- Securing contracts valued at US$150 million in the EV/SC segment, reinforcing Nemak's standing as a trusted partner in the dynamic landscape of electric mobility. This achievement reflects the Company's commitment to excellence and innovation as it strives to meet the needs of the industry.

SUSTAINABILITY AT NEMAK

Mobilizing for the Planet, Accelerating Equity and Leading Change

We are playing an integral role in the world's shift to clean mobility

Nemak is a leading provider of innovative lightweighting solutions for the global automotive industry, specializing in the development and manufacturing of components for e-mobility, structures & chassis, and ICE powertrain applications.

With this product offering, Nemak is able to support its customers to reduce weight and improve efficiency in their vehicles.

Nemak plays an integral role in the world's shift to clean mobility. The Company has a long and successful history as the leading provider of innovative lightweight solutions for the mobility industry, spanning four and a half decades. Fueled by a legacy of cutting-edge innovation and expertise, Nemak has adeptly pivoted its offerings to not only produce components that enhance vehicle efficiency, but also facilitate a wider clean mobility transition, across all modes of transport. This strategic shift has not only guaranteed Nemak's growth, but has also played a pivotal role in facilitating emissions reductions for its customers - a cornerstone of Nemak's growth for the next four and a half decades. The Company's Sustainability Strategy represents its active role in the global transition towards sustainable mobility.

DRIVING MOBILITY FORWARD

Nemak is committed to harness innovation and use its expertise to shape the future of automotive lightweighting. Accelerating the transition towards sustainable mobility has never been more important, with the automotive sector accounting for over 15% of global energy-related emissions. In response to this, the demand for e-mobility components has soared, and meeting this need, whilst maintaining its own sustainable credentials, is a key part of Nemak's Sustainability and Business Strategy. Nemak's Sustainability Model is built around three core ESG ambitions:

- Mobilizing for the Planet
- Accelerating Equity
- Leading Change

Nemak estimates that the total addressable market of its e-mobility, structure & chassis (EV/ SC) segment could 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, subframes, and other large aluminum casted structures.

To maintain its innovative edge, and to bring new ideas to the industry, Nemak conducts targeted research and development (R&D) to improve its products and processes, develop new competencies, and reduce emissions. A particular emphasis recently has been to increase the percentage of recycled content deriving from end-of-life vehicles within its sustainable alloys, therefore contributing towards a more resource efficient and circular minded automotive sector. As the market transitions, Nemak expects a significant portion of its revenues over the next 5 -10 years to continue to be driven by the sale of ICE components, particularly as the renewable energy transition will occur at a varying pace across different countries. As the pressure from regulation and society increases, the demand from OEM's is also becoming increasingly ambitious. Therefore, regardless of whether Nemak is producing parts for ICE or EV vehicles, the Company is committed to powering the future of sustainable mobility. Operationally, this includes actively developing its ESG practices, reducing emissions through improved production processes, sourcing more sustainable materials, and producing components for Net Zero emissions vehicles.

Together, We Make Sustainable Mobility Possible

2023 Sustainability **Highlights**

In 2023, Nemak once again made significant progress towards its goal of making mobility sustainable:

Certifications & Ratings

- Completed Aluminum Stewardship Initiative (ASI) audits for three facilities in line with the ASI Performance Standard, a game-changing alliance dedicated to establishing comprehensive sustainability standards throughout the aluminum value chain
- Improved its EcoVadis rating to Platinum (top 1% of companies)
- Achieved CDP ratings of “B” for Climate Change

Governance

- Improved integration of sustainability within the Company through inclusion of the topic within the strategic Transformation Management Office
- Integrated corporate sustainability into the quotation process

Decarbonization

- Conducted energy efficiency workshops at all European Plants and identified more than 320 potential projects
- Implemented a total of 83 energy efficiency projects in 2023 across the EU, resulting in an 8% improvement in NG efficiency (per unit eq) and 3% in electricity at European sites
- Developed Net Zero templates for plants to define their decarbonization journey on a per-project basis at all EU, Asia and Mexican sites
- Contracted a US Long REC Purchase Agreement (2026-2035) 100GWh/year, decarbonizing 50% of the electricity consumption in the US
- Delivered Product Carbon Footprints (PCF) to key customers through the application of Life Cycle Assessment (LCA) methodologies
- Created a Net Zero model to offer customer solutions and prices for Net Zero products

Supply Chain

- Reduced Scope 3 emissions by 6%, driven by a decrease in 140,000 tons of CO_2 from Purchased Goods and Services
- Defined Nemak’s Green Aluminum Roadmap
- Obtained independent verification of its Scope 3 emissions
- Partnered with Key Supplier securing conditions as preferred customer
- Conducted supplier visits to investigate potential long term decarbonization solutions
- Integrated due diligence processes into the Supplier Risk Committee
- Assessed 55 new suppliers through EcoVadis, taking the complete number of supplier assessments to 224
- Received the signature of 40 suppliers committing to alignment with Nemak’s decarbonization goals

Social Topics

- Initiated the Mentoring and Female Talent Leadership Journey programs to support the development of female talent through social and formal learning
- Defined a new Corporate Citizenship Policy and standardized the process across all Nemak regions
- Updated the Global Human Rights Policy and established a Human Rights Due Diligence Process according to the OECD and UN Guiding Principles on Business and Human Rights

About Nemak's Sustainability **Reporting**

GRI 2-2, GRI 2-3

Quality of reporting is of paramount importance to Nemak as it continually seeks to improve data granularity and broaden scope, in order to provide increased transparency to stakeholders.

The reporting period for this report is January 1 to December 31, 2023. 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). Ahead of future mandatory reporting, Nemak has also incorporated a number of disclosure requirements from the European Sustainability Reporting Standards (ESRS), that underpin the Corporate Sustainability Reporting Directive (CSRD).

Nemak's Sustainability Report is aligned to the consolidation method of its financial statements, with all subsidiaries being deemed within scope. To consolidate information for Nemak's Sustainability Reporting, Nemak identifies subject matter topic owners who are responsible for managing and tracking progress against assigned material topics. Data is consolidated from the plant level to the regional, which is then aggregated from a global perspective.

Nemak's Internal Audit department is in the process of reviewing Nemak's sustainability reporting processes and evidence, supporting the Company in preparation for third party external assurance in the future.

Sustainability **Strategy**

Developed in 2020, Nemak's Sustainability Strategy was originally founded on the outcomes of a materiality assessment that identified the areas of sustainability most impactful to the Company. Nemak's material topics are fully integrated into the Business Strategy, given their paramount importance in achieving the vision to be a pioneer in the promotion of sustainable mobility. Bespoke programs, with a dedicated roadmap, and associated metrics and targets, have been developed, with continual monitoring seen as critical to the progression of Nemak's sustainability ambitions. Nemak's dedication is reflected in the consistent improvements in its ratings by organizations such as CDP, EcoVadis, and S&P Global Corporate Sustainability Assessment (CSA).

Nemak considers its commitment to, and integration of, its Sustainability Strategy into its Business Strategy as crucial to its license to operate in today's world.

Vision

Together, We Make Sustainable Mobility Possible

Nemak's Sustainability Framework

Process to define Nemak's Sustainability Strategy

Define material topics for Nemak

Define Nemak's ESG Sustainability Framework based on materiality analysis

Define targets for 2030 in each material area

Conduct and improve on gap analysis based on ESRS Standards

Materiality assessment

Nemak's Sustainability Roadmap

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 by the Sustainability Committee

Nemak's Sustainability **Framework**

Nemak's Sustainability Strategy has been curated to push the boundaries of available technologies through its contribution to sustainable mobility. Nemak understands that its contribution to sustainable development must also consider and actively work towards the safeguarding of its employees, supply chain workers, the communities in which it operates, and the broader environment.

Nemak updated its materiality assessment and stakeholder dialogue in 2021. It was the outputs of these assessments that served to inform the direction of the sustainability framework, and the subsequent integration of this framework into core Business Strategy. In addition to its materiality assessment, in 2023, Nemak completed a corporate citizenship materiality assessment, engaging directly with local communities and mapping the highest impact areas on its communities.
In 2024, the Company will be updating its materiality assessment to align with the requirements of the CSRD. Nemak will review materiality from an impact perspective, it's actual or potential impacts on people or the environment, and from a financial perspective, how sustainability factors may affect the value of the Company. These assessments ensure that Nemak is in tune with the views of its value chain, and can proactively ensure that these are reflected within future strategic developments.

Nemak's sustainability framework is built on three key ESG foundations, with material topics allocated to the appropriate business areas.

Climate Protection
Reducing emissions by improving energy efficiency, purchasing renewable electricity and preparing for long-term decarbonization by switching to alternative fuels.

Circularity
Integrating circular economy principles throughout its business operations and increasing its use of recycled aluminum.

Innovation & Products
Developing and creating new products to establish a strong market position within the context of cleaner world, while ensuring all products have exceptional quality and safety characteristics.

Occupational Health & Safety
Keeping people safe, reducing the frequency and severity of accidents.

Diversity and Inclusion, Talent Development & Well-being
The creation of an inclusive culture which represents and reflects the communities in which Nemark serves and operates. Putting in place programs to enable employees to reach their full potential. Identifying and promoting initiatives that support employees healthy well-being and lifestyles.

Corporate Citizenship
Develop and deploy tools which enable interaction with stakeholders and shared value-creating opportunities.

Responsible Supply Chain Management
Actively supporting the Company's supply chain and encouraging suppliers to align with Nemak's sustainability strategy.

Sustainable Leadership
Achieve A rating for the Carbon Disclosure project. Continuos inclusion in the Dow Jones Sustainability Indices and demonstrating board-level support for sustainability.

Business Ethics
Continuously improve governance and sustainability practices through the use of external ratings as benchmarks and principles.

Nemak is committed to creating value for its stakeholders through consistent action to improve its sustainable performance, and the integration of sustainability principles into its core business strategy, which is embedded in its four corporate values:

INNOVATION

Customer focus

Innovation

Trust and collaboration

Respect and responsibility

Nemak's Sustainability **Roadmap for 2030**

GRI 3-3

Targeting 2030 – Nemak's sustainability roadmap depicts underlying goals for each material topic with defined targets for 2030. Through regular monitoring and review processes, the targets are assessed to ensure that they are progressing as desired, and to allow for the optimization of the roadmap through strategic updates.

	UN SDG Alignment	Core Objective	Target Value 2030
Mobilizing for the planet	9.2 9.4 12.2 13.1 13.2	**Climate protection**	•28% reduction in Scope 1 & 2, and 14% reduction in Scope 3 emissions by 2030, on a 2019 baseline •Energy efficiency: ISO 50001 at all facilities by 2026 •Use of renewable energy: 25% by 2025, 100% by 2030
		Circularity	•Increase recycled content quota for new product groups •Maintain ISO 14001 certification at 100% of its facilities •Reduce the volume of solid waste streams through implementation of waste reduction and recycling programs •Minimization of water losses
		Innovation and products	•Conduct Life Cycle Assessments (LCA's) for all electrified portfolio products •Increase electrified portfolio to 60%
Accelerating Equity	4.4 4.5 4.7 8.5 8.7 8.8	**Diversity, inclusion and talent development**	•Equal pay for work of equal value by 2030 •Adoption of ASI Performance Standard principles with regards to Nemak's own workforce across all locations
		Occupational health and safety	•Reduce the frequency and severity of incidents, evidenced through a year-over-year reduction in TRIR (20%) •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, including shared value-creating opportunities •Establish a global process to identify support opportunities for local communities and corresponding action plans •100% of Nemak sites to execute initiatives aligned with the Corporate Citizenship Strategy
Leading Change	12.6 12.8 13.2 13.3	**Business integrity**	•Continuous improvement in governance and sustainability practices, using external ratings as benchmarks and guiding principles
		Responsible supply chain	•Critical supplier screening via EcoVadis •Full implementation of Global Code for Suppliers •Aluminum Stewardship Initiative (ASI) as standard for aluminum suppliers •Implementation of ASI Chain of Custody Standard for material due diligence
		Sustainable leadership	•Achieve an 'A' level at the Carbon Disclosure Project (CDP) •Continuous inclusion in the Dow Jones Sustainability Indices (DJSI) •Cross-functional alignment of roles and responsibilities with regards to sustainability

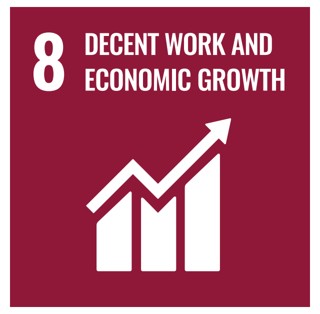
Nemak's Contributions to the **UN Sustainable Development Goals**

To ensure that Nemak's Sustainability Strategy and roadmap support the ambitions of the United Nation's Sustainable Development Goals (SDGs), Nemak has taken measures to align its material topics 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).

Our Targets matched to UN SDGs

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.

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, as well as adopt circular economy principles into its processes.



Nemak pursues ambitious growth targets along with good working conditions, a competitive pay scheme, and a key focus on its employees' health and safety.

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.

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.

In line with the SDGs, Nemak is also a signatory to the UN Global Compact and provided its third Communication on Progress (COP) in 2023.

Materiality Assessment & **Stakeholder Dialogue**

To identify and prioritize the environmental, social, and governance issues that are most impactful for an organization, Nemak conducts regular materiality assessments. Nemak conducted its last materiality assessment in 2021, and in-line with its 3-year cycle, plans to undertake a new double materiality assessment in 2024.

This process will incorporate an outside-in and inside-out perspective, including stakeholder views from across the value chain. Double materiality fosters open dialogue and transparency with stakeholders, ensuring ensuring that the topics deemed most important to them, are given due consideration by the Company and incorporated into future strategy developments.

When undertaking the 2021 assessment, Nemak consulted its internal teams, in addition to a broad range of external stakeholders: including shareholders, customers, suppliers, community members, and non-governmental organizations. The findings of these interviews then informed the identification and ranking of a short list of material topics, taking account of stakeholder opinion, organizational impact, and business relevance. The Sustainability Accounting Standards Board (SASB) sector standard for the automotive industry provided key inputs to the process, as did a review of the global sustainability regulation landscape.

As the cornerstone of all sustainability reporting, the materiality assessment ensures that Nemak is aligned with the views and expectations of the value chain, and also serves as an opportunity to identify areas for value-creation or risk mitigation.

In parallel, in 2022/2023 Nemak conducted a corporate citizenship materiality assessment to understand its impacts on the communities it works within, and to shape its Community Engagement Strategy. More details on this can be found in the Corporate Citizenship chapter of this report.

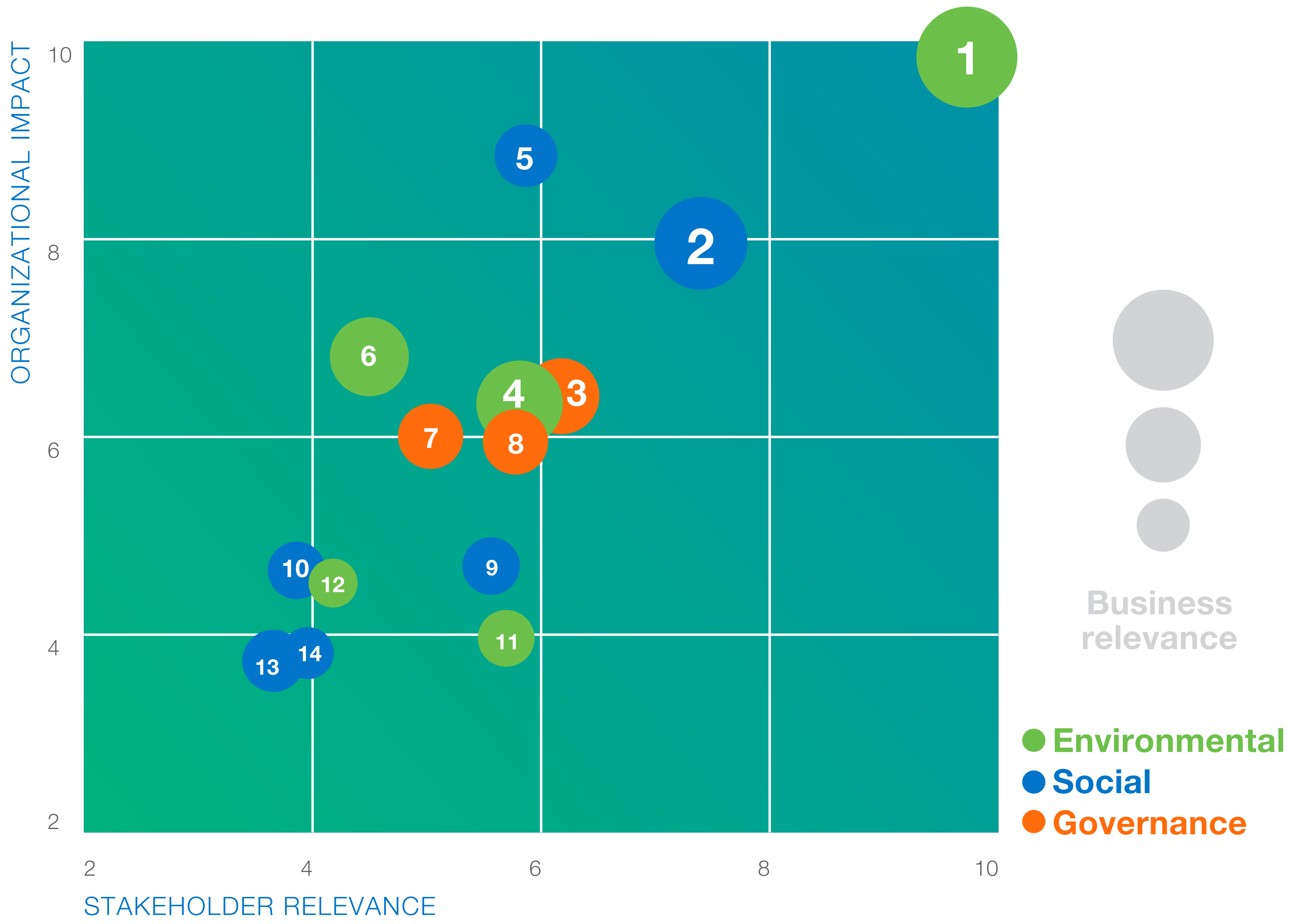
Nemak focuses on what matters most by integrating stakeholder views into its Sustainability Strategy

Material **Topics**

GRI 3-1, GRI 3-2

Through the materiality assessment, Nemak identified 14 material areas that now underpin Nemak's sustainability framework and Sustainability Strategy. All of the topics shown below are of importance to Nemak and its stakeholders. In effect, the Company ensures that strategies are in place to address the impact, risks, and opportunities identified for each material topic. These material topics have not been adjusted in the period, and the ranking remains consistent with the 2021 assessment. 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



Within the pages of this report, there is a section dedicated to each of Nemak's material topics. In line with the latest GRI and ESRS reporting standards, each chapter provides an overview of the Company's management approach to the topic, an assessment of impacts, risks and opportunities, in addition to an evaluation of progress to date.

With respect to the ESRS reporting standards, the topics of E2 Pollution, E4 Biodiversity, and S4 Consumers and End Users, are not considered material for this reporting period. To the best of its knowledge, the Company has no material impacts on pollution, excluding those impacts mentioned in the other ESRS-relevant sections such as Climate, Water, and Resource Use. After conducting assessments using the Integrated Biodiversity Assessment Tool (IBAT) and Species Threat Abatement and Restoration (STAR) methodologies, Nemak has concluded that Biodiversity is not material for its operations. Considering the complexity of vehicle manufacturing, the topic of Consumer and End Users has been excluded due to Nemak operating a B2B model, with limited impact on final users of vehicles.

Stakeholder Engagement

Nemak defines its stakeholders as individuals or organizations that directly impact, or are directly impacted by, the Company's activities. Nemak regularly engages with these stakeholder groups, maintaining an open two-way dialogue to share progress and expectations, gather feedback on performance, and inform strategic decisions.

The Company considers its full value chain, from the sourcing of mining commodities used in manufacturing, to the end users of its products, to identify specific stakeholders. The stakeholders with which Nemak continuously engages include, but are not limited to:

As the table demonstrates, Nemak maintains a regular dialogue with its stakeholders, monitoring emerging trends, expectations, market signals and regulatory developments. Stakeholder feedback is highly valued by Nemak, and it is of significant importance that all comments are addressed promptly.

	Customers	Investors	Suppliers	Employees	Communities
Form of engagement (related to sustainability topics)	Customer meetings Customer requests Materiality assessments	Annual Report Quarterly calls Sustainability-Linked Bonds (SLBs) Investor Day Materiality Assessment	EcoVadis assessments Commitment letters Supplier meeting (sustainability round tables) Materiality Assessment	Sustainability workshops (for example for sales) HSE Week Materiality Assessment Employee Engagement Survey	Local Initiatives Corporate Citizenship Materiality and Impact assessment
Reasons for engagement	Improve customer confidence that Nemak will achieve its Sustainability Strategy Actively engage and align with customer expectations	Increase confidence in Nemak and its sustainability commitments to encourage further investment	Raise awareness of Nemak's initiatives and encourage suppliers to align with the Company's sustainability objectives Nemak's Due Diligence Process Compliance to Nemak's Purchasing Criteria	Increase employee awareness and motivation to proactively engage with sustainability topics Align Company and employee sustainability values Identify risks and improvement areas related to social sustainability topics	Support the communities in which Nemak operates Educate community members about the Company and its activities Learn from communities and raise awareness about their local issues Identify and prioritize communities' needs and align company initiatives to meet these
Frequency of engagement	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing (depending on local initiatives)
Key Values/Interests	High quality products and reliable supply chain	Positive return on investment / alignment with sustainability best practice	Reliable customer and collaborative member in achieving sustainable mobility	Safe workplace, growth opportunities, competitive compensation	Limiting negative impacts from Nemak's business Support from Nemak for local activities
How engagements are organized	Upon customer requests / RFP / negotiations of existing contracts. Organized through the Sales department	Upon investor requests / as per reporting obligations (such as the Mexican Stock Exchange CDP / CSA etc.) Organized through the Investors Relations Department	Upon RFQ for suppliers/ongoing purchase contracts. Organized by the Purchasing Department	Organized regularly by the Sustainability, HSE and HR department	Organized by local HR departments

As feedback is received, Nemak considers whether adaptations to its Business and Sustainability Strategy are needed to maintain alignment with stakeholder values. As an example, as the market shifts towards electrification, the Company has developed its product portfolio to ensure that it meets the customer demand for electromobility components.

Through the materiality assessment process, Nemak administrative, management and supervisory bodies are kept informed on the views and interests of affected stakeholders with regard to sustainability-related impacts. In between assessments, these individuals remain updated on material impacts through specific Company departments undertaking stakeholder engagement initiatives.

The most significant stakeholder engagement exercise undertaken by Nemak in 2022/2023 was the corporate citizenship materiality assessment. This assessment was conducted on a local level, where designated HR or HSE employees, conducted interviews with internal and external stakeholders, including local community representatives, authorities and associations. This process ensured that each site facilitated an open dialogue with the community, and was able to identify the unique corporate citizenship initiatives which would be most impactful. The results of this assessment were aggregated at both a regional and global level. Further information on this assessment can be found within the Corporate Citizenship chapter of this report.

Further to the results of the materiality assessment, the most frequently raised topics were those of protecting the climate and reducing emissions.

In 2021, Nemak issued sustainability-linked bonds (SLBs), and since, both investor and bondholder interest has remained high. Nemak keeps its stakeholders well informed, and has been proactively rolling out its Climate Strategy, investing in R&D to develop ways of increasing secondary material use within processes, and adopting low carbon techniques.

In line with Nemak's values, all stakeholder interactions must demonstrate respect and protect all parties' human rights. The Company's Global Code of Conduct is a training requirement for all employees, and encourages awareness of, and sensitivity to, various cultural and social issues, including those that arise whilst engaging with stakeholders. Please see the chapter on Business Integrity for more information on how Nemak trains employees, and the Supply Chain chapter for details on Nemak's due diligence processes.

Sustainable **Leadership**

Nemak aspires to be a leader within the automotive industry; a Company that embraces innovation and new technologies, and a Company whose leadership is not afraid to run ahead of the pack, inspiring others to also take ambitious steps towards achieving sustainable mobility.

Nemak sees the adoption of the Aluminum Stewardship Initiative (ASI) Performance Standard as an outstanding example of its commitment to sustainable leadership on a global level, in addition to at a practical plant-based level.

The ASI Performance Standard defines environmental, social, and governance principles and criteria, which by design, address a broad range of sustainability issues within the aluminum value chain. In 2023, Nemak audited, and have been recommended by the third-party auditor for full certification against the standard, for its sites located in Poland, Slovakia and Brazil.

The final certifications are expected in Q2 2024, once the ASI oversight process is completed. Nemak will continue with the second wave of certification in 2024. In parallel, the Company is investigating the ASI Chain of Custody Certification and plans to begin the process of certification in 2024.

Spearheading Nemak's Sustainability Strategy is the dedicated Global Sustainability Team, in place since 2020. Led by the Global Sustainability Senior Manager, this team interfaces with all relevant departments, including Operations, HSE, Legal & Compliance, Purchasing, HR, Business Development, and R&D.

Nemak strives to integrate sustainability into all functions to improve its sustainability performance and culture, and as such, it is now fully embedded into the broader Business Strategy.

For an overview of Nemak's corporate leadership structure, please refer to the Operating Summary section of this report.

Key Roles and **Responsibilities**

At Nemak, the Board of Directors and the Executive Team are jointly responsible for senior oversight of sustainability-related topics. The Board is comprised of thirteen members, seven of whom are independent directors. Nemak's Executive Team consists of the CEO, the CFO, six Vice Presidents overseeing functions and business divisions, and the Global Human Resources Director. The Vice Presidents represent business divisions spanning the Americas, Europe and Asia, as well as the functions of Business Development and Transformation, Manufacturing and Product Development, Purchasing and Sustainability, and Sales and Marketing. Nemak has appointed one member of its Board of Directors as responsible for overseeing the strategic alignment and integration of the Sustainability Strategy within the overarching Business Strategy. This individual has sustainability expertise and amongst other actions, supported Nemak to carry out its sustainability-linked bond transactions in 2021. The Board regularly discusses topics related to electrification and Net Zero mobility, including the implications of changing climate-related regulations and increasingly stringent restrictions on internal combustion engine (ICE) vehicles for Nemak. Ultimately, the Board ensures that the Company is strategically aligned and responding to market changes and shifting consumer preferences, such as those outlined in the Paris Climate Agreement.

Chief Executive Officer

The CEO has overall responsibility for all sustainability-related matters, a role incorporating the determination of long-term strategic decisions, agreement of Company priorities, alignment of roles, and definition of 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 overarching direction and guidance on the Company's long-term strategic goals, and where necessary, consults with external stakeholders, such as investors and shareholders to better understand medium-to-long-term trends and expectations. 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.

Chief Financial Officer

The CFO is responsible for all financial related decisions, including Capex expenditure, which impact Nemak's ability to implement its Sustainability Strategy. The CFO is also a key decision maker in topics such as the purchase of renewable energy, research and development investment, and other climate-related topics. With the interest rate for Nemak's sustainability-linked bonds directly impacted by performance against the Science Based Targets, the CFO takes a keen interest in the Company's emissions reduction progress. With full oversight, and control over investment and funding decisions, the CFO has the leverage to incentivise activities aligned with a 1.5-degree world.

Vice President of Purchasing and Sustainability

The Vice President of Purchasing and Sustainability (VP P&S) is a C-suite officer responsible for the supervision and implementation of Nemak's Sustainability Strategy, inclusive of climate-related matters and targets, with a direct reporting line to the CEO. Guiding the execution of Nemak's Sustainability Strategy and long-term goals, such as its Net Zero target, the VP P&S creates regional and functional targets. Alignment of senior leadership sustainability priorities at a global level, and ensuring that all departments have the required support and resources for success, also fall within the remit of the VP P&S. By leveraging strong ties with purchasing, the VP P&S can significantly influence supply chain topics related to sustainability, including frameworks for sourcing decisions based on related Scope 3 emissions. Finally, the VP P&S is ultimately responsible for the annual reporting process. Together with the CEO and CFO, the VP P&S conducts the final review and sign-off prior to report publication. Along with externally communicating Nemak's Sustainability Strategy, the VP P&S is responsible for facilitating internal communication efforts as sponsor of the Climate Commitment in the Transformation Management Office (TMO).

Vice President of Business Development and Transformation

As the market shifts towards new technologies, the Vice President of Business Development and Transformation (VP BD&T) is responsible for guiding the long-term transformation of the Company. To establish a strong position in the market, the VP BD&T ensures that Nemak's Capex investments are reflective of the Company's long-term objectives. The VP BD&T also plays an active role in the undertaking of long-term decisions such as the process of securing long-term renewable energy purchasing contracts. Directly reporting to the CEO, this individual helps to ensure the alignment of Nemak's Business Strategy and Nemak's Sustainability Strategy.

Global Sustainability Senior Manager

Nemak's Global Sustainability Senior Manager (GSM) leads Nemak's Sustainability Team and the TMO Climate Commitment pillar. Responsible for the regular review, development, and implementation of the Sustainability Strategy in line with the UN Sustainable Development Goals, the GSM also steers external communication efforts, including ESG ratings, annual reporting, and customer and investor requests. The GSM 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. In full alignment, the GSM supervises the Company's ASI Certification, working in collaboration with individual plants and regions to monitor their progress towards targets established in line with Nemak's sustainability goals. To effectively achieve this, the GSM works closely with HSE, Finance, HR, and others, to facilitate the integration of sustainability topics into Nemak's daily operations.

Nemak's sustainability structures support the strategic alignment, accountability and integration of sustainability principles across all departments and functions.

Organizational **Structures**

Board of Directors ← **CEO** ← Topic Specific Sustainability Committees

- Restructured Sustainability Committee
- TMO Climate Commitment (Replacement of the Climate Task Force)
- Decarbonization Capex Committee
- Supplier Risk Committee
- Innovation Steering Committee

- Health and Safety Committee
- Information Security Committee
- Ethics Risk Committee
- Audit Risk Committee

To drive Nemak's Sustainability Strategy, the Company has dedicated Topic Specific Committee. Information on the Sustainability Committee and TMO Climate Commitment can be found in the following section, and for further details on the roles and responsibilities of other committees, please refer to the appropriate chapter.

Nemak's Sustainability Committee was created to ensure alignment of the Sustainability Strategy across all departments. As the organization strives to optimize the integration of sustainability into daily business functions, the Committee is currently undergoing a restructure to optimize functionality. As this takes place, the committees' functions have been integrated into topic specific committees. In 2024, Nemak plans to relaunch the Sustainability Committee to include the CFO, Regional Operational Directors, and other representatives of top management.

Transformation Management **Office**

As of 2023, Nemak's Sustainability Committee was remodeled, with Nemak's climate ambitions forming a new dedicated sub-pillar of the Transformation Management Office (TMO). The Climate Task Force became the TMO Climate Commitment pillar. The TMO follows an organizational structure designed to help manage the Company's strategic transformation in response to rapidly evolving market changes and the shift towards electrification. As the shift implies a change in products and processes for Nemak, the TMO office has established specific goals designed to enhance profitability, strengthen the core of the business, and capture long term growth.

TMO Climate Commitment Structure 2023

Sponsor: VP Purchasing and Sustainability

Topics covered in TMO

Operational Decarbonization	Long-term Decarbonization	Engagement Strategy	Sustainable Value Proposition	Net Zero Product
Energy Efficiency	R&D	Communications	Selling Sustainability	LCA
Energy Purchasing				Strategy
Metal Purchasing				

Change Management

Key objectives for TMO Climate Commitment:

Target roadmap to move to Net Zero

Long-term decarbonization R&D roadmap

Net Zero Product Solutions

Sustainability Value Proposition

Engagement and communication

The mission of the TMO Climate Commitment is to integrate the topic of climate protection into the organization's transformation. Sponsored by the VP of Purchasing and Sustainability, and led by the Global Sustainability Senior Manager, the Climate Commitment team comprises of leaders from Regional HSE teams, Global Purchasing, Global R&D, Communications, and Sales. In 2023, the objectives of the TMO Climate Commitment were:

- To improve energy efficiency, led by the regional HSE teams, and to develop site specific decarbonization roadmaps
- Establish long-term renewable energy contracts, led by the Global Purchasing Team
- Expand on the topic of green aluminum and define a green aluminum roadmap, led by the Global Purchasing Team
- Investigate potential projects for long-term decarbonization, and define a method to price "Net Zero" products for customers, led by the Sales Team
- Define Nemak's Sustainability Branding, led by Global Communications

External Ratings and Rankings

Nemak prides itself on its transparency of reporting, and since 2016, has been participating in various rating schemes including the S&P Global Corporate Sustainability Assessment (CSA), the CDP, and the EcoVadis Assessment. The evaluation of these assessments allows Nemak to benchmark itself against industry peers and best practice, acting to inform and provide strategic direction for the Company's Sustainability Strategy.

In 2023, the Company received a Platinum Medal in the EcoVadis assessment, ranking it in the top 1% of companies participating in this assessment. Nemak also maintained its CSA scores, contuniung the Company's inclusion in the 2023 DJSI MILA Pacific Alliance for the fifth 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.

Rating provider	Rating 2023	Rating 2022	Rating 2021
CDP Climate	B	B	B
CDP Water	B-	B-	B-
CDP Supplier Engagement	Not released at time of publication	A (Leaderboard)	A (Leaderboard)
CSA	52 points 92nd percentile	55 points 93rd percentile	45 points 79th percentile
EcoVadis	78/100 99th percentile Platinum Medal	Gold	Silver

MOBILIZING FOR THE PLANET

SDG 9: Industry, Innovation and Infrastructure
SDG 12: Responsible Consumption and Production
SDG 13: Climate Action

This pillar tackles the pressing issue of climate change and resource depletion. By reducing emissions, embracing renewable energy, and utilizing recycled materials, Nemak contributes to a more sustainable future for all. This translates to cleaner air, reduced reliance on fossil fuels, and minimized waste, benefiting present and future generations. Additionally, its focus on innovation leads to the development of eco-friendly mobility solutions, further contributing to a greener transportation sector.

Environment and Climate **Innovation**

Nemak has adopted a balanced approach to sustainability, seeking steady year-on-year improvements, whilst also encouraging stakeholders to do the same. Aligned with the Paris Agreement, and validated by the Science Based Targets initiative (SBTi), the Company is targeting a 28% reduction in Scope 1 and 2 carbon emissions by 2030 and Scope 3 by 14%, based on a 2019 baseline. Nemak also aims to be Net Zero by 2050, at the latest. Nemak's definition of Net Zero is to reduce emissions as much as possible and offset any residual emissions, resulting in a Net Zero impact for the Company.

The automotive industry is experiencing a significant shift in focus towards sustainable mobility, all without compromise for safety or performance. In its position as a leading producer of components for electric vehicles, which are essential for a sustainable transportation sector, Nemak has a major part to play in making this a reality. In support of the Company's targets and ambitions, Nemak continues to take action to make its operations more energy efficient, pursue renewable energy alternatives, and to strengthen its adoption of circular manufacturing principles wherever possible.

Nemak undertook a materiality assessment in 2021 to ascertain the topics carrying the most material risks and opportunities for the Company. Incorporating the views of key stakeholders, including investors, customers, suppliers, communities, and employees, the findings formed the basis of Nemak's Sustainability Strategy. Nemak will conduct a new double materiality assessment in 2024, incorporating materiality from an impact perspective, to determine Nemak's actual or potential impacts on people or the environment, and from a financial perspective, to assess how sustainable factors may affect the value of the Company. Further information on materiality can be found within the Strategy and Materiality chapters of this report.

As a responsible corporate citizen, Nemak continually works to reduce its environmental footprint and limit the risk of adverse impacts from its operations. Dedicated teams and resources have been made available to proactively manage those environmental issues that have been identified as material, such as climate protection, air quality, circularity, waste, and water management.

Looking further than the environmental impact of the transition towards sustainable mobility, Nemak is aware of its role in facilitating a Just Transition, through placing people at the heart of any change. Just Transition principles are embedded throughout the Company's climate and talent development strategies, ensuring the creation of value adding opportunities for stakeholders whilst the world moves towards Net Zero emissions and a climate resilient economy.

Overall management approach

GRI 3-3, GRI 2-23

Nemak has ambitions to develop, adopt, and deploy industry best practices, technology, and innovations to reduce GHG emissions, prevent pollution, and comply with local environmental regulations.

Operating in accordance with ISO 14001 and ISO 50001, all Nemak sites are certified as ISO 14001 compliant. Adopting a uniform Environmental Management System (EMS) across the globe allows the Company to improve its environmental performance through the efficient use of resources and reduction of waste, in addition to facilitating transparent communication with stakeholders. In support of the EMS, Nemak has developed a suite of global policies designed to embed environmental operating principles into core business functions. Incorporating Nemak's values of customer focus, trust and collaboration, innovation, respect, and responsibility, and approved by the CEO, the VP of Manufacturing and Product Development and the VP of Purchasing and Sustainability, the policies include:

- **Global HSE Policy (2023 update)**
- **Global Sustainable Purchasing Policy**
- **Global Code of Conduct**
- **Global Biodiversity Policy**

Nemak expects full compliance with the terms of each Policy, and to this end, provides regular training on the adoption of each. Monitoring effective implementation, the Global HSE Management System, in conjunction with local third-party ISO 14001 audits, ensure conformity with the Global HSE Policy and local environmental compliance. Likewise, the Purchasing Business Support Team reviews sustainable purchasing decisions guided by the Global Sustainable Purchasing Policy.

Nemak relies on the ISO 14040/44 Life Cycle Assessment (LCA) methodology to estimate a Product Carbon Footprint (PCF) with a Cradle-to-Gate approach. This guides the Sustainability Strategy and improves understanding of the environmental impacts of its products throughout the value chain. The Cradle-to-Gate approach measures the product environmental and climate impact from the extraction of raw materials, through to delivery to customers.

In 2023, Nemak developed an internal PCF tool and conducted PCF estimations for 16 of its products produced in Mexico, Brazil, Poland and Slovakia. The Company is continuing to build its internal knowledge and leverage the capabilities of the LCA methodology, as next year, it will transition to using an expert software solution to improve the accuracy of its product carbon footprint estimations. In the upcoming years, Nemak plans to develop LCA models to cover all of its technologies. With an initial target of conducting Cradle-to-Gate LCA's for all electrified portfolio products by 2030, Nemak has currently conducted full LCAs for 3 of its product categories. Nemak uses this information to proactively engage with key customers regarding the carbon footprint of their product, therefore demonstrating its ability to apply LCA methodologies on demand.

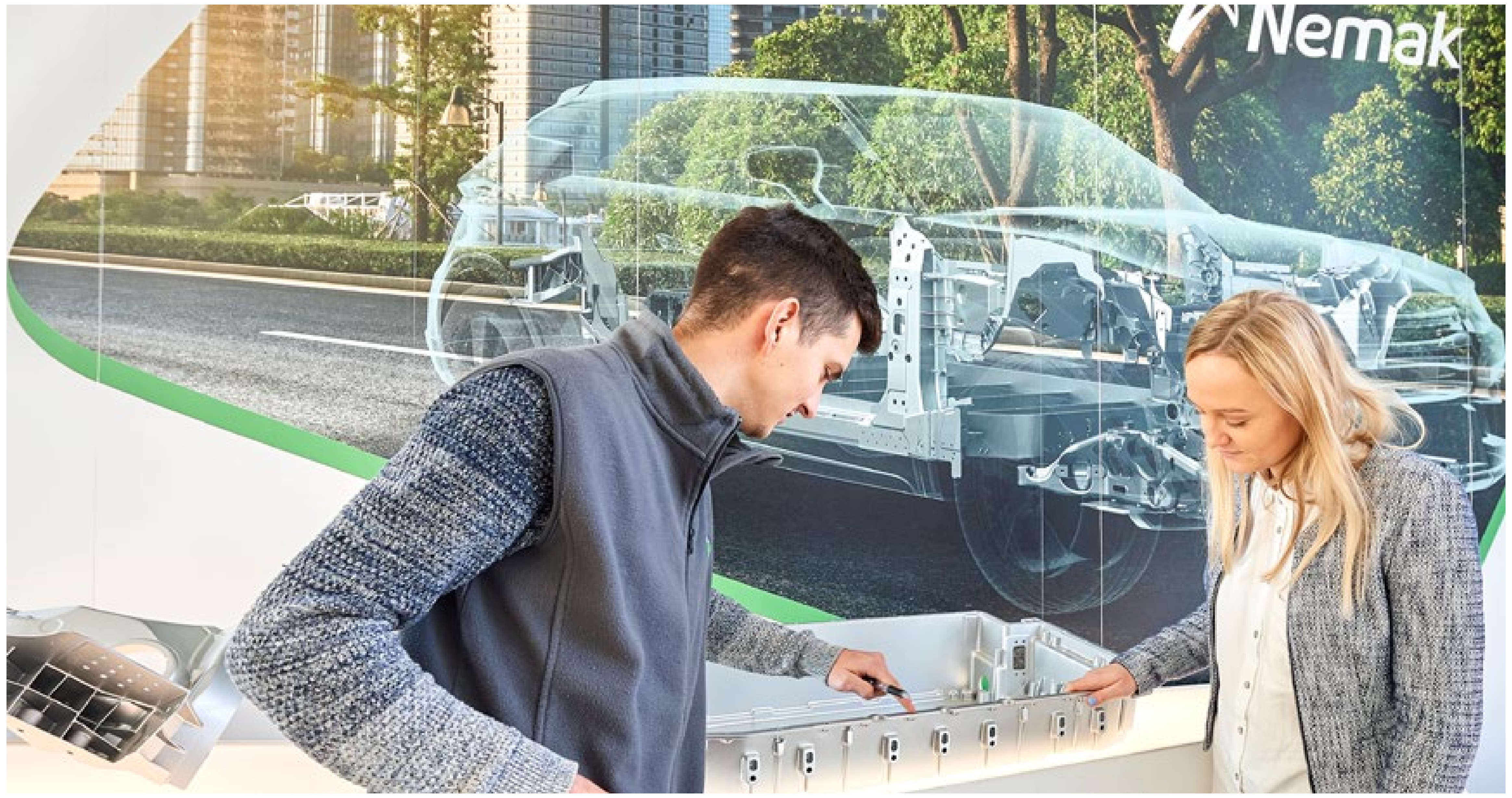
Looking to the value chain, Nemak is a member of the Aluminum Stewardship Initiative (ASI), working with aluminum producers, users, and stakeholders to foster responsible production, sourcing, and stewardship. The Company adopts ASI principles to manage sustainability and environmental issues within both its own operations and its supply chain. In 2023, 3 Nemak facilities underwent third-party certification audits in line with the ASI Performance Standard, with plans for three more facilities to undergo official audits in Q1 2024. In parallel, 13 of Nemak's key suppliers are certified under the ASI Performance standard.

Stakeholder engagement is of critical importance to Nemak, and the Company routinely initiates transparent communication channels to identify potential environmental risks, share best practice, and understand areas of concern. Nemak also regularly conducts environmental risk assessments for topics related to the climate, water, and waste, including performing scenario analysis in line with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. All findings are discussed with the Executive Management Team and functional departments, who in turn work collaboratively to create and implement risk mitigation action plans.

Organization and responsibilities

Nemak's VP of Purchasing and Sustainability, in consultation with the CEO, has overall responsibility for the Company's Sustainability Strategy. The VP of Manufacturing and Product Development oversees Global Health, Safety and Environment (HSE) topics, whilst the HSE Management Team lead on the ground environmental management, requiring ongoing collaboration with other functional teams including Global Sustainability, Human Resources, Finance, Procurement, Sales, and Engineering Departments. Through this cross-party approach, Nemak ensures that sustainability is integrated into all functions, at all levels, and across multidisciplinary teams.

Implementation of the Global HSE Management System is led by the HSE Management Team, with each operating site reporting to a dedicated regional HSE Manager, who themselves report to the Global HSE Director.



Climate Protection and Climate **Innovation**

Nemak is playing an integral role in the world's shift to clean mobility

The automotive industry has a pivotal role to play in the achievement of global Net Zero transition plans, including the Paris Agreement target of limiting the global temperature increase to 1.5°C.

Through its innovative production techniques, Nemak is committed to developing an electrification portfolio that incorporates light-weight design principles to produce castings, assembled battery housings, and highly integrated e-motor housings. Adopting circular design principles, Nemak is taking action to increase the percentage of secondary or recycled material content within its products, all whilst ensuring that safety and quality are not compromised.

Passing the rewards onto its customers, light-weight vehicles enhance performance, increase range, and reduce CO_2e emissions throughout the usage phase of the vehicle. In relation to their own emissions, Nemak is taking action to enhance energy efficiencies, utilize renewable energy, and encourage decarbonization throughout the entire value chain. Nemak is committed to reducing its carbon dioxide equivalent (CO_2e) greenhouse gas (GHG) emissions, and to ensure that its business operations are in line with the achievement of a 1.5°C scenario. Nemak is dedicated to reducing direct Scope 1 and Scope 2 emissions occurring at the Company's sites, and Scope 3 emissions generated throughout the value chain.

Nemak's ambitions

GRI 2-19

Nemak's Climate Strategy incorporates near-term targets to 2026 and mid-term targets to 2030, with a long-term ambition to become Net Zero by 2050, at the latest. These targets have been developed using climate science methodologies, and incorporate projections for differing volume developments, energy consumption, and growth scenarios. Nemak submitted its comprehensive strategy for external validation by the SBTi in 2021, therefore marking a significant milestone in the Company's climate journey. The validated targets, recertified by the SBTi in 2023, are set to a well-below 2°C world pathway, however, Nemak's greater ambition, and supporting transition plan, are supportive of a 1.5°C world, in line with its aim to be Net Zero by 2050 at the latest.

Nemak has the following targets for reducing its greenhouse gas emissions, all of which are against a 2019 baseline:

18%
reduction in CO_2e in Scope 1 & 2 by 2026

28%
reduction in CO_2e footprint in Scope 1 & 2 by 2030

14%
reduction in CO_2e footprint in Scope 3 by 2030

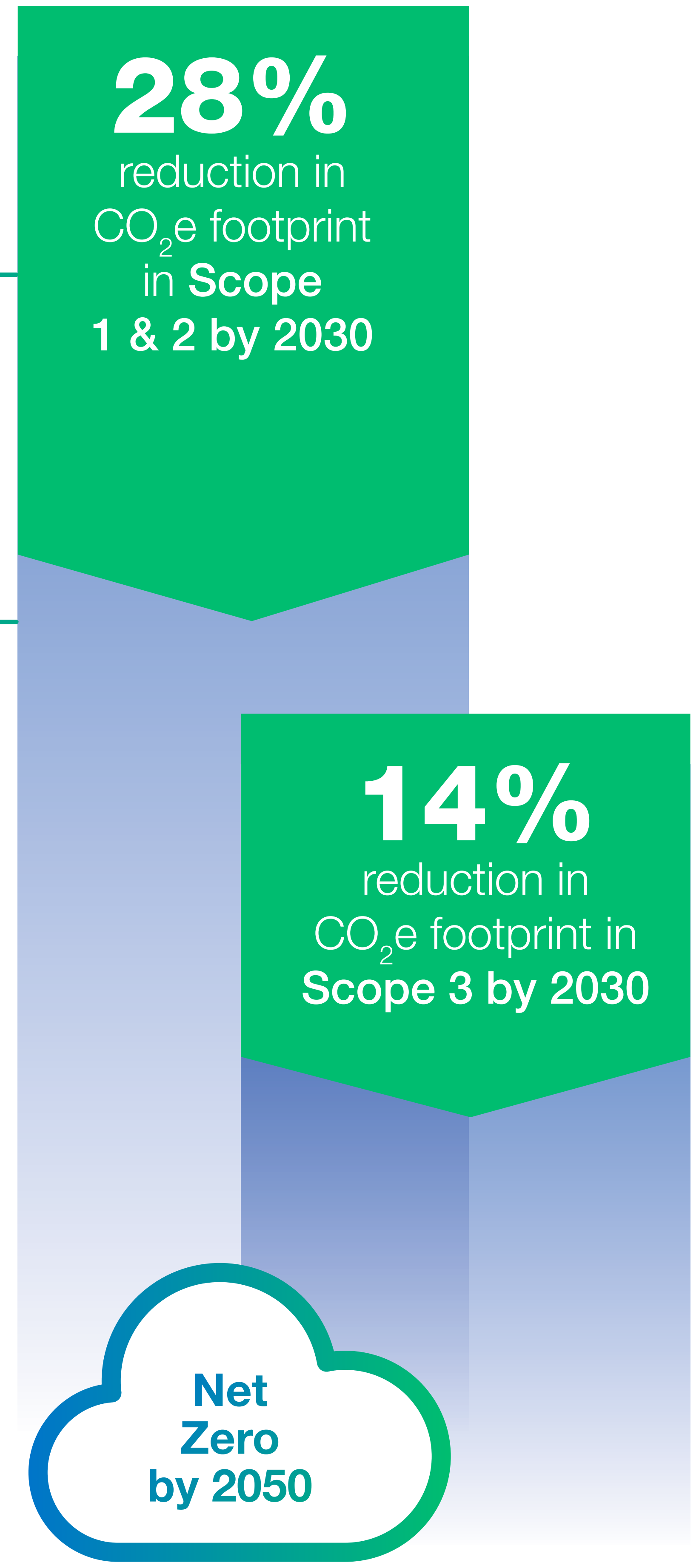
The Company aims to source at least 25% of its electric energy from renewable resources by 2025, with the target rising to 100% by 2030.

Green production
Energy efficiency
Technical innovation

Green sourcing
Renewable energy
Low carbon materials

Green products
Low carbon materials and solutions

SCIENCE BASED TARGETS



In 2023, Nemak sought external limited assurance for its Scope 1, 2 and 3 GHG emissions in accordance with ISO 14064-3. Conducted by Apex Companies LLC (Apex), this decision was taken to instill stakeholder confidence in Nemak's Climate Strategy and related reduction pathways, in addition to promoting accountability and transparency within the value chain. The external verification process included an audit of sample data, review of supporting third-party evidence, and recalculation of GHG emission data. The collection, aggregation, and analysis methodology were also subject to review. Apex confirmed that Nemak had prepared a Scope 1, 2 and 3 GHG emissions statement in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. For Scope 3, this included the verification of Scope 3.1 – 3.4 categories, representative of 96% of Nemak's total Scope 3 emissions in 2022. At the time of report publication, Scope 3 verification for 2023 values has not yet been finalized, therefore updated verification statements will be available on Nemak's sustainability webpage at a later date.

In support of its role as an industry leader, Nemak has developed a dedicated internal business transition plan to accelerate the repositioning of its product portfolio to support zero-emission mobility and more efficient production methods. The Company has defined this plan across three specific areas: Green Production, Green Products, and Green Sourcing.

	Aim	Progress in 2023
Green Products	Production of components for emission-free vehicles Low carbon/Net Zero solutions for customers	12% of Nemak's revenue is from EV/Structural Components Development of a model to quote Net Zero products for its customers
Green Production	Maximum energy efficiency Use of sustainable fuel sources, replacing fossil fuels	Energy workshops, Net Zero plans per plant Investigation of the electrification of furnaces, as well as the potential use of hydrogen
Green Sourcing	Sourcing of 100% renewable energy Increased composition of secondary material/ green materials	17% of electricity sourced from renewable energy Use of 70% of recycled/secondary alloys in Nemak's products

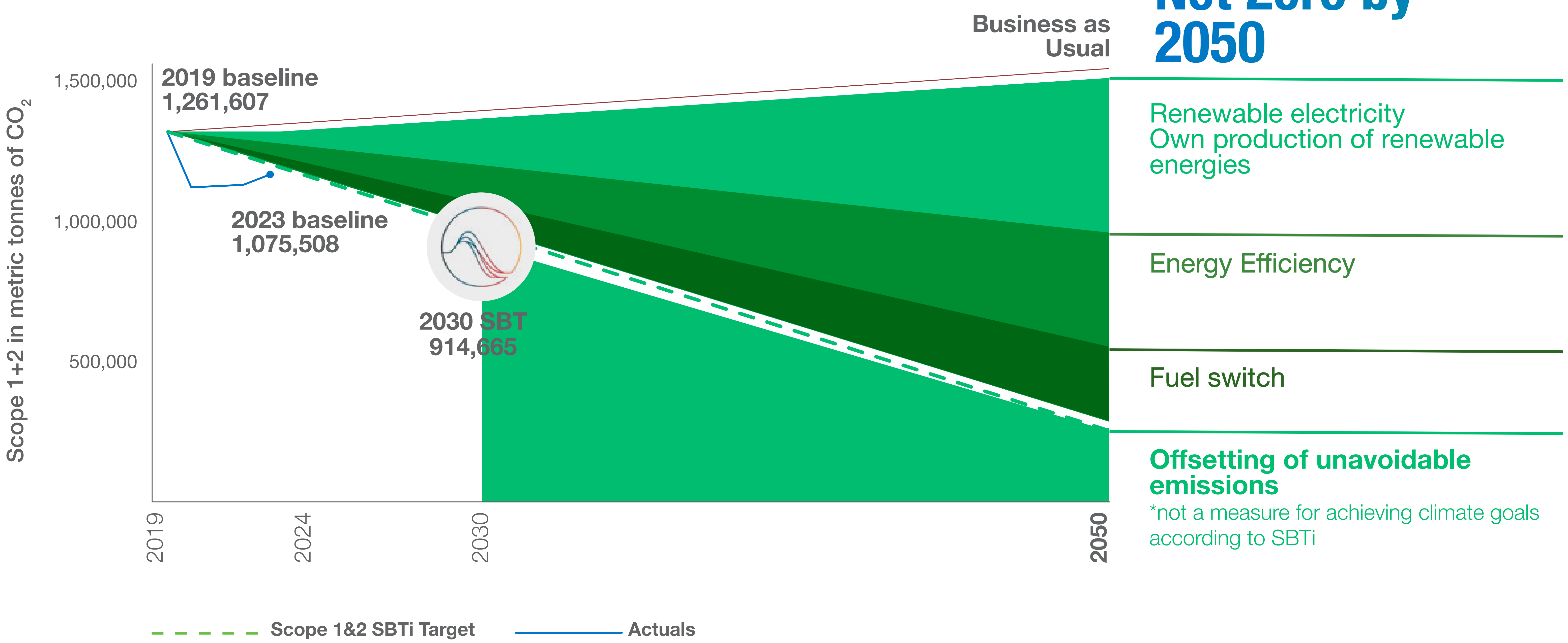
To encourage the adoption of the Company's Climate Strategy, and to translate policies into tangible action, Nemak has introduced climate-related targets into its remuneration through annual performance related bonuses. Aligning employee interests with the continuing performance of the Company, the bonus system seeks to reward, retain and motivate employees, whilst measuring against common business standards. Within the boundaries of these standards, individual executives and managers are encouraged to include climate targets and objectives.

Reinforcing Nemak's commitment to achieving its Scope 1 and 2 emission targets, and setting ambitious Science Based Targets to achieve sustainability performance targets (SPTs), Nemak has two sustainability-linked bonds (SLBs). Both issued in 2021, one amounts to US$500 million with a ten-year maturity, and the other for €500 million with a seven-year maturity. As a requirement of 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 verified by the SBTi.

Nemak's internal pathway and measures towards decarbonization

Net Zero by 2050



Climate-related Risks and **Opportunities**

In order to create a comprehensive climate transition plan, Nemak must consider both the requirements of internal and external stakeholders and take account of the inherent risks of climate change and associated financial impacts. The Company therefore conducts an annual transition climate risk assessment, and every three years, conducts physical climate risk assessments, helping to understand and quantify climate-related risks and opportunities. Following each assessment, the results are first analyzed, prior to integrating them into future strategic planning and core business management. Since 2021, Nemak has implemented the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) within its Sustainability Strategy and continues to improve its management process for climate-related risks and opportunities.

Climate scenario modeling

GRI 3-3, GRI 201-2

Transition risk and opportunity scenarios are analyzed in relation to the most impactful identified climate-related risks and opportunities. On an annual basis, Nemak refines the process to reflect the most recent market projections and developments, before undertaking the companywide assessment. Building upon the success of a sample of physical risk assessments undertaken in 2022, the Company is currently investigating a solution to conduct physical and transitional risk assessments for all of its sites. Through adding physical risk assessments into the picture, it will allow Nemak to comprehend any potential threats arising from long-term shifts in temperature. Using this depth of knowledge to their advantage, the Global Finance Department, and the Executive Team use the annual scenario analysis process as a key decision-making support function. The quantification of climate risks and opportunities also serves to reinforce the development of an informed long-term Climate Strategy.

The physical risk assessments were conducted 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 (Wernigerode, Izmir, Alabama, Chennai and Garcia) to understand the statistical probability of acute and chronic climate-related events at these locations.

To expand on a couple of identified transition risks, the first relates to the automotive industry's compelling shift towards vehicle electrification. This poses both an area of risk and opportunity for Nemak, as it seeks to position itself as a leading provider of lightweight components, whilst making progress against internal decarbonization targets. In 2023, 88% of Nemak's revenue was derived from applications for internal combustion engine (ICE) vehicles, therefore a likely phase out of ICE's will require a dynamic core business shift for the Company in the near-term future. Information on Nemak's significant investment in research and development can be found within the Product Innovation chapter of this report.

The second risk refers to the rising costs related to carbon pricing systems, inclusive of carbon taxation and emission trading systems. As Nemak's core business is dependent on purchasing high volumes of electricity, natural gas, and other fuels, the Company has been proactive to act in assessing the potential impacts that carbon pricing may have on future growth ambitions. The Company has already adapted to carbon pricing models in several markets, however, fully expects to witness an expansion of similar schemes in the coming years. This poses an increasing risk that unavoidable costs associated with carbon emissions for energy and freight transport could negatively impact Nemak's operating expenses. In response to this risk, in 2023 Nemak conducted a thorough study into which Internal Carbon Pricing (ICP) solutions would be most suitable for the Company. Through a series of interviews with Nemak's management, it was concluded that currently, the most suitable approach is implicit carbon pricing, or using historical abatement costs to help guide future decisions. Currently, Nemak's ICP ranges from \$100 - \$1,600 EUR per annual tonne of CO_2 abated through energy efficiency measures.

Further information related to climate scenario modelling can be found within Nemak's TCFD Index.

Nemak's TCFD Index

GRI 201-2

Pillar/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 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 topics 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 integration of 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 his decision-making process.
	Together, the Executive Team is responsible for evaluating the identified climate-related transitional risks and opportunities. The Executive Team remains constantly vigilant of any climate-related risks that need to be considered in the strategic decision-making process. To identify the most pressing and impactful climate-related risks and opportunities, a structured analysis is conducted every two years. The results of this assessment are presented to the VP of Purchasing and Sustainability and reviewed with the CEO and the Chairman of the Board. Based on the identification and confirmation of climate-related risks and opportunities as a collective, the VP is responsible for integrating the results into the sustainability vision, and for implementing sustainability principles into Nemak's business strategy. 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 is done with a third-party company under the supervision of the Global Sustainability Senior Manager and 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 Sustainability.
	The Global Sustainability 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. Nemak plans to expand the scope its climate-related risks in the near future to cover all facilities.
	The TMO Climate Team, led by the VP of Purchasing and Sustainability, oversees and assesses the results of identified climate-related risks and opportunities, alongside overseeing Nemak's climate strategy and emission reduction activities. The TMO Climate Team comprises internal environmental, social, and governance leaders and experts. Specific inputs on Nemak's Scope 1, 2, and 3 emissions are provided by the Energy Management Engineering Community and the Global Purchasing Team. The Global Sustainability Manager supports these processes and oversees the emission 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 the Key Roles and Responsibilities section of this report.

Pillar/Recommendation	Key points
STRATEGY	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. Time horizons are defined by Nemak as: 1) Short, 1 – 3 years 2) Medium, 3 – 5years 3) Long, 5 -10 years	**Opportunities:** **(Medium – Long term)** Dynamic market shift towards electrification, opening new markets, new products, new customers, and new technologies **(Short-term)** Improvements in operational efficiency and performance **(Short-term)** Use of financial instruments linked to sustainability (ex: sustainability-linked bonds) **Risks:** **(Medium)** Current and emerging regulations on carbon emissions, including implicit and explicit carbon-pricing schemes. **(Short – Medium)** Market and reputation, stringent requirements from customers and stakeholders **(Short – Long)** Acute and chronic physical changes, risks 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 as well as the TMO Climate Team. The assessment results in the integration and consideration of all identified climate risks and opportunities in strategic, financial, and mitigation planning. Overall, climate-related risks and opportunities have increased the pressure for Nemak to invest in decarbonization within its production, 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, as well as to increase its engagement with the supply chain on climate-related topics. In response to climate-related issues and the need for global action, Nemak has committed to Net Zero emissions by 2050 and 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 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 take note that as part of Nemak's material issues, the aspects of this strategy apply not only towards Climate Protection, but also to Circularity, and Waste and Water Management. As a result, Nemak established specific environmental targets in all these areas, outlined in its Sustainability Roadmap 2030.
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 by conducting transitional and physical risk 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 scenario and a 1.5-degree Celsius IPCC scenario on an annual basis. Nemak relies on assumptions from diverse sources, such as 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 IPCC RCP 8.5-degree scenario for five of its strategically important sites. The Company assessed heat stress, flood, wildfire risks to evaluate the statistical probability of the occurrence of the acute and chronic climatic events at these locations, looking at a 2050 timeline. Based on the results, Nemak can take appropriate actions to mitigate the potential impact of climate-related risks. For example, the physical risk assessment results indicate that the site in Garcia, Mexico is most exposed to potential threats. In the case of heat stress, it is already part of Nemak's risk assessment for all regions and is monitored regularly. To decrease the impact of heat stress, Nemak has taken the responsive actions, for example in in engineering controls through general ventilation and spot cooling by local exhaust ventilation at points of high-heat production. In addition, local weather conditions are checked frequently during 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 the assessment of wildfire risk is integrated within it. 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. Nemak integrates the transitional and physical risk 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 effective responsive actions can be taken. In the future, Nemak plans to expand the scope of its physical risk assessment to include all of its facilities.

Pillar/Recommendation	Key points
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 Manager, HSE Director, and Global Finance Director, Nemak has created an inventory with all relevant transitional climate-related risks, which is updated regularly. 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. For physical risk assessment, Nemak relies on the expertise of external consultants with 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 were divided into different classes (no risk, low risk, medium risk, high risk, very high risk). Taking into consideration 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 were presented to the Global HSE Director, as well as to the Sustainability Committee. If necessary, potential mitigative actions are discussed with the Global HSE Team and the Global Sustainability Team.
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 and the Sustainability Committee. 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 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. With the results of the climate-related risk analysis as well as the scenario analysis, Nemak actively considers and takes appropriate actions based on the findings to mitigate the impacts of such risks. This includes the integration of climate-related topics, including emissions, water and waste, into the overall process of risk management and business planning. In addition, Nemak locations certified with ISO 14001, 45000 and 50001 have biannual third-party certification audits and surveillance audits in the years between certifications. Overall, Nemak's shifting focus and prioritization of sustainability topics is evident in the company's significant improvement in 2023 in ESG ratings such as EcoVadis and Dow Jones Sustainability Index.

Pillar/Recommendation	Key points
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 established specific environmental targets in all these areas, outlined in its Sustainability Roadmap 2030. For comparable metrics, please refer to each of the dedicated sections in this report. As a powerful tool, 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 from. 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. For more details on Nemak's progress in LCA's, please refer to the Environment and Climate Protection section of the report.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Please see GHG Emissions section of the annual report for a detailed breakdown of Nemak's Scope 1, 2 and 3 emissions, as well as the related risks.
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 by the end of 2026. 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 aims to reduce its global renewable energy use by 25% by 2025, and 100% by 2030. For more information on Nemak's emissions progress, please refer to the GHG section of this report. 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 aims to increase the recycled content quota of 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. As a tactic towards attaining its Scope 3 reduction target, the Company received 40 new commitment letters from key suppliers in 2023, which are dedicated to reaching net zero by 2050. Additionally, Nemak requires key suppliers to take part in EcoVadis as a screening practice and establishes specific score thresholds for key suppliers to meet. In 2023, Nemak assessed 55 new suppliers through EcoVadis, taking the complete number of supplier assessments to 224. EcoVadis is a comprehensive and globally recognized ESG assessment as a method of increased transparency, as well as encouraging its suppliers toward more proactive action in sustainability topics.

Greenhouse Gas **Emissions**

Management approach

GRI 3-3

Emissions reduction is considered the cornerstone of Nemak's Climate Strategy, therefore the Company has publicly committed to achieve results in this area through enhancing energy efficiencies, increasing the use of renewable and alternative fuels, and engaging with suppliers to further their reduction pathways.

The Company uses regression analysis based on its volume development and energy consumption to predict it's CO_2 emissions, and using the results, plans the measures needed to attain its climate reduction targets.

Nemak's approach to emissions reduction can be demonstrated through its Decarbonization Maturity Model, through which the Company identifies tangible actions that can be implemented at global, regional, and plant levels.

In 2021, Nemak introduced a Decarbonization Capex Committee to manage the approval process for climate-related investments and CO_2e 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.

Nemak's Decarbonization Maturity Model

	Ambition	Progress in 2023
LCA's	Developing Cradle-to-Gate Life Cycle Assessments to understand the environmental impact of its products and processes	- Development of internal tool for LCA estimations - 16 PCF (Product Carbon Footprint) estimations completed
Energy Efficiency	Reducing energy use and consumption by increasing operating efficiency and Capex investment in decarbonization projects	- Net Zero roadmap defined at a plant level - Energy efficiency workshops held at all EU sites - ISO 50001 certified at 56% locations, with plan to certify all Mexican location in 2024/2025
Renewable Energy	Maximizing the percentage of renewable energy in its overall energy portfolio	- Renewable energy made up 17% of total electricity consumption - Long term renewable contracts signed in the US, covering 50% of the electricity consumption in the US
Scope 3	Increasing the use of secondary materials in production, and reducing the carbon footprint per tonne of material purchased	- Definition of a metal decarbonization plan - Reduction average CO_2/kg of aluminum purchased by 5% - Increasing number of suppliers reporting to EcoVadis to 224, assessing 55 new suppliers - Training hosted by the Purchasing department in the EU and America's, with the aim of aligning the expectations of the metals market with Nemak's path towards decarbonization in its supply chain
Fuel Switch	Investing in technology that supports the transition to low-carbon energy	- Projects to identify alternative melting technologies including induction heating, resistance heating, Plasma Torch, Arc Furnace, Biomethane, Hydrogen, Ammonia
Organization	Creating an effective organizational design to successfully manage the transition towards decarbonization, including attaining relevant qualifications, career paths, and succession plans	- Establishment of the TMO Climate Commitment - Cross functional alignment of roles and responsibilities for sustainability tasks - Hiring of dedicated Energy Specialists at the local level and upskilling of existing positions - Improved cooperation between departments - Best practice sharing between facilities

Organization and responsibilities

GRI 3-3

To achieve success against its Climate Strategy, Nemak has ensured that its organizational structure supports its transition to Net Zero. Ultimately, it is the Company's Board of Directors who have oversight over the strategic direction and the implementation of Nemak's Climate Strategy and decarbonization pathways. In response to shifting market conditions, the C-Suite, including CEO, suggest updates to the strategy, therefore ensuring that Nemak is always well informed and positioned to respond to broader market trends.

The VP of Business Development and Transformation is responsible for supporting Nemak's transition plan towards Net Zero from the perspective of e-mobility and business transformation.

Nemak has formed a dedicated Decarbonization Capex Committee with the purpose of supporting its climate targets and directing funds towards investments capable of lowering GHG emissions. The Committee is comprised of the VP of Purchasing and Sustainability, the VP of Manufacturing and Product Development, the VP of Business 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. 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. In early 2023, Nemak integrated its Climate Strategy commitments into the Transformation Management Office (TMO) objectives, therefore replacing its Climate Task Force. The TMO is an organizational structure specifically created to help manage the Company's transformation in response to the rapidly evolving market changes and shift towards electrification. It is almost certain that this market shift requires a change of products and processes for Nemak, therefore, the TMO office has established goals for enhancing profitability, strengthening the core of the business, and capturing long-term growth. To secure fast paced momentum, the TMO hosts regular meetings with its members to drive forward the defined objectives. As a sub pillar of the TMO, the TMO Climate Commitment is a dedicated working group who meet bi-weekly. The TMO Climate Commitment pillar is sponsored by the VP of Purchasing and Sustainability and led by the Global Sustainability Senior Manager, with those responsible for implementing initiatives being leaders of individual functions e.g., research and development, communications etc.

Nemak has identified that the majority of its Scope 3 emissions are derived from category 3.1, purchased goods and services. These arise due to the significant quantities of aluminum that the Company purchases for the purposes of creating lightweight components and castings. It is the responsibility of the VP of Purchasing and Sustainability, and his team, to focus on reducing Scope 3.1 emissions. Looking to the supply chain, Nemak is committed to working in collaboration through education and engagement to reduce environmental impacts at all possible links. Further information on Nemak's supply chain activities can be found within the Responsible Supply Chain chapter of this report.

At a Company operation level, and looking towards Scope 1 and 2 emissions under Nemak's control, the Regional HSE Teams have responsibilities for managing reduction pathways. The Team supervises work to enhance energy efficiency, reduce emissions through energy management, and execute decarbonization projects. The Team is also engaged in the monitoring of Scope 3 category 3.3, Fuel and Energy Related Activities, and category 3.5, Waste Generated in Operations.

In parallel, the Global Sustainability Senior Manager monitors and reports the Company's climate targets related to SBTi. Undertaken by the Global HSE Team, Nemak tracks its 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, and undertakes external audits to verify these processes.

A number of sites are active members of local organizations such as the Mexican IPA (Environmental Protection Institute), which is a subsidiary body of CAINTRA (Cámara de la Industria de la Transformación de Nuevo León). The intention of these collaborations is to identify, develop, and implement projects to reduce emissions and improve air quality. In 2023, several Nemak sites in Mexico were audited through a third-party supplier to identify which natural gas and electricity efficiency initiatives could be implemented.

Progress and measures

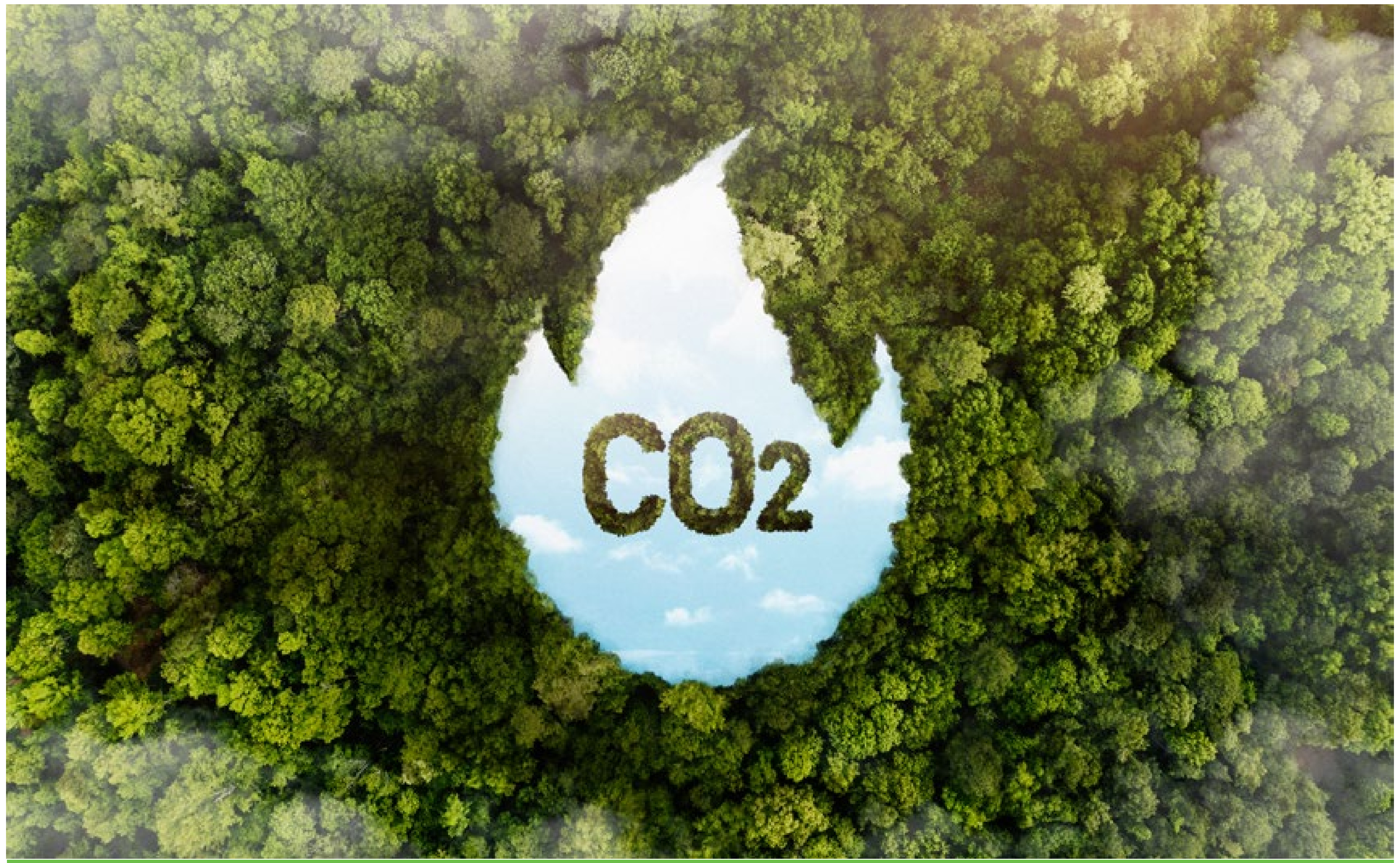
GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-5

As with many players within the automotive industry, Nemak's largest proportion of emissions can be attributed to Scope 3, its supply chain. With purchased aluminum being the prime source of Scope 3 emissions, Nemak's reduction strategy is centered around the following activities:

- Use secondary alloy where technical requirements allow
- Invest into R&D to further the development, and commercial application, of sustainable solutions such as Nemalloy
- Purchase green aluminum and alloys as a preferred alternative
- Actively engage with suppliers to increase their awareness of, and transparency around, the topic of decarbonization
- Secure commitments from key suppliers to reduce their emissions in line with Nemak's ambition, 28% Scope 1 & 2 reduction by 2030
- Establish partnerships with suppliers to develop technologies together, and secure strong value chain relationships

In 2023, progress against Nemak's Scope 3 emissions reduction targets included the following:

- Verification of Scope 3.1 – 3.4 categories, attributable to 96% of Nemak's Scope 3 footprint (verification of 2022 complete, 2023 is pending)
- Reduction of average CO_2 per kg of aluminium purchased by 5%
- Continued primary focus on secondary alloys as the main component input material
- Hosting a number of supplier discussions centered around the topic of decarbonization, including Nemak's annual Supplier Round Table Discussion
- Encouragement of key suppliers to report to the CDP and EcoVadis



Emissions in tonne CO_2e*

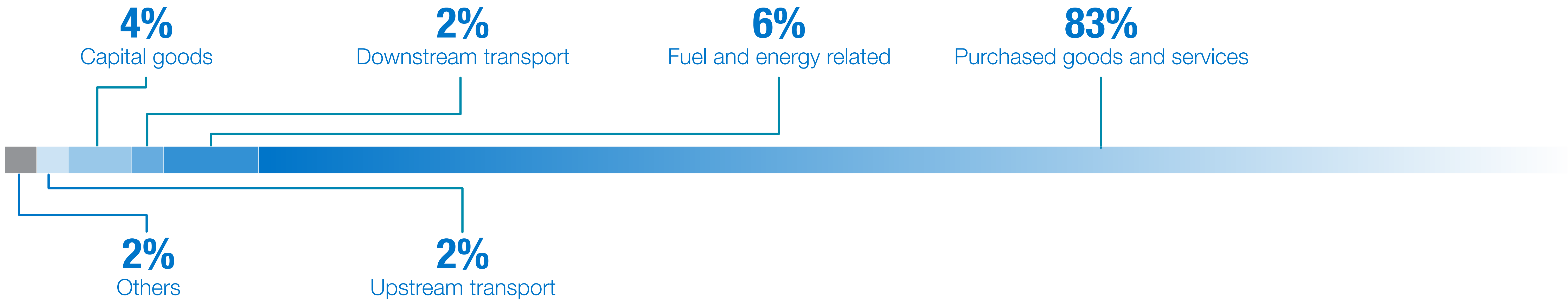
	2023	2022	2021
Scope 1	**666,356**	630,313	607,167
Scope 2 (location-based)	**536,162**	493,904	480,826
Scope 2 (market-based)	**409,151**	377,036	390,829
Scope 3	**3,931,752**	4,176,353	3,884,050
Total Scope 1-3 (Scope 2, location-based)	**5,134,270**	5,300,571	4,972,043
Total Scope 1-3 (Scope 2 market-based)	**5,007,260**	5,183,702	4,882,046

* By improving data colletion processes for the SBTi, data quality has benn improved. Past values have been updated in 2023 and might differ from other publications.

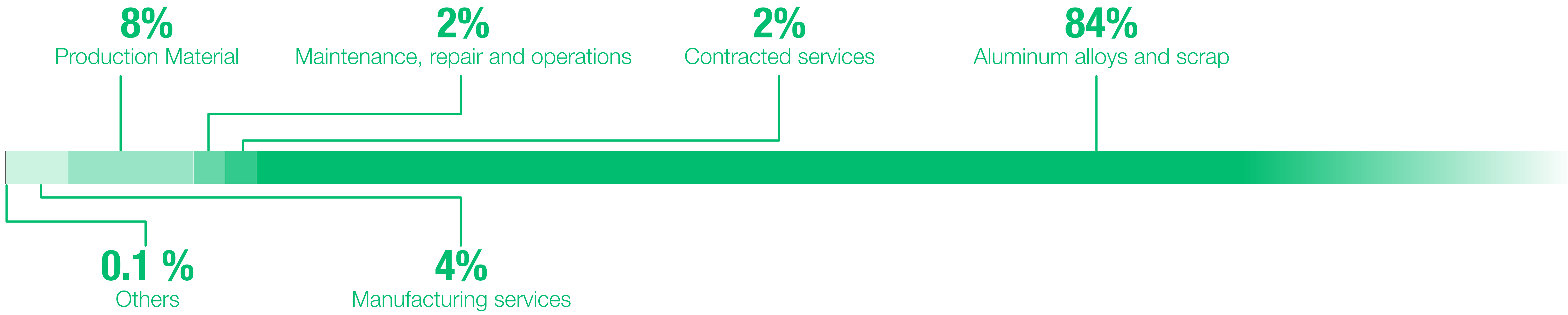
As is commonly the case in the automotive industry, Nemak's Scope 3 emissions from its value chain account for the majority of its overall emissions. Scope 1 and Scope 2 emissions associated with internal operations account for approximately 20% of Nemak's total carbon footprint, whereas 80% are the result of Scope 3 activities. To proactively address the topic of emissions reductions, the Company relies on the initiatives defined in its Decarbonization Maturity Model, which directly contribute to Nemak's emissions pathway.

Nemak's total emissions decreased by 3% in 2023, despite an overall volume increase. This drop was mainly due to a 6% decrease in Scope 3 emissions. The Category of 3.1, Purchased Goods and Services, saw a 3% reduction, which was attributed to the reduced CO_2 intensity per KG of aluminium purchased and driven by the growing level of green and secondary aluminium used in Nemak's products. In addition, Nemak reduced Category 3.2 emissions by 33%, and Upstream Transport emissions by 25%, relative to 2022 values. On the contrary, Scope 1 emissions increased by 6%, while Scope 2, both market-based and location-based, increased 9%. This growth was primarily driven by Nemak's increased volumes, and therefore increased energy consumption. Nevertheless, the GJ intensity per tonne produced in 2023 dropped by 1%, in relation to that of 2022. In addition, Nemak's absolute consumption of renewable energy grew by 7%, ensuring that the overall share of renewable electricity remained stable at 17%. Nemak maintains its ambition of Net Zero by 2050 as its current emissions pathway continues to be below its SBTi target of a 28% reduction of Scope 1 and 2 by 2030. Based on 2023 values, Nemak has achieved more than half of its SBTi target, as Scope 1 and 2 emissions have been reduced by 15% relative to 2019 levels.

Scope 3



Scope 3.1 purchased goods and services



Energy

SDG 7: Affordable and Clean Energy
GRI 3-3, GRI 302

Management approach

GRI 3-3

Energy efficiency

Nemak's Energy Management Program (EMP) is centered around energy optimization, striving to eliminate all forms of excess waste. The Company's EMP is led by the Energy Engineering Community which is headed by the Global HSE Director and includes engineering managers in central and local operations. The EMP aims to improve Overall Equipment Effectiveness (OEE) and support the ongoing implementation of Nemak's ISO 50001 Energy Management System. The Energy Engineering Community supports manufacturing operations and the Decarbonization Capex Committee by identifying projects promoting energy efficiency, energy technology, and innovation.

Renewable energy

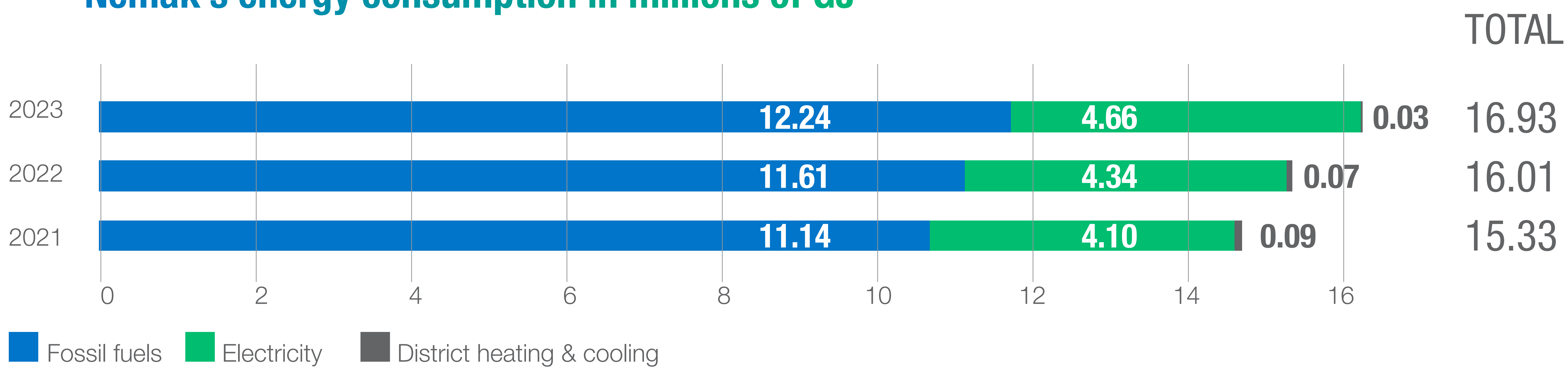
The Company is committed to increasing the percentage of renewables within its energy mix. The route for facilitating this is via Nemak's Purchasing Strategy, mainly for Scope 2 electricity, and through the generation of its own energy onsite. In 2023, 17% of Nemak's electricity consumption came from renewable energy sources. Nemak remains committed to achieving its goal of 25% renewable electricity share by 2025, and 100% by 2030.

One of the ways to achieve future-orientated and sustainable production is through employing a variety of energy supply concepts. These must guarantee an effective, targeted, and economical supply to Company sites. Nemak therefore, utilizes a portfolio approach that ranges from the use of classic energy supply contracts with renewable energy components, to long-term supply contracts. The specific choice per location is dependent on variables including politics, technology, and economic efficiency. In line with targets, and to meet customer demand, Nemak will gradually increase the proportion of renewable energies in its energy supply over the coming years.

At some locations, the reorganization of the energy supply will require investments for self-supply and, in particular, the associated peripheral systems on the grid side. In 2023, Nemak entered into a 10-year contract with Texas Solar Nova 1, LLC for the purchase of renewable energy certificates in the US. The agreement decarbonizes half of the electricity requirements of the Company's US sites. This agreement shall come into effect in 2026.

Nemak is currently looking for a solution based on the US model for its European sites.

Nemak's energy consumption in millions of GJ



+300
potential energy-saving projects were identified

+80
energy efficiency projects have been implemented in Europe

17%
of the Company's overall electricity comes from renewable energy

Progress and measures

GRI 302-1, GRI 302-4

Throughout the year, the Company implemented a variety of activities to improve its energy management efforts.

These include:

- Definition of SBTi roadmaps (for Scope 1 & 2) at all sites in Europe, Asia, and Mexico, resulting in the identification of energy efficiency projects required to meet Nemak's 2030 SBTi ambition
- The implementation of over 80 energy efficiency projects in Europe, reducing Natural Gas consumption by 8% (per unit eq) compared to 2022, and 3% for Electricity
- Hosting Energy Efficiency Workshops across 10 locations, and the identification of more than 320 potential energy efficiency projects. Within the workshops, Nemak's expert Energy team focused on the following activities:
  - Benchmarking
  - Modernization of equipment
  - Definition of optimal process parameters
  - Replacement / refurbishment / modernization of burners and software
  - Replacement / refurbishment / modernization of doors, covers, flaps, seals and other related infrastructure
  - Ideal mode regarding down times and weekend modes
  - Improvement of uptimes and the respective product output
  - Lessons learned and sharing of best-practice

These initiatives will act to reduce Nemak's exposure to energy market volatility and provide opportunities for a reduction in carbon emissions through effective energy management. By the end of 2023, Nemak implemented, or was in the process of implementing, more than 80 of the projects. Over the next year, Nemak will continue to investigate and implement the identified projects across Europe and will continue with the roll out of Energy Workshops in Asia.

In relation to renewable energy, the share of renewable electricity purchased made up 17% of total electricity consumption in 2023. Through the purchase of renewable energy certificates and guarantees of origin, these Nemak locations source more than 30% of their electricity consumption from renewable electricity: Most (Czech Republic), Linz (Austria), Pilsting, Dillingen and Wernigerode (Germany), Kentucky (USA) and Nanjing (China). In Monterrey, Nemak's headquarters, 12% of the electricity demand was consumed from renewable sources. In 2023, Nemak's consumption of renewable electricity was more than 780,000 GJ, representing an increase of 7%, relative to the GJ's sourced from renewables in 2022.

Circularity

SDG 12- Responsible Consumption and Production
GRI 3-3, GRI 306-1

Nemak seeks to embed circular principles into its strategy, underlying processes, and products. The Company is committed to improving the design of its components, incorporating increasing percentages of recycled content into products, whilst maintaining the highest of safety standards. With reference to manufacturing, the Company is also taking measures to reduce waste and water usage across its plants.

Nemak is committed to adhering to all waste-related regulations, and laws pertaining to pollution. Nemak recognizes all national and local waste regulations for its operations. In Europe, the Company complies with the EU Waste Framework Directive, Nemak Americas aligns to US EPA regulations, Mexico follows the laws stated by SEMARNAT, and in Brazil, Nemak follows the Brazilian law on Solid Waste. Nemak seeks to reduce waste through eliminating and substituting materials, recovering shop floor by-products for reuse in the manufacturing process, and collecting waste for recycling by third parties.

Despite water only being used for cooling or sanitary purposes, and therefore not in great volumes, Nemak recognizes its role in promoting sustainable water management. Mitigating the inherent risks that water scarcity poses to the economy and society, Nemak proactively minimizes its water consumption, and maximizes clean water discharge to help protect, restore, and enhance the natural environment.

Nemak's ambition

Nemak is making significant investments in innovative research and development to implement and embed circular design principles across its operations, and within its downstream value chain. Emphasis is placed on the use of secondary or recycled aluminum and other materials, minimization of waste and pollution, and contribution to the regeneration of natural ecosystems where possible. Investment is directed towards protecting the environment, whilst also ensuring compliance with increasingly stringent safety requirements. For further information on Nemak's research and development activities, please refer to the Product Innovation and Product Quality chapters within this report.

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.

Waste Management and **Hazardous Materials**

GRI 3-3, GRI 301, GRI 306

Management approach

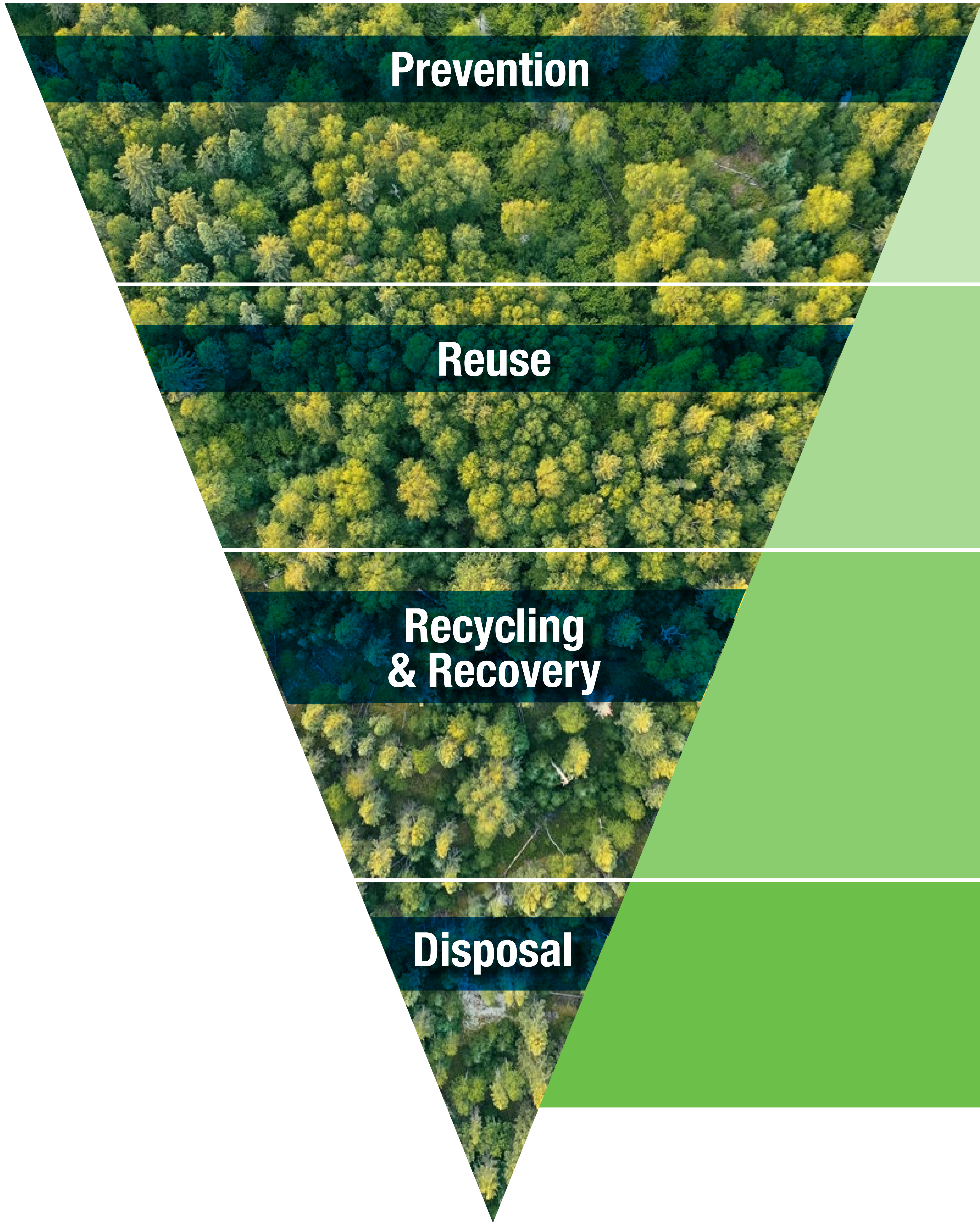
GRI 3-3, GRI 306-1, GRI 306-2

Life Cycle Assessments (LCAs) are routinely used by Nemak to first identify, and then take action to minimize, the environmental impact of its products. To date, Nemak has currently conducted LCAs for 3 product categories, with a target to conduct Cradle-to-Gate LCA's for all electrified portfolio products by 2030.

Nemak's Global Waste Management Standard stipulates that wherever possible, the Company recovers, recycles, and/or reuses aluminum and sand. The Standard applies to all Nemak locations, incorporating minimum waste-related requirements such as developing a waste inventory and process to plan, organize, and assess significant waste streams. Approved at a Global level, and then disseminated through to local production sites, HSE Managers are supported by regional and global teams in the execution of the Standard.

Wherever possible, the disposal of waste and water is avoided, instead seeking opportunities to reuse and recycle resources. Nemak currently recycles aluminum scrap, which is recovered at a site level, before being sent for treatment and recovery. Nemak adopts the precautionary principle to its waste and water management programs, where required by law. Based on a waste hierarchy, Nemak has defined its qualitative waste management objectives as detailed next:

Nemak's Waste Hierarchy



Prevention

- Design products with reduced resource consumption
- Minimize energy consumption
- Establishig guidelines with suppliers to substitute plastic packaging with wood pallets
- Usage of secondary aluminum, resulting in fewer primary sources

Reuse

- Internal sand reclaims, recovering more than 90%
- Internal system to reuse the amine in processes
- Closed loop water reuse
- Reusable packaging for transport of parts

Recycling & Recovery

- Use of scrap aluminum as a primary resource for alloys and alloying agents such as copper (70% of resources come from recycled/secondary materials)
- Recycling of by-products of production such as aluminum chips
- Collaboration with other industries for the recycling of process by-products such as sand

Disposal

- Where possible, dispose to facilities with energy recovery
- Preference to direct waste to third parties who will recover/reuse the resources
- Limit the number of materials sent to landfill

Progress and measures

GRI 306-3, GRI 306-4, GRI 306-5, GRI 306-5

In keeping with its commitment to circular economy principles, Nemak continued recycling metal from aluminum dross and reusing inorganic sand in its processes in 2023. Waste generated rose vis-à-vis 2022, partially explained by the increase in volume. Due to a reporting error, the values reported for 2022 have been reinstated and will differ from those reported in the 2022 Annual Report.

Waste generated in k Tons	2023	2022*	2021
Waste generated total	**969**	882	940
thereof sand-related	**796**	711	621
thereof aluminum and metal	**103**	98	128
thereof water/ aqueous solutions or liquid	**26**	41	27
thereof oils/lubricants/emulsions	**16**	11	92
thereof Industrial & commercial wastes not classified	**27**	19	54
thereof chemicals	**1**	2	18
thereof other waste	**0**	0	0
Waste diverted from disposal total	**774**	707	778
Waste directed to disposal total	**195**	175	162

*Due to a calculation error, 2022 data has been updated in 2023.

80%
of Nemak's waste is diverted from disposal

79%
of Nemak's waste is prepared for recycling and reuse on-site

Water Management

GRI 3-3, GRI 303

Management approach

GRI 3-3, GRI 303-1, GRI 303-2

Nemak primarily use water for production cooling processes and sanitary facilities, drawing it from municipal sources, groundwater sources or wells.

Each Nemak location has developed water management plans to reduce usage, and remove contaminants from discharge, that meet or exceed local standards. In line with the Company's Environmental Management System, local water reduction targets have been established. For example, two sites in Mexico have established yearly 2% reduction targets. The local HSE managers are responsible for the topic at a site level. The sites carefully measure and monitor water use and discharge by volume, purity, and potential contamination, with all locations having implemented engineering controls to prevent water leakage. To lower discharge rates, some locations recover wastewater for internal reuse, whereas others use natural green spaces to manage surface water runoff.

Across their global facilities, Nemak has 29 wastewater treatment plants and filtration mechanisms. The purpose of these being to purify wastewater through the removal of contaminants before it is discharged into local networks. Any wastewater that has not been subject to treatment, is sent directly to local third-party facilities, whilst a small volume of water is included in other regulated waste and collected and shipped for treatment and disposal. Water used but not discharged is lost to evaporation in the manufacturing process.

The Company currently applies the precautionary principle, when required by law, and considers 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.

Progress and measures

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

Nemak conducts a water risk assessment through use of the Aqueduct tool, developed by the World Resources Institute, to identify any water stressed zones in which the Company has operations. The Aqueduct Tool assesses water stress levels in specific locations by examining several factors, including the balance between total water demand and available renewable surface and groundwater resources. It takes into account various water usage sectors such as domestic, industrial, irrigation, and livestock, as well as factors like upstream consumptive water use and the influence of large dams on downstream water availability. Based on these analyses, the tool generates a water stress index, with higher values indicating greater competition for water resources in the area. In the reporting year, Nemak flagged the following water stress levels within its regions:

- **Extremely high (>80%):** Saltillo and Monclova (Mexico), Izmir (Turkey), Chennai (India)
- **High (40-80%):** Garcia (Mexico), Wernigerode (Germany), Ulyanovsk (Russia) and Tennessee (USA)
- **Medium-high (20-40%):** Etxebarría (Spain), Dillingen (Germany), Bielsko-Biała (Poland), Wisconsin and Kentucky (USA)
- **Low-medium (10-20%):** Most (Czech Republic), Alabama (USA)
- **Low (<10%):** Žiar nad Hronom (Slovakia), Gyor (Hungary), Linz (Austria), Pilsting (Germany), Nanjing and Chongqing (China), Betim (Brazil) and San Agustín (Argentina)

Water withdrawals from extremely high water-stressed zones represent 3% of the Company's total withdrawals in 2023. Nemak received a B- rating for the third consecutive year in the CDP Water Security Questionnaire, showing its proactive approach towards this issue.

Nemak is aware that its main site in Monterrey, Mexico, is located in a water stressed area that has historically experienced severe water shortages, such as in 2022. In preparation for potential water shortages, the site has processes in place to combat the effects and ensure that operations are not disrupted. In 2022, and continuing throughout 2023, the Company temporarily reassigned 50,000 m^3 of its concessionary volume to the local water and drainage service provider in Monterrey. Nemak continues to be committed to ensuring the well-being of its communities and where possible, providing support in such situations.

Water withdrawal and consumption in thousand megaliters

	2023	2022	2021
Water withdrawal total	**8.18**	7.59	7.93
Water discharge total	**7.81**	6.48	6.89
Water consumption total	**1.28**	1.11	1.04

Biodiversity

GRI 3-3, GRI 2-23, GRI 304-1, GRI 304-2

Management approach

Nemak is committed to conserving and promoting biodiversity across all global sites. Biodiversity principles are a critical component of the Company's Environmental Management System, with associated metrics and targets in order to monitor progress.

A Global Biodiversity Policy is in force, approved by the VP of Manufacturing and Product Development, in addition to the CEO. The Policy, published in early 2023, meets the requirements of international standards for biodiversity, including Global Reporting Initiative (GRI) disclosure 304. A supporting Biodiversity Standard is in place to facilitate the assessment of operations, analysis of risks, development of action plans to mitigate risks, and reporting the results of conservation and preservation efforts.

Progress and measures

In 2023, Nemak conducted a Biodiversity assessment covering the scope of direct operations. The analysis was conducted using Integrated Biodiversity Assessment Tool (IBAT) and Species Threat Abatement and Restoration (STAR) methodologies. The results indicated that Nemak sites have no significant impacts related to key biodiversity or protected areas. Local laws regarding biodiversity protection were taken into consideration for the analysis of the IBAT results. Nemak is not directly dependent on Ecosystem Services, although it relies on the availability of natural resources such as minerals, bauxite etc.

By integrating biodiversity considerations into its operations and supply chain, Nemak contributes to preserving and protecting biodiversity for future generations.

Product and **Innovation**

SDG 9: Industry, Innovation and Infrastructure

The automotive sector is facing an unprecedented period of change, with the move towards sustainable mobility picking up pace, and industry players looking towards innovative design and technological advancements to support their ambitions. Nemak considers itself a leader within this field, and is actively investing in R&D and sustainable business operations that protect the environment, whilst also complying with increasingly stringent safety requirements. As Nemak looks to meet and surpass customer expectations, product quality and safety is the Company's number one priority.

Nemak's ambition

Nemak continues to invest in designing, developing, and testing new lightweight components and casting technologies, with the ambition of reducing the environmental footprint of its product range. The Company conducts Life Cycle Assessments for each product category as part of its Sustainability Roadmap 2030. Research and development spending has accounted for around 2% of the Company's sales in the past four years.

With electric vehicles seen as the key technology to decarbonize road transport, the automotive industry is doubling down on their efforts to not only meet the increased market demand, but also to provide improved models, with a longer battery life and more sustainable credentials. 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.

Nemak's electromobility, structure and chassis applications support global efforts to transition towards sustainable mobility through 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, increasing range, and reducing CO_2e emissions.

Through innovation, Nemak is able to provide sustainable product options to its customers. With increasing investment in R&D from the Company, increased potential for financing opportunities from investors interested in advancing technological progress, and a highly skilled workforce, Nemak has all of the tools necessary to gain a competitive advantage within the industry.

Management approach

GRI 3-3

Nemak's Global Research and Product Engineering Director has overall responsibilities for innovation, with the broader process governed by the Innovation Steering Committee (ISC). In quarterly meetings with the ISC, the Global R&D team presents innovations for technical impact review, strategic value and prioritization. To ensure consistency of approach, the Nemak Research and Development System Handbook is applicable for the management of innovation across all regions.

The Product Engineering Team place a significant emphasis on both product quality and product innovation, ensuring that high safety standards are maintained at all times. One such example of how the two interplay, is in relation to material cards and the maintenance of the underlying database. Material cards provide information on how materials react when tested under specific conditions. This knowledge is a crucial enabler of lightweight design through advanced virtual simulation, particularly when increasing the share of secondary or recycled materials in line with circular design ambitions.

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 2023, Nemak's FAAR-WE E-Bracket for BMW was named the first runner up in the Module Lightweighting category for an Altair Enlighten Award. This E-Bracket, for an electric vehicle, is Nemak's proprietary design. The value proposition relies on significant component weighting reduction whilst maintaining high component stiffness, based on the Company's deep material and manufacturing process knowledge. Component stiffness is key for safety and driving experience. This innovation has also been selected as a PACE Award finalist for its novel lightweighting design.

In the same PACE Awards, in the category of 'Pilot', an additional example of finalist innovation is the design of an all-aluminum single piece sub-frame. This proprietary design saves close to 30% of the original weight of the design manufactured by assembling individual steel sub-components. The aluminum alloy used to fabricate this subframe is composed of circa 60% recycled materials.

In 2023, Nemak's FAAR-WE E-Bracket for BMW was named the first runner up in the Module Lightweighting category for an Altair Enlighten Award.

The Automotive News PACE program honors superior innovation, technological advancement, and business performance amongst automotive suppliers. These types of awards have a positive impact for Nemak on two fronts: increasing the level of awareness of the Company's value proposition to the industry; and secondly, helping to position Nemak as an innovative company and attracting new talent.

Progress and measures

GRI 302-5

Nemak has defined KPIs to measure R&D progress, specifically against the R&D budget and R&D project portfolio. The Company quantifies the impact that its R&D projects have on Nemak's broader sustainability targets, and in 2023, its projects helped to reduce the CO_2e content in Structural Components by 60% for products with a Start of Production (SOP) date of 2024 or later.

Nemak also analyzes inter-company cooperation for such projects, and with 75% of the Company's R&D projects executed at two or more locations, this enables leveraging of resources and local ecosystems, in addition to responding to local market needs. Any projects made with proprietary components are recorded, with patents and intellectual property monitored. **In 2023, at the time of drafting this report, a total of six innovations have been submitted for patent applications.** Finally, Nemak monitors customer engagement and co-developments, and any new projects that a customer engages with that are formed on Nemak innovations.

2023 saw Nemak consolidate the manufacturing of secondary alloys for ICE applications, electrification, and structural components. Proprietary alloy-fabrication knowledge enabled Nemak to exceed the expectations of customers in relation to the level of CO_2e content in products manufactured. In collaboration with Nemak's Global Materials Procurement Team, the Company expanded the types of secondary materials used in the fabrication of alloys, whilst maintaining quality and performance specifications. From 2024, Nemak will offer aluminum alloys with secondary material content up to 70% for Chassis and 90% for Body-in-White.

Despite its preferential carbon footprint, recycled aluminum has a less favorable corrosion performance. Nemak has therefore continued to develop its testing program centered around aluminum die castings. With this approach, in 2023 Nemak took action to increase its fundamental knowledge on corrosion through joining European Research Consortia such as RISE (Research Institutes of Sweden) and the French Corrosion Institute. Through these forums, Nemak collaborates directly with customers to accelerate the adoption of high secondary-content alloys for EV applications.

Nemak has completed the virtual validation and prototyping phase of projects designed to offer alternative casting (manufacturing) processes to its customers. To enable significant weight savings and assembly costs, Nemak has adapted its proprietary Core Package Process (CPS) to manufacture a chassis component as a single piece solution. In a parallel project, Nemak's proprietary casting process Rotacast has been improved to offer a higher integrity subframe side component. In both cases, Nemak has harnessed innovation to deliver high integrity lightweight products.

A variety of channels and communications methods are utilized to keep stakeholders informed on the current status of innovations. The Innovation Steering Committee meetings serve to inform the Executive Management Team on the value created by recent innovation projects. Every second month, plant managers and critical technical positions receive updates and use this knowledge to incorporate new technologies into their localized processes and operations. The sales and engineering teams attend regional R&D meetings to remain informed on how best to present the latest ideas to customers. Finally, Nemak hosts an annual Company-wide Innovation Day to showcase innovative efforts and recognize innovative employees. At the latest Innovation Day, more than 60 innovations were promoted and discussed amongst attendees.

Product **Quality**

Management approach

GRI 3-3

Nemak is committed to delivering world class sustainable procurement solutions that meet its customer needs. This requires an associated commitment from the Company's suppliers to provide the same service towards Nemak.

All Nemak locations are certified according to the Automotive IATF 16949 standard, a Quality Management System that allows the Company to demonstrate its ability to consistently provide products that meet customer, and applicable statutory, regulatory and product safety requirements. Regular internal audits ensure full compliance with the standard.

Nemak's Product Safety and Conformity Representative's (PSCR's) are responsible for ensuring product safety. In place at a plant level throughout the Company, the PSCR's ensure that products are safe for consumers or users, that there is full compliance with legal and regulatory requirements, and they have responsibilities for determining and minimizing the risks of liability throughout the product development process.

The Company requires its suppliers to have and maintain relevant certifications for their products or services. The requirements can be found within Nemak's Supplier Quality Manual, and due to the degree of importance placed on the topic of product quality, a regular review of the validity of these certifications is undertaken via Jaggaer, Nemak's supplier purchasing portal.

Dependent on the service provided, each supplier is required to adhere to the relevant identified best practice standard. Suppliers for components, services and material must have a certification in accordance with ISO 9001/VDA 6.1 as a minimum, and these requirements must be held throughout the entire supply chain. Suppliers that provide materials or services that are directly part of the customer product (Category 1 suppliers), shall have Supplier Development activities towards IATF 16949 accreditation. Suppliers for calibration of measurement equipment, and measurement of products, must have an accreditation according to ISO 17025 or national equivalent, and these requirements must be held throughout the entire supply chain. Finally, suppliers with internal or outsourced "special processes" as identified by the Automotive Industry Action Group (AIAG), may be required to show conformance with relevant AIAG Special Process documentation.

Progress and measures

Nemak's annual supplier audit plan incorporated the audits of 129 suppliers during 2023. Conducted by externally qualified auditors, the identified non-conformities were documented, systematically processed, and monitored. Furthermore, annual requalification tests are carried out at product level to ensure the continued conformity of the products and services supplied.

129
suppliers were incorporated to Nemak's annual supplier audit plan during 2023

LEADING CHANGE

This pillar addresses the need for transparency and accountability in corporate governance, as well as the construction of a reliable, sustainable, and responsible supply chain. Through its focus on Responsible Supply Chain Management and Business Ethics, Nemak goes beyond mere compliance to ensure that the rights of its stakeholders are respected, and its practices and principles lead the change within the industry.

GRI 2-23, GRI 2-24, GRI 2-26

Nemak's Global Business Code for Suppliers outlines the minimum required working practices, human rights, ethics, anti-corruption, anti-money laundering, and environmental performance parameters that Nemak expects of its suppliers.

Becoming a signatory to the Global Business Code is a condition of doing business with Nemak, and any instances of non-compliance are subject to a full investigation and the creation of a supporting action plan, with options including remediation, mitigation or compensation. Whilst Nemak will work with the supplier to support the action plan, non-compliance may result in termination of the business relationship.

The Company's Global Code of Conduct reflects its commitment to Business Integrity, stipulating the basic principles, behaviors, and policies that employees are expected to follow. Further information on both the Business Code for Suppliers and Code of Conduct can be found within the Compliance chapter.

Nemak's Sustainable Purchasing Policy is aligned to the values stated in both the Business Code for Suppliers and the Code of Conduct. The Policy is applicable to suppliers, contractors, employees, and joint venture employees over which Nemak has management control. The Company is committed to ensuring the responsible sourcing of raw materials and places expectations on its suppliers to respect and follow legal regulations, applicable law, and Nemak policies. Stakeholders are also asked to act in accordance with international sustainability standards, and to actively work in favor of developing sustainable business practices in relation to the following key areas:

- Environment: track and report environmental practices in relation to waste management, carbon footprint reduction, and conservation of natural resources.
- Human rights: provide a safe and legal work environment, with strict compliance to the prohibition of forced and child labor, or discrimination. A culture of inclusion should be promoted with dignity and respect demonstrated at all times.
- Community: strengthen social responsibility and undertake activities to promote well-being in the communities of operation.
- Responsible economic growth: establish and maintain ethical internal business practices, confidential channels to report instances of concern, and demonstrate continuous efforts to combat corruption and bribery.

Value Chain **Engagement**

Supply chain management is ranked within Nemak's top 3 material topics and is highly relevant to stakeholders. The Company is increasingly expanding its portfolio of assembled components and products, and therefore supply chain stability and transparent business relationships are of the utmost importance.

In light of the increased demand for sustainable mobility within the automotive industry , shareholders and investors are increasingly placing more scrutiny on the effectiveness of, and any potential weaknesses within, supply chains. Approximately 65% of the Company's CO_2e emissions are generated directly within its supply chain from the purchase of aluminum and alloys, which are 100% recyclable. Nemak therefore places a significant focus on working with suppliers to uphold and, where possible, exceed, international performance standards. Nemak is aware that its activities along its supply chain have further environmental impacts associated with bauxite mining and aluminum extraction, such as dust pollution, deforestation, and erosion.

The respect of human rights within the entire value chain is of critical importance, as outlined in Nemak's Business Code for Suppliers, Code of Conduct and Sustainable Purchasing Policy. Nemak strives to have 100% of its suppliers commit to respecting human rights by signing and adhering to its Business Code for Suppliers. Further information on these policies can be found within the Compliance and Human Rights chapters of this report.

Nemak's Value Chain

Regulators

Nemak's value chain is depicted in the graphic, along with the key benefits to stakeholders within the value chain. The focus of this chapter is on the left-hand side of the graphic: Nemak's relationship with suppliers and supplier communities.

Key Stakeholders

Suppliers & Supplier Communities	Nemak Employees Nemak's Communities Nemak's Investors	Nemak's Customers	End consumers

Input	Processes	Output	Vehicle Assembly	Owners of the vehicles
Secondary aluminium Primary aluminium Chemicals Sand Water Electricity Natural Gas Post consumer scrap remelted into secondary aluminium **Other suppliers** Equipment Services Etc.	Aluminium melting Casting Cooling Assembly Extrusion Machining	Vehicle Structures Longitudinal Members Shock towers Subframes E-Mobility Components E-Motor Housings Battery Housings (Hybrid/Electric Vehicles) Powertrain Cylinder Heads Engine Blocks Transmission Cases		

Key Benefits

Suppliers & Supplier Communities	Nemak Employees, Communities, Investors	Nemak's Customers	End consumers
• Responsible sourcing practices • Strong supplier relations • Economic support of supplier business • Collaboration with key suppliers for innovation	• Economic benefit for Nemak communities through job creation • Engagement with the local communities through local activities • ROI for Nemak investors + engagement with a company pursuing sustainable alternatives	• High-quality products to Nemak's customers • Collaborations with customers for new products	• Essential parts to overall vehicle functioning • Ability to endlessly recycle Nemak components made from aluminium

Responsible Supply Chain **Management**

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

To date, Nemak has completed third party assessments for 62% of its suppliers
*(spend based).

Nemak's ambition

Nemak uses an external third-party assessment tool, EcoVadis, to monitor supplier performance and identify any potential risk. Providing a score out of 100 for each supplier subject to assessment, Nemak's goal is for all suppliers to achieve a minimum rating of 45, therefore indicating no high-risk areas of concern.

In 2023, Nemak continued its alliance with the Aluminum Stewardship Initiative (ASI). Nemak is using the certification to foster responsible production practices, sourcing, and stewardship of aluminum. Maintaining high expectations within the supply chain, Nemak requires critical aluminum suppliers to obtain ASI certification, as well as to align their own commitments to those of the Company, report to the CDP, adopt an ISO 50001 compliant energy certification program, and adhere to the principles of the Science Based Targets initiative (SBTi). To date, 13 of Nemak's key Aluminum Suppliers have ASI certification. Regular monitoring of supplier progress against these commitments is undertaken by the Supplier Risk Committee, with action plans created to combat any instances of non-adherence.

Critical suppliers are defined as suppliers that provide critical materials and services such as direct material, aluminum, alloys, and scrap. These suppliers are also defined using other parameters based on Nemak's annual spend on such suppliers, and the supplier industry, location, and profile.

Overall management approach

Nemak is committed to working with suppliers who share and actively demonstrate similar values. Screening mechanisms, in addition to regular stakeholder engagement, with the assistance of third-party assessments ensure that this is upheld. The comprehensive screening process draws upon a breadth of sustainability criteria including the environment, labor and human rights, ethics, and sustainable procurement. EcoVadis allows Nemak access to each supplier's corrective action plan, including identified opportunities for improvement, therefore allowing a valuable insight into the ambitions and potential for each organization. The Company considers supplier engagement to be successful when the organization 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.

Organization and responsibilities

The Vice President (VP) of Purchasing and Sustainability, and the Purchasing Business Support Team, are responsible for the implementation of sustainable purchasing practices and addressing human rights at the Company. The VP of Purchasing and Sustainability is updated on the topic every two months to discuss progress, refine action plans, and address sustainable purchasing decisions. Now in its second year, Nemak's Supplier Risk Committee has responsibilities for monitoring critical suppliers, with consideration for adverse media, sustainability ratings, and financial reporting, in order to identify and mitigate against risks in the value chain. Similar criteria are utilized by Nemak's Purchasing Committee when awarding new business to suppliers.

Management approach

GRI 3-3, GRI 2-23, GRI 2-24

Nemak considers itself co-responsible, alongside its suppliers and partners, for upholding sustainable and responsible business practices. As demonstrated throughout this report, the Company has clear guidelines and policies on topics including responsible purchasing, respecting human rights, and sustainable supplier management. Any opportunity to engage with the broader supply chain is taken by Nemak, with shared values and ambitions forming the foundations of these relationships. As the industry accelerates towards making sustainable mobility a reality for all, maintaining a responsible supply chain is crucial to keep momentum.

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, Diversity & Inclusion 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_2e 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 critical 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

An ongoing risk management process is maintained, with a particular focus on the impact of critical suppliers' goods and services on the Company. Conducted at an individual supplier level and on case-by-case basis, an evaluation of dependency, performance, technical limitations, and substitution possibilities is undertaken by Nemak. Adverse media, EcoVadis and other sustainability performance results, in addition to financial and geopolitical risks are also taken into consideration.

Nemak does not use or source conflict minerals, defined by the OECD as tin, tungsten, gold and tantalum. It is also committed to not sourcing aluminum from conflict countries, as defined by the OECD and the US. It is the responsibility of the Company's Purchasing Department to verify that Nemak's suppliers adhere to relevant legal requirements, that their permits are up to date, and that they are adhering to all guidelines as defined in Nemak's Global Business Code for Suppliers. The use or sourcing of conflict minerals is strictly prohibited.

Nemak believes that regular communication is key to building and maintaining transparent relationships within the supply chain. Yearly supplier sustainability roundtables act as an opportunity to take part in face-to-face sessions, benchmark progress, learn from one another, and consider solutions to shared challenges. The Company hosts dedicated sustainability webinars to clarify requirements, align expectations, and hear from selected sustainability subject matter experts. Finally, in collaboration with Nemak's provider of third-party assessments, the Company invites suppliers to understand the scoring process, clarify any doubts, and learn how they can improve.

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. Should a supplier approach Nemak and request financial support, the Company offers a Supply Financing Program. In these cases, suppliers approved for the Program are able to collect invoice payments prior to the contracted payment terms.

Nemak maintains strong relationships across its value chain, paving the way for strategic alliances and partnerships with key suppliers, enhancing reliability of product supply, and enabling collaboration in achieving decarbonization targets and responsible business practices.

As the industry shifts towards electrification, and the supply chain becomes more complex, Nemak's positive relationships with existing suppliers will be critical to meeting customer demand.

Progress and measures

GRI 2-25

The Purchasing Team has identified critical suppliers with the greatest impact in terms of their carbon emissions. In line with Nemak's ambition to reduce carbon emissions throughout the supply chain, throughout 2023 the Company issued 40 letters of intent to these suppliers, requesting that they measure emissions and implement a reduction roadmap in keeping with Nemak's targets. Suppliers have reacted well to Nemak's request, with many now disclosing climate related KPIs as a matter of course. 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 carbon emissions.

In 2022, Nemak achieved an "A" classification in the CDP's Supplier Engagement Rating (SER), with consideration of an organizations ability to include and engage suppliers. Demonstrating continuous improvement, and placing higher than previous reporting years, Nemak was awarded a Platinum EcoVadis assessment, positioning the Company amongst the top 1% in the industry.

Nemak remains in regular contact with its supply chain, and notably hosts a number of in person and virtual events for its stakeholders throughout the year. In 2023, four face-to-face roundtables took place, with two sessions geared towards European and Asian suppliers, one for the US and Canada, and one for Mexico. Within these roundtables, the Company shared new sustainability-related sourcing requirements in relation to Nemak's carbon emission reduction targets. The new requirements include alignment with the UN Global Compact in relation to a Diversity & Inclusion Strategy and having a robust human rights due diligence process. In addition to the roundtables, Nemak hosted a webinar for suppliers with a guest speaker discussing ethical sourcing. In total, 24 of the Company's key suppliers participated in these roundtables, and 153 suppliers joined the webinar.

Throughout 2023, Nemak issued 40 letters of intent to suppliers, requesting them to measure their emissions and implement an emissions reductions roadmap, in alignment with Nemak's ambition.

Human **Rights**

Management approach

GRI 3-3, GRI 2-23, GRI 2-24, GRI 2-25, GRI 2-26, GRI 2-30, GRI 408, GRI 409, GRI 414

The promotion and respect of human rights both within the Company and throughout its value chain is of critical priority to Nemak. A comprehensive set of policies for responsible business conduct have been developed in support of this:

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

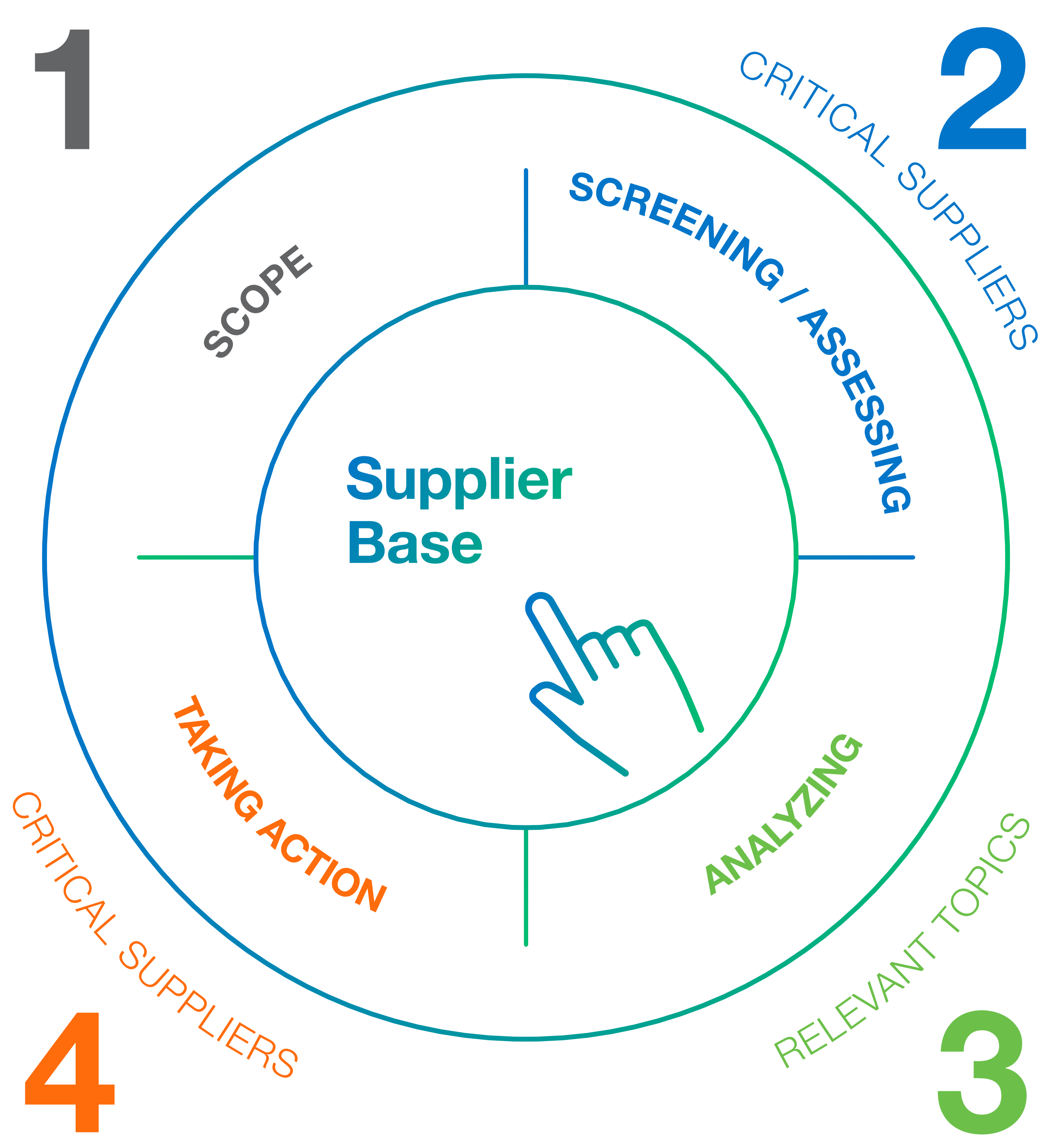
The Vice President of Purchasing and Sustainability, and the Purchasing Business Support Team are responsible for the topic of human rights in the supply chain. On the other hand, the HR department is responsible for the promotion and protection of the employees' human rights, while the Governance department oversees the grievance mechanism addressing human rights issues.

Approved by the CEO, the Global Human Rights Policy reflects the best practice 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, and the OECD Guidelines for Multi-National Enterprises (2023). The Policy places particular emphasis on the treatment of 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. Applicable to all suppliers, contractors, employees, and joint venture employees over which Nemak has management control, the Global Human Rights Policy requires that Nemak performs comprehensive due diligence in relation to human rights. 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 the risk of being an accomplice to wrongful acts through its association with third parties.

The Company's Global Business Code for Suppliers requires all suppliers to adhere to internationally accepted human rights. As a term of working with Nemak, all suppliers must sign the Code, and in turn, require their suppliers to make similar commitments. A regular internal audit is conducted to ensure that Nemak's current suppliers have signed the Code.

As part of its due diligence approach, Nemak has established the Transparency Helpline. The Transparency Helpline provides a secure and trusted channel for all employees, stakeholders, directors, officers, suppliers, contractors, customers and other third parties, to report any situation that is not aligned with, or that may be a violation of, any applicable law or regulation, Nemak's Code of Conduct, or any other of Nemak's values, procedures or policies. The Transparency Helpline is accessible to all stakeholders via the Nemak website, with all allegations thoroughly investigated to ensure the Global Code of Conduct and Nemak's values are followed. The Company reserves the right to audit and verify suppliers' compliance and take appropriate action in the event of violations. Where non-compliance is identified, a full supplier investigation is conducted, and a resulting action plan created with options for mitigation, remediation or compensation. As a final resort, Nemak will phase out or terminate a supplier contract. Nemak strictly prohibits retaliation against anyone who raises concerns in good faith regarding actual or suspected misconduct, or who cooperates in any investigation. Such retaliation would be grounds for discipline, against whoever intends to exercise it, including potential termination of employment.

Nemak's Supplier Due Diligence Process



1
Critical suppliers and list of **relevant topics** are identified and suppliers must adhere to Business Code and Terms & Conditions

2
Critical suppliers are **monitored and assessed** for risk identification through:
- Self-assessment
- EcoVadis assessment
- Social media & news screening
- Financial scoring

3
Analyzing resulting data, cases are **classified** as:
- Critical: confirmed issue or high level of exposure.
- Not Critical: potential risk/ issue, indirect linked

4
Action plan must be performed and **followed up** in risk committee for:
- Mitigation
- Remediation
- Compensation

As stated in the Human Rights Policy and Code of Conduct, Nemak strictly prohibits forced or child labor. The Company does not employ any person under the age of 18 on full time contracts. Younger workers, above the age of 15 or the legal minimum age, if higher, may be employed through approved short-term internships, apprenticeships, or work experience programs. Through signing and accepting the Global Business Code, suppliers confirm that, in order to remain in business with Nemak, they will also not condone any form of forced or compulsory labor practices. Employment of workers under the age of 15 (or the legal minimum age if it is higher in the country in question) is strictly prohibited. Nemak's Purchasing and Supplier Quality Assurance Departments perform scheduled on-site audits, to monitor that there is no forced and/or child labor.

The rights to freedom of association and collective bargaining are respected by Nemak, with 76% of the Company's employees covered by collective bargaining agreements in 2023. There are no collective bargaining agreement negotiations expected in 2024. The Company's Global Business Code for Suppliers, in addition to other contracts and purchase orders, contains a clause stipulating that suppliers must afford their employees the same rights and freedoms. Suppliers must provide a mechanism for employees to raise any concerns in locations where these rights do not exist due to legal constraints, similar to the Nemak Transparency Helpline. In addition, the Code contains a clause, applicable to all participants in the production chain, whereby the supplier must acknowledge and state adherence to the ten principles of the UN Global Compact.

Progress and measures

GRI 2-24, GRI 414-1

In 2023, Nemak participated in the UN Global Compact's Business and Human Rights Accelerator, a six-month program that facilitates participating companies to move from commitment, to action, in relation to human and labor rights. Through identifying salient human rights impacts, establishing an ongoing due diligence process, and developing an actionable plan, the Business & Human Rights Accelerator empowered Nemak to advance its human rights ambitions.

Nemak's Human Rights Policy has been reviewed, strengthening Nemak's commitment to maintaining and promoting the human rights of all individuals and groups who may be affected by its activities, including employees, contractors, suppliers, agencies, partners and local communities. The company has also developed a Global Human Rights Due Diligence Process. The due diligence process is based on key frameworks that define human rights principles for businesses:

- The UN Global Compact's Ten Principles
- UN Guiding Principles on Business and Human Rights
- OECD Due Diligence Guidelines for Responsible Business Conduct (2023)
- German Due Diligence Act (LkSG)

97% of current suppliers are signatories to Nemak's Global Business Code for Suppliers, with any non-compliant organizations now unable to engage in new business with the Company. In instances where suppliers have their own codes or clauses, Nemak reviews the relevant documents to ensure full alignment with all requirements listed in Nemak's own Code.

Nemak rigorously assessed 55 new suppliers through EcoVadis in 2023, taking the complete number of supplier assessments to 224, equating to 62 % of spend. No risks of violations related to freedom of association, collective bargaining, or forced and child labor were identified within the reporting period.

In line with its commitment to respect human rights, Nemak provides in person and online training for all employees. This training, with a focus on the practical application of respecting human rights, is mandatory – further information can be found within the chapter on Business Integrity.

The Company's Transparency Mechanism Procedure tracks the effectiveness of Nemak's measures to promote and uphold human rights. Incorporating outcomes from the Transparency Helpline and any associated investigations, the procedure also identifies opportunities to improve employees' commitments to respect and promote human rights with all stakeholders.

Nemak rigorously assessed 55 new suppliers through EcoVadis in 2023, taking the complete number of supplier assessments to 224

Business **Integrity**

Nemak defines Business Integrity as operating with ethics, honesty, and accountability, whilst continuously striving to improve corporate governance and sustainability practices. The Company has a number of policies in place to support the adoption of these values in practice, including its Global Code of Conduct, Global Business Code for Suppliers and Anti-Corruption Policy. Nemak's policies and procedures are regularly reviewed and updated, in accordance with any changes in the laws or regulations of countries in which the Company conducts business.

The Global Code of Conduct and Global Business Code for Suppliers act as the foundations, underpinning the Company's position on business integrity, however, it is recognized that there is a risk of non-compliance. All employees are required to sign the Global Code of Conduct, with all suppliers, vendors and contractors requested to sign the Global Business Code for Suppliers.

Nemak highly values the trust that its stakeholders place in the Company, and as such, promoting and upholding ethical business practices across the value chain is of critical importance.

All employees are required to sign the Global Code of Conduct, with all suppliers, vendors and contractors requested to sign the Global Business Code for Suppliers.

Compliance

Nemak's Global Code of Conduct, approved by the CEO, reflects its commitment to Business Integrity, and outlines the basic principles and values that all employees are expected to follow. Additionally, this Code helps its employees to put these principles and values into practice, by providing guidance on actions and behaviors that support the Company's values. The Company provides regular mandatory training on its Code of Conduct to support understanding and implementation, with completion rates monitored.

The Global Code of Conduct is a comprehensive document, incorporating all principles and behaviors that Nemak expects its employees to demonstrate as responsible corporate citizens, and to ensure safe, fair and equitable conduct throughout all business activities. Areas included are human rights, global purchasing, diversity and inclusion, anti-corruption, anti-bribery and fraud, antitrust, fair trade, anti-money laundering, occupational health and safety, conflict of interest, environment, confidential information, and sanctions compliance. Employees and contractors are prohibited from directly, or indirectly, engaging in, ordering, approving, promising, conspiring to, or inducing, corrupt and fraudulent practices.

The Company also has policies addressing data privacy and confidentiality, along with accounting policies based on international financial reporting standards and auditing procedures. Should any employee have any queries upon reviewing the Code of Conduct, or supporting policies, each document details contact information for Nemak's Process Assessment and Governance Department, as well as Human Resources Department.

Supplier relationships are of critical importance to Nemak, and the foundations of such interactions are set out in its Global Business Code for Suppliers. As a procurer of raw materials, Nemak imposes the very same high standards for human rights and working conditions within the supply chain, as it does for its own operations. All suppliers are requested to sign and adhere to the Business Code. With 80% of Nemak's carbon emissions attributable to its suppliers, the Company also engages with suppliers to assist in the acceleration of their decarbonization roadmaps, and their adoption of a circular economy.

Management approach

With regard to the Global Code of Conduct, all employees are expected to conduct themselves with integrity, honesty, and accountability, in addition to complying with the laws and regulations that are applicable in the countries in which Nemak operates.

It is the responsibility of Nemak's Legal and Compliance Department to (i) design, update and improve compliance policies, (ii) advise all other teams in relation to the application of compliance regulations and company policies in different scenarios, (iii) implement corrective actions to resolve any identified breaches, (iv) prepare and regularly update Nemak's risk matrix. With this guidance, each department is therefore equipped to ensure that policies are embedded into daily working practices. In the event of the identification of any concerns, it is an employee's duty 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. All significant instances of non-compliance are reported to the CEO and CFO, as they have ultimate oversight over any ethics related topics.

Looking to the value chain, Nemak rigorously examines both new and existing suppliers to ensure ethical and legal alignment. By the end of 2023, Nemak had screened 100% of its 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 was reviewed in 2023 to include sanctions lists maintained by the United Kingdom, and a consolidated list of sanctions from the European Union.

Prior to contracting with new suppliers, Nemak's Purchasing Team performs a thorough onboarding process. This involves collecting specific information dependent on the supplier's category and includes, but is not limited to, business background, technical expertise, financial statements, certifications, quality audits, and logistics information. After carefully assessing and analyzing this information, the team will take a decision on whether to move forward with such supplier.

At least once per year, Nemak's purchasing team performs an internal risk assessment on all category 1 suppliers, those with goods directly incorporated into customer products such as alloy components, liners, plugs, inserts and resin, and other critical suppliers, to monitor product, quality, financial or business continuity risks. Further to the scheduled risk assessments, the team undertakes continuous risk monitoring on all critical suppliers based on external data, including social media, news, financial scores and sustainability assessments. At least once a quarter, the Supplier Risk Committee meets to discuss suppliers' risk status, mitigation and action plans, and potential strategic business decisions.

Nemak Compliance Risk Matrix Summary

The following table portrays a high-level extract of Nemak's risk matrix.

Issue	Nemak potential risk
Environmental violations	Nemak operates aluminum foundries and conducts other production activities that require environmental permits and compliance with environmental regulations.
	Risk: Partial or total closure of operations resulting from lack of environmental permits.
Personal Data protection	Nemak handles the personal data of employees and suppliers.
	Risk: Failure to introduce IT systems to safely process personal data, the undue handling of personal data transferred to third parties, inadequate consent, and improper handling of complaints.
Contractual default	Nemak is a Tier I supplier in the automotive industry and has credit facilities in place with banks.
	Risk: Any default of a contractual compliance provision (i.e., OEMs T&Cs, credit agreements) would trigger a cascade effect or cross-default.
Access to credit	Nemak's operation, investments and other corporate matters sometimes require the contracting of credit facilities.
	Risk: Failure to meet compliance guidelines to obtain credit from new sources.
Compliance ecosystem benefits	Nemak's industry and global presence requires compliance with various laws and regulations.
	Risk: The absence of a compliance program acting to reduce defense for lawsuits, increase fines, deny leniency access & non-prosecution agreements, and shift enforcement from company to individual.
Bribery	Nemak is subject to antibribery laws in its countries of operation and for those that have an extraterritorial effect.
	Risk: Dealings with authorities and companies, deemed legitimate or not, but falling within the scope of a bribe (i.e., clarify borderline situations).
Sanctions	Nemak is a company with assets and employees in Russia.
	Risk: The sale or purchase of products, or other transactional engagement, with a Sanctioned Person.
Board of Directors fiduciary duty	Nemak is a publicly traded company.
	Risk: Lack of any compliance effort to report to the BoD, therefore restricting members in discharging their fiduciary duty of care.
Securities	Nemak is a publicly traded company.
	Risk: Insider trading, the disclosure of false, misleading or privileged information, concealment of material information.

Progress and measures

GRI 2-15, GRI 2-27

Regular training is provided to all employees to ensure that they are familiar with, and understand, Nemak's expectations regarding upholding its values and principles, in relation to the Global Code of Conduct. In 2023, Nemak promoted a Corporate Compliance training module, with sections dedicated to the Code of Conduct, Anti-Bribery, Avoiding Retaliations, and Giving and Receiving Gifts.

To reinforce the importance of the completion of such training, Nemak's CFO and the Global Audit & Legal Director have personally participated in awareness campaigns. To date 95% of all salaried employees have reviewed and completed the module.

Completion of Corporate Compliance Training Module as per the table below:

Region	Employees with module complete	Employees with module pending	% completed
Mexico	1,347	111	92
Europe	1,150	43	96
US / Canada	531	25	96
South America	257	3	99
Asia	220	7	97
Global Staff	157	14	92
Total	3,662	203	95

Nemak maintains a Learning Management System (LMS), and one of its functions is to issue, and require an electronic signature of, the Code of Conduct. In addition to this being a requirement of the employee onboarding process, every two years, all salaried employees receive this electronic communication to reconfirm their commitment. In 2023, 100% of white-collar employees completed the signatory and commitment process.

To the best of the Company's knowledge, there were no material fines, judgments, penalties or non-monetary sanctions for failure to comply with Applicable Law. Materiality has been determined as sums above 0.8% of total revenue.

Anti-Bribery and Corruption

Management approach

GRI 3-3, GRI 2-23, GRI 2-24, GRI 2-25, GRI 2-26

Nemak does not accept corruption at any level, adopting a zero-tolerance approach in all interactions, including its relationships with other companies, institutions and governmental authorities. The Company has a Global Anti-Corruption Policy, aligned with international anti-corruption and anti-bribery legislation, including the Foreign Corrupt Practices Act and the U.K. Anti-Bribery Act, that outlines the basic principles and frameworks for preventing, detecting, investigating, remedying and, if applicable, applying penalties to any employee that accepts bribes or engages in corrupt behavior. Interactions with suppliers or clients that appear legitimate on the face of the interaction, but due to a lack of understanding, fall under the scope of bribery, are likely to be the most common causes of violation. Since 2022, anti-bribery and corruption has been incorporated into Nemak's internal audit program.

Instances of known or suspected non-compliance can be anonymously reported to Nemak's Transparency Helpline. From here, all incidents are directed to Nemak's Process Assessment and Governance Senior Manager, and the Senior Management Team. Investigations into violations will be raised if deemed necessary, and all findings will be brought to the attention of the Executive Management Team and the Legal and Compliance Department. Any employees found in violation of the Policy are subject to disciplinary actions and/or termination of their employment contract.

The Transparency Helpline is open to all stakeholders and can be accessed via Nemak's website. To ensure accessibility, a variety of contact mechanisms are available for use, including a web form, email address and contact numbers. To promote and support the use of the Transparency Helpline, Nemak strictly prohibits retaliation against any individual who accesses the Transparency Helpline. In addition, a Transparency Helpline Policy has been created and is in the process of approval. The effectiveness of the Transparency Helpline is monitored by Nemak's Ethics Committee, which includes representatives from different departments, such as Legal and Compliance, Human Resources, and Operations.

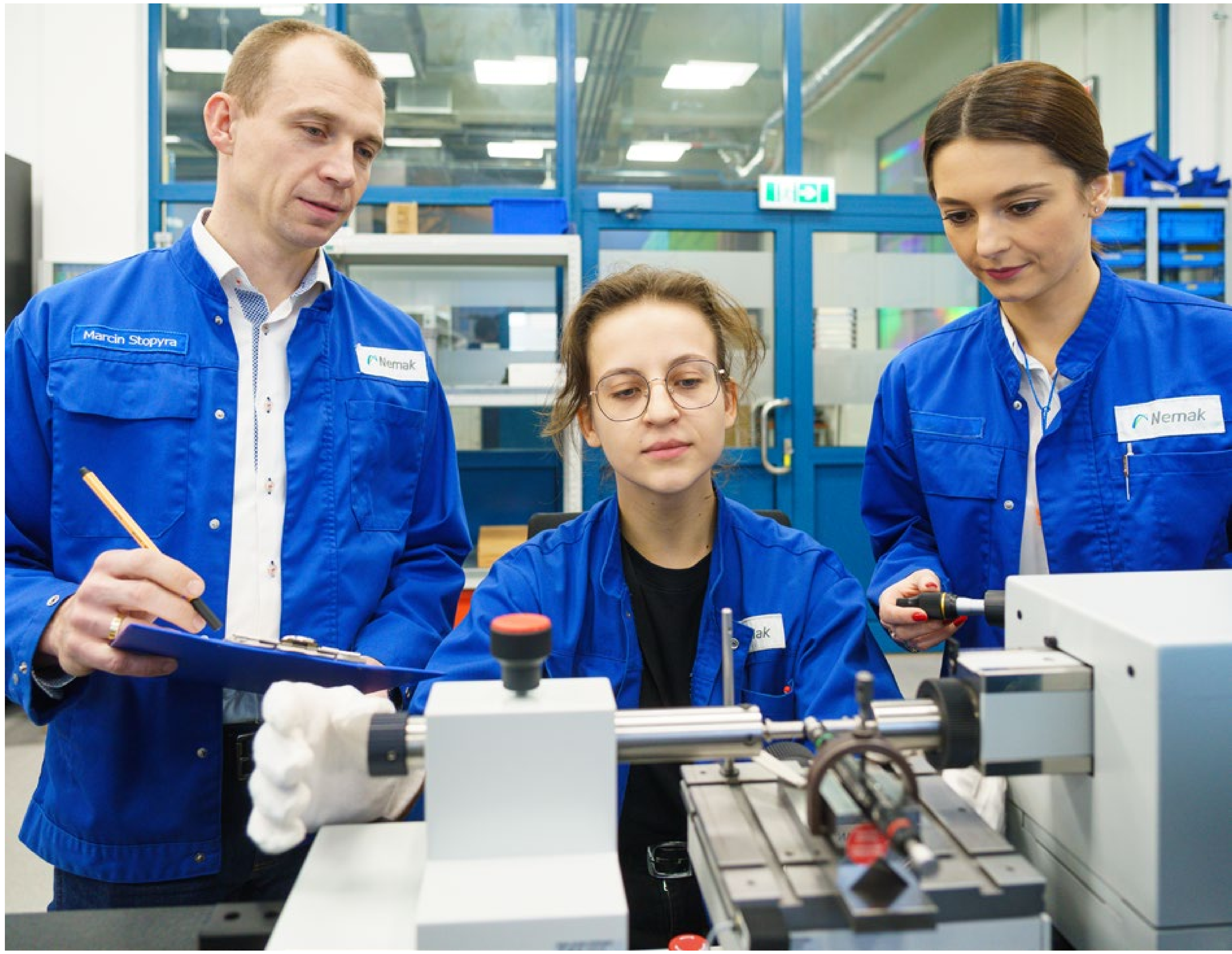
Progress and measures

GRI 205-2, GRI 205-3

Similarly to other Company policies, dedicated training is provided to facilitate the use and understanding of Nemak's Global Anti-Corruption Policy. This training, available in native languages, is rolled out every second year and made available to all salaried employees, including Executive Managers and the Board of Directors. In order to consolidate their learning, participants are required to undertake a short quiz which also serves as formal acceptance of the Policy.

In 2023, there were two identified cases of bribery and corruption involving four vendors and four Nemak employees. In all cases, Nemak has since terminated any employment and commercial contracts that were in place.

Anti-Competitive **Behavior**



Management approach

GRI 3-3, GRI 2-23

Nemak conducts its business in adherence with fair trade principles and all applicable anti-trust laws. Nemak's Legal and Compliance departments are responsible for the review of all activities deemed at risk of exposing Nemak to anti-competitive behavior. These interactions can range from exclusivity provisions and buying groups, to the sharing of sensitive information, and mergers and acquisitions. The Business Development, Commercial, Legal and Compliance, and Process Assessment and Governance Departments work closely with the Executive Management Team in any instances where doubts may exist, with resultant action plans created to ensure violations of anti-trust or anti-competitive laws do not occur.

Nemak's Global Code of Conduct, and the Company's Anti-trust and Fair-Trade Policy both cover the topic of anti-competitive conduct. The Policy, drafted in 2021, assists stakeholder understanding through the inclusion of descriptions of situations in which Nemak and/or its employees might intentionally or unintentionally engage in anti-competitive behavior. These scenarios are then supported with commentary from the Legal and Compliance Department, providing advice to ensure that appropriate safeguards are in place to avoid even the perception of anti-competitive behavior.

Progress and measures

GRI 206-1

To the best of the Company's knowledge, there were no payments to governments building on existing audit and assurance systems. Nemak also makes no direct or indirect, financial or in-kind, political contributions on an annual basis, based on evidence from existing audit and assurance systems in place at the Company.

Nemak conducts all of its business in adherence with fair trade principles and all applicable anti-trust laws.

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 in an Information Security Management System (ISMS) to frame the efforts to safeguard the confidentiality, integrity, and availability of information, specifying how Nemak evaluates and mitigates Information Security risks.

Nemak established an Information Security Steering Committee in 2019, recognizing the critical need for robust Information Security throughout the Company. Steering Committee members include the Executive Management Team and functional Vice Presidents. Direction of, and updates to, the Information Security Strategy is provided by the Steering Committee, overseen by the Chief Financial Officer (CFO). The CFO also has responsibility for the allocation of funding to cyber protection technology and services, in addition to supporting employee Information Security awareness raising initiatives.

The Information Security Steering Committee meets regularly to assess Nemak's short and long-term strategy and performance. It is within these regular meetings that upgrades or changes to the ISMS are discussed and prioritized, in addition to addressing vulnerabilities and security incidents. Any instances of non-conformity or concern are escalated through Nemak's Board of Directors and reviewed by the Audit and Corporate Governance Committee. The Company's IT Security System is ISO 27001 compliant, and includes a robust risk measurement and management system, with an in-built dashboard and reporting mechanism to support continual monitoring and improvement.

Recognizing the importance of promoting Information Security within Nemak, the Steering Committee regularly shares its IT security directives with IT departments around the globe.

Progress and measures

GRI 402-2

Nemak has a comprehensive Information Security training program, including awareness raising campaigns, that are provided to employees as part of their onboarding process, in addition to regular reinforcement throughout the year. In 2023, all Nemak employees were enrolled into mandatory training on Information Classification, ISMS, ISO 27001 and TISAX concepts. The Company also promoted regular communications to provide awareness around cybersecurity threats and phishing.

Since 2022, Nemak has conducted a monthly phishing testing program. The purpose of the program is to send generated phishing emails to all employees, with the aim of identifying employees that need training reinforcement to avoid falling victim of phishing in the future. Employees that fall victim to the testing are automatically enrolled in cybersecurity training.

The program has been a success to date and has contributed to significantly reduce the level of employee instances that require training reinforcement.

In addition to Information Security training programs, Nemak issues monthly newsletters covering topics such as identifying phishing, using strong passwords, securely sharing files, reporting information security incidents, and providing alerts on recent cyber threats.

Further to the education of employees on their role in supporting Information Security, Nemak has also taken action to implement a Cybersecurity Strategy for Incident Detection and Mitigation. The program utilizes state of the art technology to automatically identify cybersecurity incidents and mitigate them without human intervention when possible. The objective being to identify, detect, and protect before an incident occurs.

Nemak prides itself on maintaining a high standard of IT Security, therefore often works closely with leading international security firms to bring in additional expertise and perspective. Through doing so, Nemak shares its knowledge with peer organizations and remains ahead of any emerging security threats.

The Information Security program includes ISO 27001 internal and external audits, TISAX certifications to comply with customer's requirements, and regular cyber security penetration tests. These are conducted to identify risk mitigation requirements, and opportunities to improve the overall IT infrastructure and systems. In 2023, the results of the audits were incredibly positive, and Nemak has identified only minor potential threats that were swiftly mitigated.

ACCELERATING EQUITY

This pillar emphasizes social responsibility, which is crucial for a just and equitable society. By fostering diversity and inclusion, Nemak creates a workplace that reflects the communities it operates in, leading to a more engaged and productive workforce. Investing in employee well-being and talent development empowers individuals and strengthens local communities. Furthermore, stakeholder engagement fosters collaboration and shared value creation, leading to collective progress on social issues.

Nemak's success today, as a leading provider of innovative lightweighting solutions, is rooted in its workforce of skilled and motivated employees. People are pivotal to the successful operation of a business, and this is no different for Nemak.

A safe, supportive and engaging work environment is necessary to foster good performance and an inclusive culture. Thus, Nemak is continuously looking for new ways to further enhance employee safety, well-being, and diversity.

The current pace of innovation in the automotive industry is unprecedented, with the transition towards sustainable mobility requiring advanced technology, and therefore an increased demand for employees with outstanding skillsets. Nemak prioritizes the development of its teams, with targeted development and training available across its global production facilities. The Company understands that it has a responsibility and opportunity to be a positive change for its employees and the communities within which it operates. Nemak prides itself on always exampling its core corporate values of trust and collaboration, respect and responsibility, in all interactions.

Within its own workforce, Nemak's definition of vulnerable groups, or those employees facing greater risks, is aligned with the UN's definitions of vulnerable groups. This includes, and is not limited to, 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. Nemak relies on its employee engagement survey 'YOUR VOICE', where individuals, including those in vulnerable groups, can communicate thier concerns. All data is processed by an independent consulting firm, in order to guarantee confidentiality for participants. In parallel, the Transparency Helpline provides a secure communication channel for all stakeholders, including employees exposed to greater risks. Specifically for women, Nemak has created a Business Resource Group "Women Belong", providing the opportunity for individuals across the entire organization to connect, discuss, and continue promoting female equity at Nemak.

Well-Being and Talent **Development**

Nemak will only continue to satisfy and surpass customers' needs by attracting, developing, and retaining outstanding talent. Nemak recognizes that its employees will give their best to the Company when their expectations are understood and met.

The Company, as a responsible business, prides itself on creating a work environment that as an absolute minimum, achieves occupational health and safety legal requirements. Not only focusing on the physical safety of employees, Nemak also has programs in place to promote the importance of safeguarding, and the protection and maintenance of both the physical and mental health of employees and their families.

Enshrining these beliefs are Nemak's Global Code of Conduct, Global Human Rights Policy, Global Diversity and Inclusion Policy, and Global HSE Policy. Regularly updated, communicated, and demonstrated throughout every level within the organization, Nemak demonstrates its commitment to treating its employees with dignity and respect, in addition to adhering to all applicable social and labor standards.

Nemak's ambition

A compelling Employee Value Proposition, balancing the employee's experience with the employer's expectations, and the collection and response to regular feedback, are crucial to maintaining an engaged workforce. In 2023, Nemak conducted its 'YOUR VOICE' Global Engagement Survey to measure progress in strengthening its Employee Value Proposition. Encompassing 17 categories of employee engagement, the survey incorporates global benchmarks from the automotive industry and other top-performing organizations. The Company handles all results and related data with the strictest confidentiality.

Nemak's medium-term ambition is to see an improvement to its engagement scores, and achieve results equal to, or ahead of, the automotive industry benchmark. Looking further ahead, Nemak long-term goal is to benchmark itself in line with the Top-Performing Companies result.

Organization and responsibilities

GRI 3-3

The Human Resources Leadership Team has overall responsibility for all employee-related topics, including well-being and talent development. 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. At a country level, regional and local HR teams are responsible for implementing the Global Human Resources Strategy within each geography. These teams work in close proximity with Managing Directors and Plant Managers to make decisions related to talent development, wellbeing, and training, in order to meet local needs and challenges.

Employee **Well-Being**

Management approach

GRI 3-3, GRI 2-23, GRI 2-30, GRI 401-2, GRI 403-3, GRI 403-6

Nemak has a clear commitment to promoting fairness and equality, a sentiment that is reflected in its consistent approach to compensation. A standardized job valuation methodology is in place across all regions, therefore ensuring fair pay amongst employees, whilst a Compensation Policy guarantees competitive remuneration. For example, in 2023, the entry level wage of employees in Mexico was 21% higher than the minimum wage defined by local authorities. Furthermore, the Company respects employees' rights to freedom of association and collective bargaining.

The Company also offers performance-related remuneration, awarded through a formal performance management process that includes feedback and support to achieve targeted objectives as well as embodying corporate values.

With regard to Nemak's ambition to support and improve the well-being of its employees and their families, the Company also offers employee benefits that exceed the minimum regulations and requirements. Benefits packages vary dependent on jurisdiction, however, could include the provision of daycare, lactation rooms, parental leave, fostering remote working wherever possible, and flexible work schedules for employees caring for family members. Both the Americas, and Europe & Asia regions, uphold well-being frameworks that underline Nemak's principles and ambitions consistently. All of Nemak's employees are covered by social protection against loss of income due to sickness, unemployment, employment injury or disability, parental leave, and retirement.

In 2023, a new Global Maternity and Paternity Policy was approved and will be deployed in 2024. With this policy, Nemak ensures that all locations are in line, or above the International Labor Organization Standards. Under these standards, the primary caregiver may take a leave up to 18 weeks, whilst the secondary caregiver may take 2 weeks leave. Nemak is currently in the process of implementing reporting changes to improve the accuracy of its data collection capabilities for this topic, as it strives to report in greater detail in the coming years.

Local Human Resource teams are responsible for the review and implementation of employee well-being programs and identifying opportunities for enhancement. Policies are regularly reviewed to ensure the removal of unconscious bias, and to protect employee health, well-being and satisfaction.

Nemak actively demonstrates its dedication to employee health and well-being through its provision of occupational health services. The Company provides medical departments staffed by occupational health service experts, medical attention for the injured, and other specific consultations. Aside from the delivery of on demand services, Nemak regularly promotes positive health and well-being through initiatives such as its HSE weeks and vaccination campaigns. During these weeks, employees can receive an annual health check and boost their immunity against seasonal diseases. To date, HSE weeks have facilitated the diagnosis of diabetes, cancer, and high blood pressure. All Nemak employees have direct access to medical services that are either public or paid for by the Company. Individual sites promote well-being through localized initiatives such as 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

The results of Nemak's 2023 Employee Survey, YOUR VOICE, demonstrate that, the Company is outperforming the automotive industry's norm in 14 out of 17 assessed categories. The survey registered a record participation rate of 93%, however, the Sustainable Engagement score decreased from 76% in 2021 to 74% in 2023. Despite this decrease being consistent with the trend observed across sectors that are returning to pre-pandemic engagement levels, Nemak's score tracks at 2 percentage points above the industry average. Nemak remains committed to achieving its mid and long-term targets concerning Employee Engagement over the upcoming years.

As in previous years, survey results are shared with Nemak's Executive Management Team, before cascading throughout the Company. Dedicated action plans, at plant and regional levels, are designed to ensure targeted progress and the continued improvement of employee experience. It is through these action plans, that the Company demonstrates the value it places on employee feedback.

Nemak has also received external recognition of its efforts and commitment towards creating a best-in-class employee experience. In 2023, the Company secured 'Top Employer Certification' in the US and Mexico for a second consecutive year, and in Germany for the first time. To achieve Top Employer Certification, Nemak is required to submit evidence that it has robust human resources practices across six key dimensions: steer, shape, attract, develop, engage, and unite. A critical evaluation of submitted evidence is then undertaken, with the Company's practices compared against an international Top Employer benchmark.

top EMPLOYER DEUTSCHLAND GERMANY 2023 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

top EMPLOYER UNITED STATES OF AMERICA 2023 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

top EMPLOYER MÉXICO MEXICO 2023 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

In 2023, the workforce at Nemak was distributed as follows **based on headcount:**

EMPLOYEES TOTAL

24,076

Employees by Region:	Permanent contract	Temporary contract
Mexico **12,169**	12,031	138
Europe **7,340**	7,279	61
USA **2,585**	2,585	0
Asia **988**	728	260
South America **994**	994	0
	23,617	**459**

	Permanent contract	Temporary contract
Male **20,863**	20,479	384
Female **3,213**	3,138	75

Employee Development

Management approach

In order to maintain its leading position in the race for sustainable mobility, Nemak recognizes the need to hire and retain talented employees with the requisite knowledge and skills. Due to the pace of technological advancement, the Company also understands the need to foster existing talent, and is therefore prioritizing the rollout of talent development activities to upskill expertise in areas such as HSE, HPDC, Tooling, Assembly, Quality Assurance, Automotive Core Tools, Product Development, R&D, Maintenance, And Others.

Committed to the development of its current workforce, Nemak has taken action to fill critical and management roles from internal promotions. In 2023, Nemak staffed more than 69% of its open positions (excluding entry level positions) with internal candidates. The Company's Global Diversity & Inclusion Policy and Internal Job Posting Policy further cement its attitude towards the promotion of employee development.

Nemak prides itself on employing a highly skilled workforce, capable of upskilling and adapting to meet changing market demands, offering innovative ideas that differentiate Nemak from its competitors, and providing the resilience required to future proof the Company against any future challenges.

Progress and measures

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

In 2023, Nemak hired a total of 4,092 new employees across all region's, with salaried positions being filled by internal candidates 69% of the time. Employee turnover stood at 13% for salaried employees and 35% for hourly employees. For permanent employees, 21% of the turnover was the result of voluntary departures.

Nemak's development programs are designed to create an optimal organizational environment through combatting industry challenges, enhancing productivity, and retaining talent. In 2023, Nemak invested over US$6 million in training its employees in the Company's core processes and strategic areas. These investments are intended to achieve high levels of functional expertise, develop leaders, and advance collaboration.

Organization-wide on demand programs focused on topics such as Safety, Cyber Security, Code of Conduct and Corporate Compliance, Intellectual Property and Investment Process Fundamentals. Virtual learning paths designed to support role-specific skills are also available, with functional academies offering dedicated courses in Finance, Human Resources, Purchasing, Engineering, and others.

The Engineering Academy aims to standardize the knowledge transfer and skillset of Nemak's teams. Its Americas Program is specifically designed to improve collaboration, and increase problem solving capabilities. In 2023, 70 engineers graduated from the Americas Program having developed 5 RedX and 26 Six Sigma projects, through which the Company realized savings of US$2 million across its MEX operations. The HPDC Academy, which falls within the Engineering Academy syllabus, is designed to upskill all employees, in one of Nemak's crucial technologies: High Pressure Die Casting. To date, 143 employees have embarked on this Europe & Asia program, with 72 having successfully completed it.

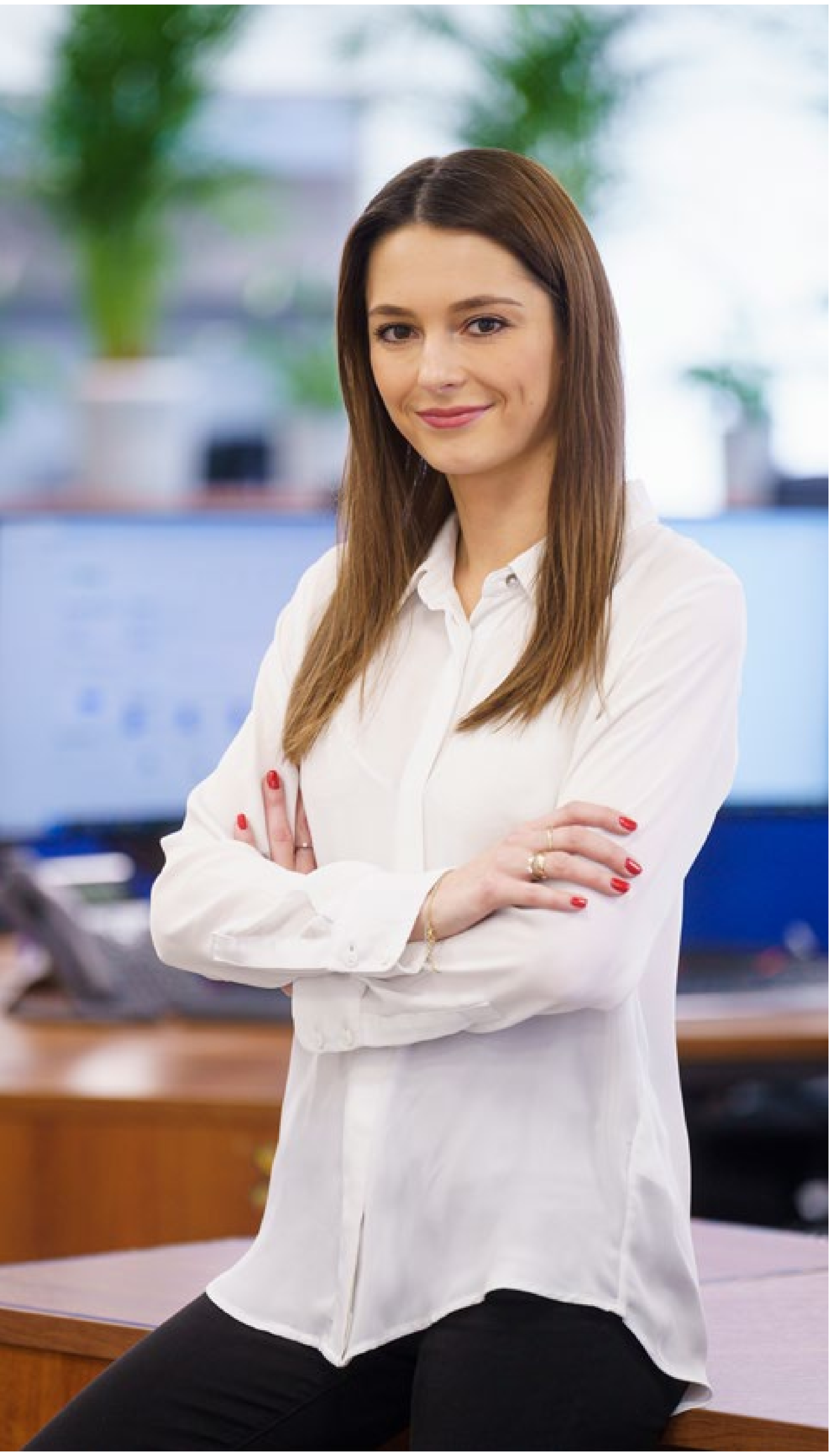
To support and foster the next generation of leaders, Nemak has created leadership development journeys uniquely tailored to the challenges faced by leaders at different organizational levels. These custom-made pathways are designed to enable maximum impact within the Company, whilst demonstrating proficiency in Nemak's core and leadership competencies, and embodiment of Company values. In 2023, leadership development efforts continued with a focus on programs for new leaders, shop floor leaders, frontline, mid-level managers, and other relevant leadership groups. In the Americas, 106 salaried employees participated in Leadership Journey, and 41 were enrolled in the Leadership Excellence program across Europe and Asia.

At Nemak, all employees receive consistent and meaningful feedback on their performance. The Company has established a performance management process with structured objective-setting, mid-term reviews, and year-end performance evaluations. In 2023, all Company's administrative personnel participated in the Performance Management process.

Training hours

Average hours of training by gender	
Female	35.6 hrs
Male	30.7 hrs
Average hours of training by employee category	
Executives & Top Management	23.1 hrs
Management positions	23.2 hrs
Management positions in revenue-generating functions	17.3 hrs
Employees below management level	30.8 hrs

Diversity and **Inclusion**



In order to thrive in today's modern business environment, organizations must remain innovative, agile, and embrace diversity. In response, Nemak is building a pool of highly qualified employees from a range of backgrounds. The Company believes that through adopting this approach, with employees offering differing experiences and perspectives, that its customers will ultimately benefit. The Company also recognizes the importance of fostering a culture of respect and responsibility towards people, the environment, and local communities.

Nemak is committed to ensuring that all employees, regardless of race, national origin, ethnicity, or other characteristics, can pursue an enriching work experience aligned 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 Diversity & Inclusion (D&I) Strategy highlights the importance of creating an inclusive and diverse workplace, supporting the achievement of the Company's 2030 Strategy: Transform to Grow. Nemak's strategic concept, 'I Belong,' encapsulates its diversity and inclusion efforts. The concept emphasizes the Company's commitment to go beyond representation and inclusion, instead focusing on creating a workplace where every employee feels that their individual characteristics are valued, and they have a strong sense of belonging.

A culture free of discrimination and harassment is of paramount importance to Nemak. The Company is an Early Mover of the UN Global Compact Forward Faster initiative, and as such has committed to equal pay for work of equal value by 2030, and equal representation, participation and leadership across all levels of management by 2030. These two targets are in step with Nemak's moves to eliminate barriers that female employees encounter within the automotive industry, particularly in heavy manufacturing roles. Nemak is also a signatory of the UN Women Empowerment Principles (WEPs).

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. Through living these ambitions at a corporate level, Nemak aims to provide a safe and appealing working environment for all employees, and celebrate an increasingly diverse workforce each year.

Management approach

GRI 3-3, GRI 2-23, GRI 2-26

It is the responsibility of Nemak's Human Resources Department to oversee all measures related to diversity and inclusion, alongside Nemak's Chief Executive Officer (CEO) as the main sponsor. All strategic initiatives are defined and structured by Nemak's Center of Expertise of Talent Attraction and Diversity and Inclusion.

Supporting and promoting diversity and inclusion at a local level, the Company has an established a global D&I Champions Community. On the ground, these Champions bring together employees from different disciplines across Nemak's regions, aligning local perspectives and objectives with the global strategy, creating accountability, and ultimately extending the sense of belonging and ownership to all team members.

The D&I Champion Community is critical to building an inclusive Community across Nemak's teams at a grassroots level. Recent D&I Champion initiatives have included the support of Women in Engineering and International Women's Days, and Nemak's Mentoring Program for Female Talent.

Nemak's Global Diversity and Inclusion Policy aims to make the Company more diverse, equitable and inclusive. The Policy contains guidelines regarding recruitment and selection, career opportunities, learning and development, communication, and compensation and benefits. Underpinning all of these, the Policy also defines Nemak's unwavering commitment to providing equal opportunities and avoiding bias. 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.

The Company's Diversity and Inclusion Policy embodies the same corporate values demonstrated in the Global Code of Conduct, the Global Business Code for Suppliers, and all 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.

Compliance with the terms of Diversity and Inclusion Policy is a fundamental expectation for Nemak employees, contractors, and joint venture employees under Nemak's management control. Any known or suspected breach to the Policy must be reported, and the Company promotes a number of channels for doing so:

- Direct manager or next-level manager
- The Human Resources Manager or Director
- Nemak's Legal and Compliance Department (accessible via governance@nemak.com)
- Transparency Helpline (accessible via the website)

The Transparency Helpline is available via the Nemak website for all stakeholders to anonymously report any concerns, with a Policy to support use of the Helpline to be available shortly.

All reports are treated with the strictest confidentiality, and any individual submitting a concern in good faith, or cooperating with an investigation of suspected breach, should fear no retribution. This is in line with the terms of the Global Code of Conduct, and in adherence with all international whistleblower protection laws and standards.

Nemak is currently working on a global integration exercise for information, systems and records in alignment with local regulations and European GDPR. Once complete, the Company aims to report on the topic of gender pay gap and its progress in this area.

NUMBER OF EMPLOYEES
BY GENDER, BASED ON HC

Male
20,863

Female
3,213

NUMBER OF EMPLOYEES
BY AGE

6,032
<30 years old

13,480
30-50 years old

4,564
>50 years old

Progress and measures

GRI 2-24, GRI 405-1, GRI 406-1

Nemak has set solid foundations for its Diversity and Inclusion Strategy and implementation roadmap for the years ahead, establishing clear milestones, and ensuring steady and meaningful progress towards its goals. The Company continues to grow and evolve its first Business Resource Group, 'Women Belong', with the remit of fostering the retention and engagement of female talent. With more than 200 members, and representation across all Company locations, 'Women Belong' has its own multidisciplinary structure and agenda, with sponsorship from the Global HR Director. As part of this agenda, Women Belong has held 96 sessions including local coffee breaks, discussion panels, sponsor meetings, webinars, and learning and discovery sessions with members and allies.

Leveraging its membership to the UN Global Compact, in 2023, Nemak was a participant of the United Nations Target Gender Equality Program and is an Early Mover of their Forward Faster initiative. Nemak also remains a signatory of the UN Women's Empowerment Principles (WEPs).

The Company has 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. In March 2023, the Female Talent Leadership Journey was created. Seventeen participants from across Nemak locations undertook dedicated sessions designed to assist them in developing a skillset that will advance their career at Nemak and enable them to feel confident in their leadership abilities. Sessions included communication skills, healthy confidence, business acumen and strategic development, in addition to participating in panel discussions with the Nemak CEO and other business leaders.

Nemak's first Business Resource Group, Women Belong, has more than 200 members and representation across all Company locations.

In its inaugural year, the Nemak Mentoring Program for Female Talent exists to build a culture of internal knowledge transfer, whilst promoting a collaborative environment for development and social learning. With this commitment, and 20 mentors and 20 mentees across the globe, the Company acknowledges the challenges that females face within the workplace and throughout their careers, including Unconscious Bias and Imposter Syndrome. In addition to regular enablement and guidance sessions for mentors and mentees, throughout the Program, participants receive 3 checkpoints with local talent development and learning teams, and ongoing D&I Champion support.

Further to the above, since the publication of Nemak's Global Diversity and Inclusion Policy, the company has integrated mandatory training for all of its new hires as part of their onboarding process, in 15 countries and 11 languages. The learning objectives are centered on strengthening the link between diversity and inclusion and Nemak's corporate values, communicating the Company's policies and commitments regarding the topic, uncovering employees' unconscious biases, and broadening their horizons. Team supervisors also have access to unconscious bias training, and are taught how to identify and minimize its impact in the three key processes of talent acquisition, performance evaluation, and talent management.

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 amongst employees, whilst a Compensation Policy guarantees competitive remuneration. The Company is also defining a Policy to review and remediate any pay inequities.

As a member of the General Motors Diversity & Inclusion Supplier Council, Nemak collaborates with other stakeholders on suitable roadmaps and action plans. The Company is involved in the Diversity, Equity & Inclusion Council of the Original Equipment Suppliers Association (OESA) and is also a Global Catalyst supporter.

Through Nemak's global D&I dashboard, it can track data, metrics and targets for all geographies. This degree of granularity allows the Company to take bespoke and targeted actions to improve diversity and inclusion.

Nemak's global workforce consists of approximately 87% men and 13% women. Roughly 18% of board positions are filled by women, and women also account for 11% of Top Management positions. During 2023, Nemak promoted 672 employees, 27% females and 73% male. Within management, the promotion rate for women to top management was 38%. Nemak does not provide information on the remuneration of its employees to external bodies in keeping with its Corporate Policy.

In 2023, there were 4 reported incidents of discrimination at the Company, 3 of which are no longer subject to action, and the final incident has undergone remediation.

Occupational Health and Safety

At Nemak, the health and safety of its employees and the promotion of environmental protection are top priorities. To make sustainable mobility possible, Nemak are committed to producing and providing aluminum components for the automotive industry with regard to the highest standards of occupational health and safety, whilst minimizing environmental impacts. By applying the principles of Operational Discipline, the Company operates in a safe, responsible manner, respecting the environment and the health of its employees, contractors, customers, and the communities where it operates.

The Company recognizes that its business activities pose inherent dangers, and therefore, 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

Safety performance is measured using the Total Recordable Incident Rate (TRIR), tracking incidents that require medical treatment beyond first aid for every 100 employees. Nemak seeks to deliver continuous improvement each year, with all locations setting annual targets for, and striving to demonstrate improvement against, the TRIR, Lost Time Case Rate (LTC) and Days Away, Restricted or Transferred (DART). The final metric refers to injuries that result in days away from work, job restrictions or job transfers. Specifically, Nemak has the following year on year reduction targets in place: 20% TRIR, 10% LTC, and 10% DART.

Management approach

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

Nemak's Occupational Health and Safety Management System (OHSMS) covers all Nemak employees. The comprehensive 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, with Nemak's Wisconsin and Alabama plants due for certification in 2024.

Whilst the OHSMS covers all Nemak employees, the requirements stipulated within the system have a broader reach. In order to maintain a safe working environment, all employees, visitors and contractors, including those working offsite and during business travel, must adhere to the guidelines. Any incidents or risks must be reported immediately to ensure prompt medical care for any injured workers, and to contain the hazard that caused the incident. Nemak requires workers to report unsafe conditions and remove themselves from dangerous situations without retaliation. Regular training is provided to all employees and contractors in order to increase knowledge and improve the skills necessary to identify potential risks, unsafe acts and hazardous conditions.

A dedicated team is responsible for investigation in the event of a work-related incident; the HSE Manager and other key personnel determine the root cause and corrective actions to prevent recurrence. In 2023, a global HSE Data Management System was deployed to improve HSE management through analysis, data sharing, and performance tracking.

NEMAK HAS THE FOLLOWING YEAR ON YEAR REDUCTION TARGETS IN PLACE:

-20%
Total Recordable Incident Rate

-10%
Lost Time Case Rate

-10%
Days Away, Restricted or Transferred

The Global HSE Management Team is responsible for developing a strategy to achieve company objectives for a safe work environment. The strategy relies on the implementation of industry best practice through employee engagement, performance standards, learning, and employee development. At Nemak, local health and safety teams proactively address any safety concerns or issues raised by employees or their unions. These local 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.

To mitigate against potential health and safety concerns, quantitative risk assessments are undertaken by qualified individuals at all Company facilities. Machine safety risk assessments are conducted by the machine manufacturer, or by Nemak engineers qualified to conduct Functional Machine Safety Risk Assessments based on international engineering standards. Nemak's Walk Observe Communicate (WOC) standard, further reinforces the part that all employees have in reporting and mitigating unsafe conditions, and promoting sustainable working practices.

The following key elements are the framework of the OHSMS: Risk Assessment and Corrective Actions

- **Internal and external third-party audits and certifications**
- **Management reviews**
- **Union, Works Council, and Health and Safety Committee collaboration**
- **Incident Management**
- **Employee learning and development**
- **Personal health screening and medical examinations**
- **On-site medical services**
- **Work-related industrial hygiene, psychosocial, and working condition measurements**
- **Transparency Helpline**

All employee health-related information is managed in a private and confidential manner. The Nemak OHSMS complies with international law governing employee privacy, including 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.

Progress and measures

GRI 403-9

Unfortunately in 2023, there was a fatality of a Nemak employee in one of Nemak's Mexican facilities. Driven from this event, the right protocols were followed, and a multi-disciplinary team participated in the investigation and assigned several corrective actions to tackle the root causes in a short and long-term manner. As a result, the LOTO program was reinforced at this facility, including the assurance of functional machine risk assessments focusing in the performance level of the equipment and machinery 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

	2023	2022	2021
Total recordable incidents	**335**	301	277
Accidents with serious consequences	**50**	49	26
Accidents with lost time	**148**	111	94
Fatalities	**1**	2	0
Total recordable incidents rate*	**1.24**	1.26	1.41
Lost time case rate*	**0.54**	0.50	0.48

* Per 100 employees

Nemak has piloted Safety Improvement Plan (SIP) Audits, designed to monitor the effectiveness of the HSE management approach, in addition to verifying the real-time data stored in the HSE Suite. In 2023, all Mexican sites, Wisconsin in the United States, and Slovakia were subject to SIP Audits. It is expected that this process will continue to be rolled out into 2024.

Crisis Management

Following the COVID-19 pandemic, the Company continues to recognize the importance of maintaining the highest health and safety standards for its employees, their families, and local communities. Nemak has applied lessons learned during the pandemic to improve its Crisis Management practices, ensuring an effective response to protect its employees and families, as well as maintain business integrity.

The organizational structure for the plan is as follows:

- **Executive Crisis Management Team:** CEO and Executive Management Team, supported by the Global Staff
- **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, staff, and employees

In matters of public health and environment, the crisis management plan includes healthcare and environmental experts who develop controls to contain health and environmental impacts.

Employee participation in occupational health and safety

GRI 2-26, GRI 403-2, GRI 403-4

In 2023, Nemak hosted its seventh annual HSE event, although this year it was extended from one week, to a period of one month. All Company sites simultaneously deployed conferences, activities and workshops, with more than 70 Health focused activities; a blood donor campaign, healthy snack promotion, mental health first aid, physical and ergonomic activities, first aid training, health examinations, and yoga exercises. Greater than 60 Safety activities; forklift/vehicles simulations, PPE demonstrations, hearing protection awareness, crane training, dynamics for prevention awareness. And finally, more than 50 Environmental activities; recycling/upcycling, water/energy/waste awareness, tree/sapling donation, roadside cleanups, environment simulations. The activities promoted within the HSE month offered opportunities for both education and engagement, empowering Nemak employees to upskill themselves and demonstrate their roles as responsible corporate citizens.

Aside from the dedicated month, Nemak believes that ongoing communication is critical in creating and maintaining a safe and healthy workplace. All team members are empowered to report health and safety concerns via the Transparency Helpline, methods outlined within the OHSMS, or via on-site conversations. The Company's global WOC (Walk Observe 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.

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.

Employee training in occupational health and safety

GRI 403-5, GRI 403-7

All Nemak employees receive job-specific occupational health, safety, and environmental management training. These training sessions include:

- Risk assessments
- Control of infectious disease
- Principles of organizational safety
- My Commitment to Safety eLearning
- 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**

GRI 3-3, GRI 203, GRI 413

Management approach

GRI 3-3, GRI 413-1

Nemak is committed to social development and understands and respects its responsibility towards its employees and the communities in which it operates. As such, one of the three pillars of Nemak's sustainability framework is dedicated to People & Communities. Bringing the framework to life, Nemak undertakes social, cultural, and community projects, with the aim of being a trusted local contributor towards community development and education, promoting equal employment opportunities and economic empowerment, and supporting the general well-being of the community. Nemak's regional Human Resource Departments have overall responsibility for overseeing associated programs, goals, and progress.

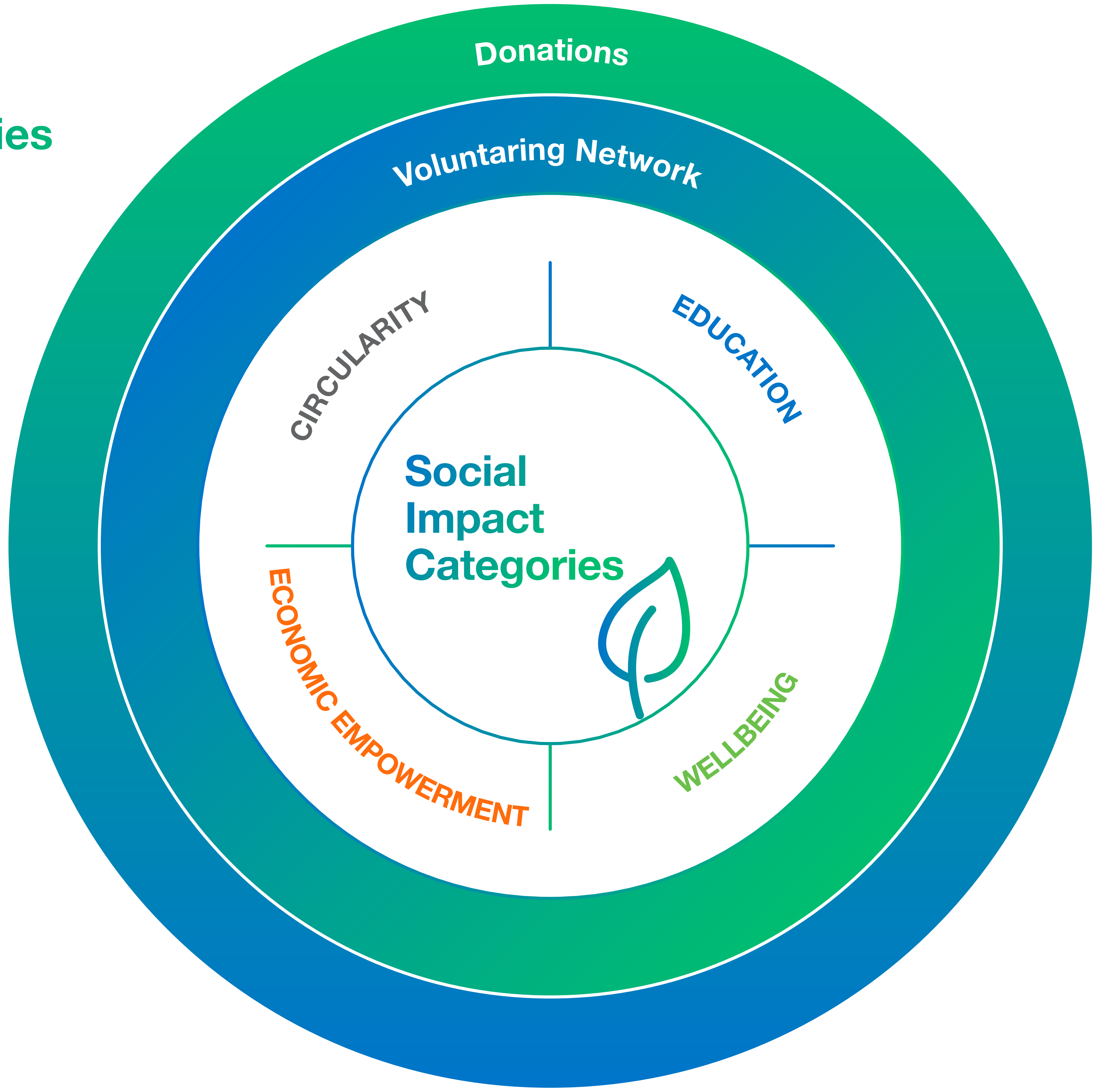
Nemak has an established Global Corporate Citizenship Program with responsibilities for the development, and management of, a Global Corporate Citizenship Strategy. Acting to inform this strategy, in 2022/2023, Nemak concluded a corporate citizenship materiality assessment. This involved engaging with internal stakeholders from different departments and hierarchical levels, as well as external stakeholders including suppliers, customers, NGOs, Associations, and community representatives. Stakeholder interviews provided feedback regarding the relevance of focus topics across 4 social impact categories: Economic empowerment, Circularity, Well-being and Education, in addition to providing a ranking of associated risks and opportunities. The corporate citizenship assessment, and more than 80 stakeholder interviews, were conducted across all regions in which Nemak operates.

As a result of this exercise, materiality matrixes were created at a regional level, providing Nemak with insights on the variability of its impacts across the globe. Through these conversations, Nemak has become more aware of the community needs specific to each location, and continues to encourage the local communities to provide feedback to the Company.

The assessment identified economic empowerment through employment opportunities and donations, direct education support through internships, and well-being sponsorship through sports and community events, as potential positive impacts that Nemak can have on local communities. Air quality deterioration, water consumption in at risk-areas, and waste generation were noted to be areas of potential negative impact.

The results of the assessment have been used to develop a Global Corporate Citizenship Policy that has been communicated to all Nemak regions, therefore ensuring global alignment, in addition to informing the generation of regional action plans, guidelines and procedures. When developing any strategies or policies, Nemak understands the importance of gathering stakeholder feedback prior to implementation, including internal and external stakeholders, extended to local communities.

Nemak's Social Impact Categories



Progress and measures

GRI 203-1, GRI 413-1

Following the conclusion of Nemak's corporate citizenship materiality assessment in 2023, Nemak has prioritized the development of regional action plans. Driven at a local level, Nemak has continued its engagement with local development programs, including community support, environmental campaigns, and educational programs.

Some of the initiatives that have been carried out include:

	Mexico	Europe	Asia	US
Environmental	• Reforestation: 1,000 trees in Arteaga, Coahuila & 50 trees in García, NL. • Can recollection campaign "Dame Lata"	• Nemak volunteers participated in the reforestation of 480 trees in Poland, Slovakia, Austria and Czech Republic • Cleaning of mountain trails by employees • Bottle caps collection for charity	• Replaced the traditional diesel buses with electric buses • Promoted the concept of waste classification and set up the garbage recycling areas	• Supported with improvements in recreational parks in nearby communities • Adopt a tree campaign
Wellbeing	• Races with benefit • Food donation: Benefited +3000 people in vulnerability • Donation Autismo Arena & Unidas contigo (breast cancer association)	• Donation to different sports clubs • Supported children with cancer • Donations of hot meals for people in need • Financial support of local hospitals, blood donation center, Polish Red Cross	• Supported to Cancer care with nutrition, Patient rehabilitation and donations • Supported Diabetic care for women in lower income groups • Supported Elders with Dementia	• Donations to support Athletic programs & Sports Tournaments • Donation to Civic organizations • Volunteering program: Shop, cook & serve a meal to the community Benefited +1000 people
Economic empowerment	• Local business support in events • Inclusive business support • In kind donations to associations that support	• Local business support for hospitals and schools • Donation to Parents Association • Employment Fair	• Increased registered funds to support economic growth	• Financial support and service to local Chambers of Commerce • Support (Membership) Dickson County Chamber • Donation to civic organizations
Education	• Nemak in your school • School for parents • School´s Revamp • Scholarships: 93 students were benefited to study college in schools UANL, UDEM and Tecnologico de Monterrey	• Supported local schools • Scholarships for local community students and pupils • Cooperation with local universities, e.g. internship programs, dual studies, lectures by our experts, etc.	• Donated educational materials like science apparatus, maps and sports materials for children • New School-enterprise Cooperation Program	• Nemak Dual Enrollment • Nemak Achiever Scholarships • Support to different local schools • Donation to the annual school fire prevention

In addition to dedicating time to support local initiatives, Nemak also continues to support philanthropic activities through monetary investments and through the provision of paid leave for employees who wish to volunteer for local projects.

MONETARY INVESTMENTS IN CITIZENSHIP / PHILANTHROPIC ACTIVITIES

$US 2,077,294
Cash contributions

$US 56,913
Monetary contributions to projects/ partnerships

$US 32,674
In-kind giving

$US 2,166,882
Total

OPERATING SUMMARY

GRI 201-1

As the automotive industry continued to recover in 2023, Nemak leveraged on the improved conditions, showcasing its trademark resilience and adaptability.

A significant highlight of the year was accelerated growth in the EV/SC segment, marked by successful product launches that underscore the Company's commitment to innovation. At the same time, Nemak's proactive approach to inflation recovery and commercial negotiations yielded positive results, enabling the Company to address inflationary pressures. Nemak is pleased to report that its guidance targets for volume, revenue, and EBITDA were not only met but surpassed, reflecting the Company's commitment to operational excellence.

In 2023, Nemak continued making strides in electric mobility, expanding its order book from US$1.60 billion to US$ 1.75 billion, driven by a selective approach, balancing long-term financial health. This segment delivered robust revenue growth, from US$470 million to US$575 million, a 22% y-o-y increase. In a strategic move, 2023 marked a peak in Capex, with investments mainly directed towards the setup of three new facilities and new production lines, optimizing the use of existing assets. This capital-intensive approach during the year reflects Nemak's dedication to consolidating its position by adapting in the rapidly evolving automotive landscape.

In the US, light-vehicle sales rose 12.3%, successfully meeting pent-up demand, even amidst persistently high average transaction prices. Furthermore, North American light-vehicle production increased a substantial 9.5%, fueled by the same aforementioned drivers and inventory replenishments, ending the year at 45 days of sales. Turning to Europe, the region experienced a surge of 17.5% in light-vehicle sales, and 12.4% in light-vehicle production, driven by largely recovered supply chains, thus contributing to shorter waiting times.

Nemak's full-year operating performance kept pace with increasing industry dynamics. Volume increased 6.4% over 2022, to 42 million equivalent units, underlining the heightened demand for products. Revenues showed a proportional uptick, increasing 7.0% to US$5.0 billion. EBITDA also increased by 6.6% y-o-y, totaling US$578 million. EBITDA was driven by improved volumes, although this was partially offset by foreign exchange effects impacts and inflationary pressures. Consequently, EBITDA per equivalent unit remained stable at US$13.7. Operating income declined by 4.8% compared to 2022, due to higher depreciation associated with an increase in fixed assets and the impairment of non-operational assets. Net income was US$4 million, mainly due to the net effect of higher financing expenses and lower income tax. Capex during 2023 was US$537 million, highlighting Nemak's dedication to future growth and innovation.

Regional **Operations**

North America

In the US, overall light-vehicle sales increased y-o-y, as OEMs were able to meet pent-up demand. Despite high average transaction prices and several interest rate hikes, demand for light-vehicles remained robust. Light-vehicle production in North America followed the same dynamics, benefiting from normalized supply chains, which in turn, enabled inventory build-up.

In the United States, light vehicle sales increased by 12.3% y-o-y, climbing to 15.6 million units on the back of robust demand and incentives throughout the year. Likewise, light-vehicle production in North America rose by 9.5% y-o-y, totaling 15.6 million units, as inventories ended the year with a substantial recovery.

Nemak's performance in North America in2023 echoed the aforementioned industry dynamics, while facing the appreciation of the Mexican peso against the US dollar and persistent inflation. Volume increased to 22.7 million units, posting 5.6% growth over the previous year. Revenue was US$2.7 billion, reflecting a y-o-y increase of 4.8%. However, EBITDA experienced a slight decline, down by 7.0% compared to 2022, finishing the year at US$290.0 million, mainly due to the impact from foreign exchange effects and launch expenses.

Europe

In Europe light-vehicle sales improved versus the previous year, as demand followed improved vehicle availability, despite higher interest rates. Light-vehicle production improved as supply constraints became marginal, while inflation remained a headwind, although to a lesser extent than in 2022.

Light-vehicle sales increased 17.5% y-o-y in Europe, to 16.9 million units. Simultaneously, light-vehicle production surged, rising 12.4% y-o-y to 16.7 million units, due mainly to normalization in production schedules, and improved supply conditions.

Nemak's performance in Europe was positive during the year, as the Company capitalized on growth trends in the region. Volume increased by 7.6% to 13.9 million units. Revenue rose by 12.4% to US$1.7 billion, due to an improved product mix, including new product launches, and the effect of the Euro appreciation. Additionally, EBITDA increased by 13.8% to US$218.0 million, supported by commercial negotiations to mitigate inflationary impacts.

Rest of the World

In the Rest of the World (RoW) region, which encompasses South America and Asia, light-vehicle sales and production showed growth y-o-y. Nemak's volume and sales improved, namely due to a richer product mix.

Nemak posted solid results in this region, including a 7.2% increase in volume, to 5.4 million equivalent units. Revenue in 2023 increased to $578.0 million, reflecting a 2.7% y-o-y improvement. EBITDA saw material growth to $70.0 million, marking an 80.3% increase compared to 2022. This achievement reflects the Company's operating excellence and sustained efficiencies throughout the year.

Board of **Directors**

This section contains information on each member of the Board of Directors, highlighting their relevant experience and designation as independent, proprietary, or related proprietary member.

The members of the Audit and Corporate Governance Committee are also included, noting whether or not they are independent. Members are classified according to the following criteria:

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

		Automotive Industry	Innovation	Global	ESG	Audit & Risk Mgmt.	Operations	Finance	Public Policy	Strategic Planning
Armando Garza Sada (3) Co-Chairman of the Board of Directors of Nemak	Chairman of the Board of Directors of Alfa and Alpek, and Co-Chairman of the Board of Directors of Controladora Axtel. Member of the Board of Directors of Axtel, BBVA México, CEMEX, Lamosa, and Liverpool.	●	●	●			●	●	●	●
Álvaro Fernández Garza (3) Co-Chairman of the Board of Directors of Nemak	President of Alfa, Co-Chairman of the Board of Directors of Axtel and Controladora Axtel, and Chairman of the Board of Directors of University of Monterrey (UDEM). Member of the Board of Directors of Cydsa, Alpek, and Vitro.	●		●	●			●	●	●
Mónica Aspe Bernal (1) CEO of AT&T México and Member of the Board of Directors of Volaris and Sky México	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.			●			●		●	●
Juan Carlos Calderón Rojas (1A) Global Director of Employee Experience and Engagement at Sigma	Member of the Board of Directors of Alfa, Coparmex Nuevo León, Grupo Franca y Movimiento Congruencia, Casino de Monterrey, and UDEM.		●		●			●		●
Robert J. Fascetti (1) Former Vice President of Power Train Engineering at Ford Motor Company	More than 29 years of experience in powertrain and product development at Ford Motor Company.	●	●	●			●			●

		Automotive Industry	Innovation	Global	ESG	Audit & Risk Mgmt.	Operations	Finance	Public Policy	Strategic Planning
Antón Fernández Zambrano (3) Commercial Director of Sigma Foodservice	Former Member of the Board of Directors of the National Chemicals Association (ANIQ).		●	●	●	●		●		●
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, the Regional Board of Banco de México, and the Roberto Garza Sada Center for Art, Architecture and Design of the University of Monterrey (UDEM). Member of the Managing Board of Tec de Monterrey.	●					●	●		●
Fabiola Garza Sada (2) Investor	Member of the Board of Directors of Alfa Fundación.	●			●					
Eduardo Garza T. Fernández (1A) Honorary 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 Advisor	Former Institutional Investor-ranked automobile and auto parts Senior Research Analyst at Goldman Sachs Co. and Sanford C. Bernstein & Co. Former Director at Booz-Allen Hamilton.	●		●		●		●		●
Adrián G. Sada Cueva (1) President of Vitro	Member of the Board of Directors of Vitro, Alfa, Mexican Business Council, and Organización Vida Silvestre. Former President of the Transformation Industry Chamber of Nuevo León (CAINTRA).	●	●	●	●	●	●	●	●	●
Carlos Jiménez Barrera Secretary										

Nemak is committed to implementing good corporate governance practices. The Company complies with the principles established in the Code of Principles and Best Corporate Governance Practices, and is taking steps to improve its corporate governance even further.

Management **Team**

ARMANDO TAMEZ
CEO

KNUT BENTIN
Vice President Administration - Americas

DIETRICH KAHN
Vice President of Product Development and Operations - Americas

KLAUS LELLIG
Vice President Europe & Asia

DIRK BARSCHKETT
Vice President of Sales and Marketing

ALBERTO SADA
Chief Financial Officer

ERNESTO SÁENZ
Vice President of Manufacturing & Product Development

MARC WINTERHALTER
Vice President of Purchasing & Sustainability

MARCELO ORTIZ
Vice President Business Development & Transformation

EDGAR NOYOLA
Global Human Resources Director

CORPORATE GOVERNANCE

GRI 2-9, GRI 2-12, GRI 2-13, GRI 2-15

Nemak operates in accordance with the Mexican Code of Principles and Best Corporate Governance Practices (Código de Principios y Mejores Prácticas de Gobierno Corporativo), acknowledging its purpose to enhance investor confidence in Mexican companies.

Enacted in 1999, the Code serves as a framework and guide for fostering sound corporate governance practices within Mexican companies, ultimately enhancing investor confidence.

All entities listed on the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.) (BMV) are obligated to annually disclose the extent to which they comply with the Code. This disclosure requirement is fulfilled by completing a questionnaire accessible on the BMV's official website.

The questionnaire serves as a standardized tool for listed companies to demonstrate their adherence to the Code's principles and best practices. This transparency initiative promotes accountability and enables stakeholders, including investors, to assess a company's commitment to sound corporate governance.

A summary of Nemak's corporate governance practices is presented below, categorized by the corresponding key areas addressed in the questionnaire submitted in May 2023:

1. Nemak's Board of Directors comprises eleven members, with seven (64%) being independent members. Information on individual directors, their independence status, and participation in the Audit and Corporate Governance Committee is available in this report.
2. The Board of Directors is advised by the Audit and Corporate Governance Committee, chaired by an independent member and comprised entirely of independent members.
3. The Board convenes regularly (four times annually), with additional meetings possible upon request 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 meeting each year focuses on medium- and long-term strategic planning.
4. Board members are required to inform the Co-Chairmen of the Board of any potential conflicts of interest and abstain from relevant discussions. In 2023, the average attendance at Nemak's Board meetings was 96.15%.
5. Due to the COVID-19 pandemic, Board and Committee meetings were held in a hybrid format (in-person and virtual) for a significant portion of 2023. 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 recommends on various matters, including external auditor fees, internal audit coordination, accounting policies, and environmental, social, and governance considerations.
7. Nemak's Audit and Corporate Governance Committee also recommends on executive compensation policies, employment terms, severance payments, and succession planning.
8. Nemak maintains internal control systems with general guidelines reviewed by the Audit and Corporate Governance Committee and validated by the external auditor.
9. Nemak's Board of Directors receives guidance from the Administration and Finance Department regarding investment feasibility, strategic positioning, financing alignment, and project review.
10. Nemak maintains an open line of communication with shareholders and investors through various channels, including press releases, financial reports, conference calls, investor meetings, and its website.
11. Nemak promotes corporate social responsibility through its mission, vision, values, and code of ethics.

FINANCIAL SECTION

Independent Auditor's Report and Consolidated Financial Statements

As of and for the years ended December 31, 2023, 2022 and 2021

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

2023

This MD&A should be read in conjunction with the Letter to Shareholders (pages 6-8), and the Audited Consolidated Financial Statements (pages 106-110). Unless otherwise indicated, numbers are stated in millions of pesos. Percentage variations are presented in nominal terms. Additionally, some numbers are stated in millions of United States dollars (US$), and some in millions of euros (€).

The financial information in this MD&A is for the results of the last three years (2023, 2022, and 2021), and has been prepared in accordance with International Financial Reporting Standards (IFRS). Similarly, the information in this analysis is in accordance with the General Provisions applicable to Securities Issuers and other Securities Market Participants issued by the National Banking and Securities Commission (CNBV), as of December 31, 2023.

This report may contain forward-looking statements and estimates, which are inherently uncertain. Management may make judgments with respect to certain future market conditions. Consequently, results may vary from what is stated in this document.

San Pedro Garza García, Nuevo León, Mexico, on January 31, 2024

Economic Environment

The economic environment in Mexico and the rest of the world continued to experience inflationary pressures and high interest rates, as well as geopolitical tensions in Europe and the Middle East. Both in Mexico and in the largest economies in the world, levels of inflation have remained above central banks' targets. Inflation in Mexico at the end of December 2023 was 4.7%, above the target established by the Central Bank of Mexico.

To offset the effects of inflation, central banks have maintained a restrictive monetary policy that includes increasing interest rates. The 28-day Interbank Equilibrium Interest Rate ("TIIE") has reached historic highs, closing 2023 at 11.5%.

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

Mexico	2023	2022	Comments
Gross Domestic Product (a)	**3.1%**	3.1%	• GDP increased mainly due to higher consumption. • Inflation dropped in comparison with fiscal year 2022, although it was still above Banxico's target. • Banxico's monetary policy included continued high interest rates, with an impact similar to that in other countries where Nemak operates.
Inflation rate (a)	**4.7%**	7.8%	
Interest rate 28-day TIIE, nominal average (b)	**11.5%**	6.3%	

US	2023	2022	Comments
Gross Domestic Product	**2.5%**	1.9%	• GDP in the US increased more than expected, driven by strong consumption. • Inflation dropped vs. 2022. • The peso/dollar exchange rate was strong due to exports, remittances, high interest rates, and direct foreign investment.
Inflation rate (d)	**3.4%**	6.5%	
Interest rate LIBOR 3M, nominal average (d)	**5.2%**	2.2%	
US$/MXN exchange rate Annual average (c)	**17.74**	20.13	

EUROPE	2023	2022	Comments
Gross Domestic Product	**0.5%**	3.3%	• GDP was flat throughout 2023, with a slight uptick at the end of the year. • Inflation decreased compared to the high levels experienced during the prior year, resulting from the measures implemented by the European Central Bank. • The euro weakened due to the stagnation of the European economy.
Inflation rate	**6.5%**	9.2%	
Interest rate	**3.4%**	0.3%	
EUR/MXN exchange rate Annual average (c)	**19.18**	21.21	

Sources:

(a) National Institute of Statistics and Geography (INEGI). January 31, 2024.
(b) Bank of Mexico (Banxico).
(c) Banxico. Exchange rate to pay debt denominated in foreign currency payable in Mexico.
(d) Own calculations using data from INEGI, bilateral with the United States considering consumer prices.

Results 2023

2023 VS. 2022

(Amounts are presented in Thousands of U.S. Dollars unless otherwise indicated)

Nemak's top line continued to grow in 2023 due to the industry recovery in light-vehicle production, which the Company capitalized on, as well as new product launches in the EV/SC segment, which resulted in volume growth compared to 2022. Aluminum prices were lower than the previous year, however, higher volume and improved product mix enabled revenue growth; whilst negotiations with customers that helped to offset inflationary pressures during the year, the impact of the Mexican Peso appreciation against the U.S. dollar also weighed on EBITDA. Therefore, Volume, Revenue and EBITDA exceeded full-year guidance for 2023.

Revenue in 2023 amounted to US$4,993, representing a 7% increase from the US$4,667 reported in 2022. This growth can be attributed primarily to higher volume and an improved product mix. Additionally, the decrease in aluminum prices throughout the year and the appreciation of the euro against the U.S. dollar contributed to this positive financial performance.

Cost of Goods Sold (COGS), which includes depreciation of fixed assets, increased 7% over 2022 and closed the year at US$4,456. The variation was in line with revenue growth, including incremental launching expenses and inflation, which were partially offset by customer negotiations.

Sales, General and Administrative Expenses (SG&A) were US$344, increasing 17.8% compared to the $292 reported in 2022. This was mainly due to higher volume, the effect from the appreciation of the Mexican Peso vs U.S. dollar, as well as inflation-related effects.

Operating Income in 2023 was US$177, a decrease of 4.8% from US$186 reported in 2022. This reduction was mainly due to the combined impacts of the appreciation of the Mexican Peso against the U.S. dollar, higher depreciation and the impairment of non-operative assets, which more than offset the benefits of higher volume and an improved product mix.

EBITDA grew by 6.6% y-o-y, to US$578. This was partly due to the stronger volume, the launch of new higher value-added products, despite the appreciation of the Mexican peso against the U.S. dollar and expenses related to new product launches. Customer negotiations helped offset the impact of inflation.

In 2023, the Company recorded a Net Financial Loss of US$179, compared to a loss of US$79 reported in 2022. This was due to higher interest expenses reflecting the increase in interest rates as well as adverse currency effects of the euro and Mexican peso against the U.S. dollar.

Income taxes were US$3 positive during 2023, compared to US$56 negative recorded in 2022, primarily due to a favorable accounting adjustment to deferred income taxes.

Net Income in 2023 was US$4, down compared to US$51 reported in 2022. This reduction was primarily due to an increase in financial expenses, foreign exchange effects, and the write-off of non-operative assets, which more than offset a favorable accounting income tax adjustment.

Capital Expenditures during the year totaled US$537, up from the US$468 reported for 2022. 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 continued with 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 US$1,556 at year-end 2023, up 25.9% from the US$1,236 reported in 2022, mainly due to the aforementioned Capex intensity during 2023. The ratio of Net Debt to last twelve months (LTM) EBITDA was 2.7 times, compared to 2.3 times at the end of 2022. Meanwhile, Interest Coverage was 4.8 times, up from the 7.9 times reported at year-end 2022.

HIGHLIGHTS 2023

CONTINUOUS GROWTH IN THE E-MOBILITY, STRUCTURE AND CHASSIS SEGMENT

Nemak continued its transition into 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 US$575 million, representing 12% of the Company's revenue.
- During the year, the Company's accumulated order book to produce EV/SC applications grew from US$1.60 to US$1.75 billion annually.
- Nemak continued with the setup of three new plants in Mexico, Germany, and the Czech Republic. These will be dedicated to the production of battery housings for fully electric vehicles, featuring state-of-the-art joining and assembly.

AWARDS AND RECOGNITION

Top Employers Institute Certification Program

In January 2023, Nemak operations garnered the Top Employer certification for their steadfast commitment to implementing human resources policies and practices that prioritize employee well-being. This esteemed recognition, awarded by the Top Employers Institute, represents the second time in the USA and Mexico and the first time in Germany. Building on this success, Nemak has expanded its accolades by achieving the Top Employer certification in Poland, enhancing its esteemed status alongside certified facilities in Brazil, Germany, Mexico, the United States, and now Poland.

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 fifth consecutive year, Nemak proudly maintains its position as a distinguished member of the Dow Jones Mila Pacific Sustainability Index. Notably, we stand out as the sole automotive company to be included in this prestigious index.

Enlighten Awards

Enlighten Awards in association with the Center for Automotive Research (CAR), Altair, distinguished Nemak as runner up in the Module Lightweighting category. This award recognizes the development of the FAAR-WE E-Bracket for BMW through the development of a new alloy material, reducing the component weight by 30%.

PACE Awards

PACE Awards are given to automotive suppliers in recognition of a technological innovation in product or process that has reached the commercial market. Nemak was recognized on it's 29th edition, as a finalist for its novel lightweighting design.

In the same PACE Awards, in the category of 'Pilot', an additional example of finalist innovation is the design of an all-aluminum single piece sub-frame. This proprietary design saves close to 30% of the original weight of the design manufactured by assembling individual steel sub-components, using ca.60% of recycled materials.

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.

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, 2023, 2022, and 2021, 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, which include a summary of main material 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, 2023, 2022, and 2021 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 2023 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 l., 10, and 12 to the consolidated financial statements, the Company performs impairment tests to its goodwill and its assets and long-lived assets.

We have identified the long-lived assets impairment 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 income and profit projections, the discounted cash flow model, 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 conflict between Ukraine and Russia, which mainly affects increases in inflation in essential materials, and exchange rate variations, affecting the industry where the Company operates. 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 and data mentioned in the previous paragraph:

- We tested the design and implementation of internal controls in the determination of the recoverable value and the assumptions used.

- 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 negotiations with customers on product prices, the conflict between Ukraine and Russia and other macroeconomic assumptions that impact the recoverable amount comparing them with performance and historical trends, corroborating the explanations of the variations with Management. Likewise, we assessed whether the projections were consistent with the budgets approved by the Board.

- We reviewed the significant assumptions used in the recoverable amount, including operating margins, the multiple of earnings before interest, taxes, depreciation, and amortization ("EBITDA"), and the projected long-term income growth. We tested the mathematical accuracy, the integrity and accuracy of the discounted cash flow model to determine the recoverable amount. Valuation specialists performed an independent sensitivity analysis to assess whether the assumptions used were reasonable.

- We evaluated the discount rates independently and compared such rates with the estimates used by Management.

Emphasis Paragraphs – Significant event

As mentioned in Notes 2 c. and 2 d. to the consolidated financial statements, derived from the conflict between Ukraine and Russia, as well as global economic factors such as inflation and energy costs, has resulted in the production costs of the Company's products being affected, which has influenced the margins of the pieces that the Company produces. In response, the Company has implemented a variety of financial flexibility and operational efficiency initiatives, price negotiations with customers, 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.

Other matters

As mentioned in Note 2 a., as of January 1, 2023 and for each subsequent reporting date, in accordance with the provisions of IAS 21, *The Effects of Changes in Foreign Exchange Rates* under International Financial Reporting Standards ("IFRS"), the Company changed its presentation currency of its consolidated financial statements from Mexican pesos to U.S. dollars. The consolidated financial statements, including the comparative amounts and the notes accompanying the consolidated financial statements, are shown as if the new presentation currency had always been the presentation currency of the Company, based on the requirements of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* Currency translation adjustments were adjusted as of January 1, 2011, the date on which the Company transitioned to IFRS. The translation effects have been presented as if the Company had used the U.S. dollar as its presentation currency since that date.

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 2023 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, 2024

Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2023, 2022 and 2021
In thousands of U.S. dollars

	Note	As of December 31 2023	2022	2021
Assets				
Current assets:				
Cash and cash equivalents	6	**$ 322,606**	$ 416,554	$ 281,716
Restricted cash	7	**1,039**	1,554	4,856
Trade and other accounts receivable, net	8	**605,658**	635,873	504,737
Inventories	9	**904,049**	846,375	825,669
Assets held for sale	3u	**10**	5,988	8,981
Prepaid expenses	3t	**28,819**	19,975	19,431
Total current assets		**1,862,181**	1,926,319	1,645,390
Non-current assets:				
Property, plant and equipment, net	10	**2,867,818**	2,630,960	2,559,282
Right-of-use assets, net	11	**98,581**	88,494	90,702
Goodwill and intangible assets, net	12	**549,273**	558,205	577,900
Deferred income tax	25	**94,173**	25,626	6,077
Other non-current assets	13	**35,521**	34,918	46,681
Total non-current assets		**3,645,366**	3,338,203	3,280,642
Total assets		**$ 5,507,547**	$ 5,264,522	$ 4,926,032
Liabilities and Stockholders' Equity				
Liabilities				
Current liabilities:				
Debt	15	**$ 303,806**	$ 106,971	$ 199,953
Lease liability	16	**27,665**	15,585	21,434
Trade and other accounts payable	14	**1,602,056**	1,577,166	1,369,339
Income taxes payable		**27,327**	80,184	34,880
Other current liabilities	17	**25,856**	36,534	19,036
Total current liabilities		**1,986,710**	1,816,440	1,644,642
Non-current liabilities:				
Debt	15	**1,453,628**	1,439,860	1,285,790
Lease liability	16	**86,150**	85,180	79,751
Employee benefits	18	**89,866**	74,304	70,615
Deferred income taxes	25	**103,568**	113,225	108,942
Other non-current liabilities	17	**16,996**	7,527	10,935
Total non-current liabilities		**1,750,208**	1,720,096	1,556,033
Total liabilities		**3,736,918**	3,536,536	3,200,675
Stockholders' equity	19			
Capital stock		**431,734**	433,816	433,866
Share premium		**641,092**	641,092	641,092
Retained earnings		**962,516**	961,659	910,360
Other reserves		**(264,713)**	(308,581)	(259,961)
Total stockholders' equity		**1,770,629**	1,727,986	1,725,357
Total liabilities and stockholders' equity		**$ 5,507,547**	$ 5,264,522	$ 4,926,032

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

Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2023, 2022 and 2021
In thousands of U.S. dollars

	Note	2023	2022	2021
Revenues	27	$ 4,993,358	$ 4,666,892	$ 3,798,325
Cost of sales	21	(4,456,287)	(4,162,258)	(3,327,575)
Gross profit		537,071	504,634	470,750
Administrative and sales expenses	21	(344,181)	(292,232)	(246,710)
Other (expenses) income, net	22	(16,288)	(25,970)	5,212
Operating income		176,602	186,432	229,252
Financial income	23	7,399	5,715	3,475
Financial expenses	23	(128,870)	(74,765)	(111,918)
Exchange fluctuation loss, net	23	(56,377)	(9,787)	(20,059)
Financial results, net	23	(177,848)	(78,837)	(128,502)
Equity in income (loss) of associates recognized using the equity method	13	2,486	(508)	(1,019)
Income before income taxes		$ 1,240	$ 107,087	$ 99,731
Income taxes	25	3,133	(56,496)	(94,453)
Net consolidated income		$ 4,373	$ 50,591	$ 5,278
Basic and diluted earnings per share, in U.S. dollars		$ 0.0014	$ 0.0166	$ 0.0017
Weighted average outstanding shares (thousands)	19	3,037,820	3,054,812	3,055,292

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

Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of **Comprehensive Income**

For the years ended December 31, 2023, 2022 and 2021
In thousands of U.S. dollars

	Note	2023	2022	2021
Net consolidated income		$ 4,373	$ 50,591	$ 5,278
Other comprehensive income (loss) for the year:				
Items that will not be reclassified to the consolidated statements of income:				
Remeasurement of employee benefit obligations, net of taxes	25	(2,334)	487	8,690
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	2,087	(2,873)	(945)
Cumulative translation effect of foreign entities	25	38,489	(48,784)	(3,972)
Total comprehensive income (loss) of the year		38,242	(51,170)	3,773
Consolidated comprehensive income (loss)		$ 42,615	$ (579)	$ 9,051

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

Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of **Changes in Stockholders' Equity**

For the years ended December 31, 2023, 2022 and 2021
In thousands of U.S. dollars

	Capital stock	Share premium	Retained earnings	Other reserves	Total stockholders' equity
Balances as of December 31, 2020	$ 436,069	$ 641,092	$ 920,635	$ (209,926)	$ 1,787,870
Transactions with stockholders:					
Others	(2,203)	-	(15,553)	(53,808)	(71,564)
	433,866	641,092	905,082	(263,734)	1,716,306
Net income	-	-	5,278	-	5,278
Total other comprehensive income of the year	-	-	-	3,773	3,773
Comprehensive income	-	-	5,278	3,773	9,051
Balances as of December 31, 2021	433,866	641,092	910,360	(259,961)	1,725,357
Transactions with stockholders:					
Others	(50)	-	708	2,550	3,208
	433,816	641,092	911,068	(257,411)	1,728,565
Net income	-	-	50,591	-	50,591
Total other comprehensive loss of the year	-	-	-	(51,170)	(51,170)
Comprehensive loss	-	-	50,591	(51,170)	(579)
Balances as of December 31, 2022	433,816	641,092	961,659	(308,581)	1,727,986
Transactions with stockholders:					
Others	(2,082)	-	(3,516)	5,626	28
	431,734	641,092	958,143	(302,955)	1,728,014
Net income	-	-	4,373	-	4,373
Total other comprehensive income of the year	-	-	-	38,242	38,242
Comprehensive income	-	-	4,373	38,242	42,615
Balances as of December 31, 2023	**$ 431,734**	**$ 641,092**	**$ 962,516**	**$ (264,713)**	**$ 1,770,629**

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

Nemak, S.A.B. de C.V. and Subsidiaries

Consolidated Statements **of Cash Flows**

For the years ended December 31, 2023, 2022 and 2021
In thousands of U.S. dollars

	2023	2022	2021
Cash flows from operating activities			
Income before income taxes	**$ 1,240**	$ 107,087	$ 99,731
Depreciation and amortization	**369,966**	319,503	331,018
Gain on sale of property, plant and equipment	**(11,330)**	(222)	(39)
Impairment of property, plant and equipment	**31,568**	36,117	6,930
Exchange fluctuation, net	**56,377**	9,787	20,059
Interest expense, net	**90,073**	57,543	103,015
Other	**4,800**	17,355	13,591
Movements in working capital:			
Trade receivables and other accounts receivable	**71,593**	(119,163)	(49,121)
Inventories	**(57,720)**	(40,857)	(220,711)
Accounts payable	**(32,795)**	229,826	142,357
Income taxes paid	**(145,196)**	(36,353)	(44,444)
Net cash flows generated by operating activities	**378,576**	580,623	402,386
Cash flows from investing activities			
Interest collected	**6,438**	5,009	2,942
Cash flow in acquisitions of property, plant and equipment	**(488,202)**	(408,367)	(306,526)
Cash flow in acquisition of intangible assets	**(52,440)**	(55,942)	(53,748)
Dividends received	**1,104**	1,098	1,187
Restricted cash	**3,018**	3,392	1,228
Other assets	**2,084**	(10,246)	2,419
Net cash flows used in investing activities	**(527,998)**	(465,056)	(352,498)
Cash flows from financing activities			
Proceeds from debt	**1,890,477**	1,152,283	607,993
Payments of debt	**(1,699,807)**	(1,042,016)	(639,081)
Lease payments	**(41,924)**	(30,937)	(34,372)
Interest paid	**(84,729)**	(59,258)	(110,052)
Repurchase of shares and others	**(1,587)**	8,671	(23,188)
Dividends paid	**-**	-	(703)
Net cash flows generated by (used in) financing activities	**62,430**	28,743	(199,403)
Net (decrease) increase in cash and cash equivalents	**(86,992)**	144,310	(149,515)
Exchange fluctuation of cash and cash equivalents	**(6,956)**	(9,472)	(5,871)
Cash and cash equivalents at the beginning of the year	**416,554**	281,716	437,102
Cash and cash equivalents at the end of the year	**$ 322,606**	$ 416,554	$ 281,716

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

Nemak, S.A.B. de C.V. and Subsidiaries

Notes to the Consolidated Financial Statements

As of and for the years ended December 31, 2023, 2022 and 2021
Thousands of U.S. dollars, 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 h.), with Nemak remaining as the merging and surviving Company. 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 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 dollars, U.S. dollars, or "$" refers to thousands of U.S. dollars. Reference to "MXP" or Mexican pesos is in relation to thousands of Mexican pesos. Finally, reference to "EUR" or euros will refer to thousands of euros.

2. Significant events

2023

a. Change of presentation currency of the consolidated financial statements

As of January 1, 2023 and for each subsequent reporting date, in accordance with the provisions of IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21") under International Financial Reporting Standards ("IFRS"), the Company changed its presentation currency of its consolidated financial statements from Mexican pesos to U.S. dollars. This change was made primarily considering the following factors and objectives:

- The Company operates in a globalized economic environment and uses the U.S. dollar as its reporting and monitoring currency.
- The change in currency to U.S. dollars aligns the Company's global strategy and facilitates the understanding of its financial information by international investors and creditors.

The consolidated financial statements, including the comparative amounts and the notes accompanying the consolidated financial statements, are shown as if the new presentation currency had always been the presentation currency of the Company, based on the requirements of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. Currency translation adjustments were adjusted as of January 1, 2011, the date on which the Company transitioned to IFRS. The translation effects for the year and the cumulative translation effects have been presented as if the Company had used the U.S. dollar as its presentation currency since January 1, 2011.

The comparative consolidated financial statements and their notes were notified by the change in the presentation currency applying the methodology established by IAS 21, using closing exchange rates for the consolidated statements of financial position and the exchange rates on the date they were accrued for the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of cash flow.

Historical capital transactions were converted at the exchange rates on the transaction date and subsequently held at historical value.

2022

b. New contracts worth $350 million annually to supply battery housings for fully electric vehicles

On February 24, 2022, Nemak announced that it obtained new contracts worth $350 million 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 $200 million.

c. 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 0.03%, 0.31% and 1.11% of the total revenue and 0.24%, 1.34%, and 1.58% of the total assets of the Company for the years ended December 31, 2023, 2022, and 2021, respectively.

2021

d. 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").

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. On May 5, 2023, the World Health Organization declared the end of the COVID-19 pandemic.

e. 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.

f. 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.

g. 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 $500 million, 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).

h. 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.

i. 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 million 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 $270,265 (EUR 236 million).

3. Summary of material accounting policies

The following are the material 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 accompanying 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 by Management under the assumption that the Company will continue as a going concern.

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, 2023, 2022 and 2021 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
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
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, 2023, 2022 and 2021.
(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, 2021.

As of December 31, 2023, 2022 and 2021, 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.

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 thousands of U.S. dollars.

When there is a change in the functional currency of one of the subsidiaries, according to 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 were recognized 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 U.S. dollars, 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 U.S. dollars					
		Closing exchange rate at December 31,			Average exchange for the year ended December 31,		
Country	Local currency	2023	2022	2021	2023	2022	2021
Canada	Canadian dollar	**0.7585**	0.7377	0.7915	**0.7389**	0.7690	0.8004
Mexico	Mexican peso	**16.8935**	19.3615	20.5835	**17.7620**	20.1254	20.2813
Brazil	Brazilian real	**0.2061**	0.1892	0.1795	**0.1990**	0.1943	0.1862
Argentina	Argentinean peso	**0.0012**	0.0056	0.0097	**0.0039**	0.0079	0.0106
Czech Republic	Euro	**1.1049**	1.0666	1.1373	**1.0796**	1.0541	1.1830
Germany	Euro	**1.1049**	1.0666	1.1373	**1.0796**	1.0541	1.1830
Austria	Euro	**1.1049**	1.0666	1.1373	**1.0796**	1.0541	1.1830
Hungary	Euro	**1.1049**	1.0666	1.1373	**1.0796**	1.0541	1.1830
Poland	Euro	**1.1049**	1.0666	1.1373	**1.0796**	1.0541	1.1830
Slovakia	Euro	**1.1049**	1.0666	1.1373	**1.0796**	1.0541	1.1830
Spain	Euro	**1.1049**	1.0666	1.1373	**1.0796**	1.0541	1.1830
China	Chinese renminbi yuan	**0.1408**	0.1450	0.1573	**0.1409**	0.1489	0.1557
India	Indian rupee	**0.0120**	0.0121	0.0135	**0.0121**	0.0128	0.0136
Russia	Russian ruble	**0.0111**	0.0138	0.0133	**0.0119**	0.0148	0.0136
Turkey	Euro	**1.1049**	1.0666	1.1373	**1.0796**	1.0541	1.1830

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, 2023.

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 profit or loss

Financial assets at fair value through profit or loss, 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.

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.

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. The replacement or successive renewal of a hedging instrument for another one is not an expiration or resolution if such a replacement or renewal is part of the Company's documented risk management objective, and it is consistent with this.

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.
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 meets the criteria for being classified as a lease agreement at the start of the agreement's term. 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 $5; and, lease agreements whose payments are variable (without any contractually defined fixed payment). In these cases, 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.

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, 2023, 2022 and 2021, 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, 2023, 2022 and 2021, the Company recorded a reduction in revenues associated with the amortization of these assets of $7,067, $6,907, and $7,643 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, Provisions, Contingent Liabilities and Contingent Assets 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's shares 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. 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. 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, 2023, 2022 and 2021, $2,082, $50, and $2,203 were repurchased, respectively.

s. 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.

When there are modifications to the transaction price, it is recognized as an adjustment to income (increase or reduction) on the date of the contract modification, that is, the adjustment to income is made on a difference recovery basis with the accumulated figures.

If the products have not been delivered by the date of the modification, the Company accounts for the effects of the modification on unsatisfied performance obligations. The Company accounts for the modification of the contract as if it were the termination of an existing one and the creation of a new one, if the pending products are different from those transferred on the date of its modification or before.

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; therefore, the allocation of the price is directly on the performance obligations of production, including the effects of variable considerations.

The Company recognizes revenue from sale of goods and tooling (when identified as a performance obligation) 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.

t. 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.

u. Assets held for sale

Assets 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 and 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.

v. 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, 2023, 2022 and 2021, there are no dilutive effects from financial instruments potentially convertible into shares.

w. 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 Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2023. The conclusions related to their adoption are described as follows:

IFRS 17 – Insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The objective of this standard, which replaces IFRS 4, Insurance Contracts, is to ensure that an entity provides relevant information that faithfully represents those contracts. This information provides a basis for users of financial statements to evaluate the effect that insurance contracts have on the financial position, financial performance, and cash flows of the Company, being applicable to both insurance companies and companies that They have reinsurance contracts.

This IFRS describes a general model, which is modified for insurance contracts with direct participation features, which is described as the variable rate approach.

The overall model is simplified if certain criteria are met when measuring liability for remaining coverage using the premium allocation method.

The overall model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, considering market interest rates and the impact of options and guarantees.

The Company had no implications on the adoption of this new IFRS, since it does not maintain contracts that meet the definition of an insurance contract established by IFRS 17.

Amendments to IAS 1 and Practice Statement 2 – Disclosure of accounting policies

The amendments change the requirements to IAS 1 regarding the disclosure of accounting policies. The amendment replaces the terms “significant accounting policies” with “material accounting policies information.” Accounting policy information is material when it is considered that, together with other information included in the financial statements of an entity, it can influence the decision making of the primary users of the financial statements of general use and that they are made in the basis for said financial statements.

The supporting paragraphs in IAS 1 are amended to clarify information on accounting policies that relate to immaterial transactions, other events or conditions that are themselves material. Accounting policy information may be material due to the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has developed guidance and examples to explain and demonstrate the application of the “four steps of the materiality process” described in the IFRS Practice 2 Statements.

The Company carried out a process to define the accounting policies that are considered material, and not only significant. Modifications were made to Note 3 of its consolidated financial statements, maintaining those accounting policies that due to their nature and relevance, together with other information included in the consolidated financial statements, may influence decision making.

Amendments to IAS 8 – Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty.”

The definition of a change in accounting estimates was eliminated.

The Company evaluated the amendments to IAS 8 and determined that the implementation of the change in the definition of accounting estimates did not have an impact on the consolidated financial statements, because there is no current situation that implies a change in accounting estimates.

Amendments to IAS 12 – Income taxes – Deferred taxes related to assets and liabilities arising from a single transaction

The amendments introduced a further exception from the initial recognition. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences on initial recognition. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criteria in IAS 12.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The Company evaluated the amendments to IAS 12 and determined that the implementation of these amendments had no effects on its consolidated financial information, because the Entity has not previously applied the exception to initial recognition previously described.

Amendments to IAS 12 – International tax reform – Pillar Two Model Rules

The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

The Company applied the temporary exception to the accounting requirements for deferred taxes in IAS 12, so the Company neither recognise nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Company does not estimate material effects, however, it will continue to evaluate the impact of the Second Pillar income tax legislation on its future financial performance.

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

As of the date of these consolidated financial statements, the Company had not applied the following amendments to the IFRS that have been issued, but are not yet effective, and the adoption of these amendments is not expected to have a material impact on the consolidated financial statements in future periods, considering that they are not of significant applicability. The Company expects that the impacts will be mainly related to the disclosures included in its consolidated financial statements, mainly due to the amendments to IAS 7 and IFRS 7. The amendments to the IFRS are included below:

- Amendments to IFRS 16 – Lease liability in a sale and leaseback (1)
- Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements (1)
- Amendments to IAS 1 – Classifying liabilities as current or non-current (1)
- Amendments to IAS 1 – Classification of debt with covenants (1)
- Amendments to IAS 21 – Lack of Exchangeability (2)

(1) Effective for annual reporting periods beginning on January 1, 2024
(2) Effective for annual reporting periods beginning on January 1, 2025

4. Financial instruments and financial risk management

The Company's activities expose it to various financial risks; market risk (including exchange rate risk, 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 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. Additionally, 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 2.11, 2.05 and 1.86 as of December 31, 2023, 2022 and 2021, 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, 2023, 2022 and 2021, financial assets and liabilities consist of the following:

	2023	2022	2021
Cash and cash equivalents	$ 322,606	$ 416,554	$ 281,716
Restricted cash	5,657	8,053	11,121
Financial assets measured at amortized cost:			
Trade and other accounts receivable	564,275	611,032	495,214
	$ 892,538	$ 1,035,639	$ 788,051
Financial liabilities measured at amortized cost:			
Debt	$ 1,757,434	$ 1,546,831	$ 1,485,743
Lease liability	113,815	100,765	101,185
Trade and accounts payable to related parties	1,125,662	1,161,958	1,004,412
	$ 2,996,911	$ 2,809,554	$ 2,591,340

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, 2023, 2022 and 2021.

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, 2023		As of December 31, 2022		As of December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:						
Non-current liabilities before issuance and obtaining costs	$ 1,495,464	$ 1,353,666	$ 1,466,216	$ 1,255,223	$ 1,308,892	$ 1,279,193

Estimated fair values as of December 31, 2023, 2022 and 2021, 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 U.S. dollar, the Mexican peso and the Euro are very important factors for the Company due to the effect they have on its consolidated results. Nemak estimates that approximately 54% of its sales are U.S dollars denominated, 34% 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 Mexican pesos have been converted to thousands of U.S. dollars at the closing exchange rate of December 31, 2023:

	EUR	MXP
Financial assets	$ 167,326	$ 1,468
Financial liabilities	1,141,030	131,103
Financial position in foreign currency	$ (973,704)	$ (129,635)

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

Based on the monetary positions in foreign currencies that the Company maintains, a hypothetical variation of 10% in the exchange rate MXP/USD and EUR/USD, maintaining all the other variables constant, will result in an effect of $79,971 in the consolidated statement of income and of $110,334 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, 2023					
Holding	Functional Currency	Hedging Instrument	Notional Value (millions of Euros)	Covered item	Net assets of the hedged item (millions of Euros)
Nemak, S.A.B. de C.V.	USD	Sustainability-Linked Bonds	EUR 275	Nemak Dillingen GmbH	EUR 179
				Nemak Linz GmbH	38
				Nemak Gyor Kft.	138
				Nemak Slovakia, S.r.o.	85
				Nemak Wernigerode GmbH	75
				Nemak Czech Republic, S.r.o.	57
				Nemak Poland Sp.z.o.o.	45
				Nemak Spain, S.L.	29
				Nemak Pilsting GmbH	14
				Nemak Izmir Dokum Sanayi A.S.	75
			EUR 275		EUR 735

As of December 31, 2022								
Holding	Functional Currency	Hedging Instrument	Notional Value (millions of Euros)		Covered item	Net assets of the hedged item (millions of 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, 2022							
Holding	Functional Currency	Hedging Instrument	Notional Value (millions of Euros)		Covered item	Net assets of the hedged item (millions of 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

The average coverage ratio of the Company amounted to 32.44%, 34.94% and 36.48% for the years ended December 31, 2023, 2022 and 2021, respectively. Therefore, the exchange rate fluctuation generated by the hedging instruments for the years ended December 31, 2023, 2022 and 2021 amounted to a net (loss) profit of $13,509, $(11,575), and $18,122, 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 Company 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 Company 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; in November 2023, the Company entered into hedges for Mexico and the USA, that represented on average 32% of its consumption of 2024. As of December 31, 2023, 2022 and 2021, the fair value of the derivative financial instruments was $1,971, $4,913, and $869, respectively.

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, 2023, 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 $18,712.

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 2023, 2022 and 2021, 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, 2023, 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, 2023			
Trade and accounts payable to related parties	$ 1,125,662	$ -	$ -
Debt (excluding debt obtaining costs)	325,101	360,945	223,603
Lease liability	27,665	56,001	30,149
Sustainability-linked bond (excluding issuance costs)	32,129	141,766	1,081,014
Interest payable	10,545	-	-
As of December 31, 2022			
Trade and accounts payable to related parties	$ 1,161,958	$ -	$ -
Debt (excluding debt obtaining costs)	125,662	123,751	187,021
Lease liability	15,598	42,249	42,918
Sustainability-linked bond (excluding issuance costs)	31,041	153,036	1,081,321
Interest payable	7,089	-	-
As of December 31, 2021			
Trade and accounts payable to related parties	$ 1,004,412	$ -	$ -
Debt (excluding debt obtaining costs)	198,849	105,861	134,428
Lease liability	21,425	35,174	44,586
Sustainability-linked bond (excluding issuance costs)	32,502	162,557	1,068,623
Interest payable	7,117	-	-

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, 2023, 2022 and 2021, the Company has uncommitted short-term credit lines unused of more than $423,856, $532,000, and $349,000, respectively. Additionally, as of December 31, 2023, 2022 and 2021, Nemak has committed medium-term credit lines available of $422,800, $525,000, and $405,000, respectively.

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, 2023, 2022 and 2021, 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		
	2023	2022	2021
Cash on hand and in banks	$ **149,735**	$ 110,471	$ 94,178
Short-term bank deposits	**172,871**	306,083	187,538
Total cash and cash equivalents	$ **322,606**	$ 416,554	$ 281,716

7. Restricted cash

The value of restricted cash is composed as follows:

	December 31		
	2023	2022	2021
Current	$ 1,039	$ 1,554	$ 4,856
Non-current (Note 13)	4,618	6,499	6,265
Restricted cash[1]	$ 5,657	$ 8,053	$ 11,121

(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		
	2023	2022	2021
Trade accounts receivable	$ 416,631	$ 475,919	$ 318,151
Due from related parties (Note 26)	11,323	10,296	69,529
Recoverable taxes	41,383	24,841	9,523
Sundry debtors	150,142	137,221	118,595
Allowance for impairment of trade accounts receivable and related parties	(13,821)	(12,404)	(11,061)
	$ 605,658	$ 635,873	$ 504,737

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

	2023	2022	2021
Opening balance as of January 1	$ (12,404)	$ (11,061)	$ (11,804)
Allowance for impairment of trade and related parties	(854)	(1,295)	(865)
Receivables written off during the year	739	392	1,300
Other	(1,302)	(440)	308
Final balance as of December 31	$ (13,821)	$ (12,404)	$ (11,061)

The net change in the estimate of impairment of accounts receivable for the years ended December 31, 2023, 2022 and 2021 were $1,417, $1,343, and $743, 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, 2023	
Clients or group of clients	Probability of default range	Severity of loss
Automotive	0% - 1.18%[1]	99.29%
Related parties	0% - 0.36%	99.84%

	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	0.0% - 5.43%(1)	99.47%
Related parties	0.0% - 0.23%	99.85%

(1) As of December 31, 2023, 2022, and 2021, 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 0.59%, 1.38% and 0.78%, 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		
	2023	2022	2021
Raw material and other consumables	$ 502,910	$ 428,609	$ 384,133
Work in process	278,741	270,116	265,495
Finished goods	122,398	147,650	176,041
	$ 904,049	$ 846,375	$ 825,669

For the years ended on December 31, 2023, 2022 and 2021, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of $1,798, $2,285, and $1,571, respectively.

As of December 31, 2023, 2022 and 2021, 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, 2021								
Opening balance, net	$ 84,128	$ 451,570	$ 1,695,623	$ 2,064	$ 31,382	$ 254,452	$ 61,954	$ 2,581,173
Translation effect	(2,300)	(13,017)	(38,019)	(31)	(1,339)	(3,131)	(7,964)	(65,801)
Additions	-	172	10,782	-	-	295,572	-	306,526
Disposals	-	-	-	-	(257)	(74)	(2,149)	(2,480)
Impairment charge recognized in the year	-	-	(6,930)	-	-	-	-	(6,930)
Depreciation charge recognized in the year	-	(25,301)	(216,458)	(869)	(9,833)	-	(745)	(253,206)
Transfers	-	14,803	193,951	443	8,434	(218,213)	582	-
	$ 81,828	$ 428,227	$ 1,638,949	$ 1,607	$ 28,387	$ 328,606	$ 51,678	$ 2,559,282
As of December 31, 2021								
Cost	$ 81,828	$ 809,589	$ 4,492,341	$ 13,381	$ 138,260	$ 328,606	$ 55,909	$ 5,919,914
Accumulated depreciation	-	(381,362)	(2,853,392)	(11,774)	(109,873)	-	(4,231)	(3,360,632)
Net carrying amount as of December 31, 2021	$ 81,828	$ 428,227	$ 1,638,949	$ 1,607	$ 28,387	$ 328,606	$ 51,678	$ 2,559,282
For the year ended December 31, 2022								
Opening balance, net	$ 81,828	$ 428,227	$ 1,638,949	$ 1,607	$ 28,387	$ 328,606	$ 51,678	$ 2,559,282
Translation effect	(1,705)	(11,367)	(30,885)	(62)	(793)	11,075	(1,467)	(35,204)
Additions	-	134	51,837	50	121	346,135	10,090	408,367
Disposals	(4)	(156)	(17,691)	(10)	(34)	(60)	(3,601)	(21,556)
Impairment charge recognized in the year	-	-	(36,117)	-	-	-	-	(36,117)
Depreciation charge recognized in the year	-	(23,953)	(210,202)	(931)	(7,902)	-	(824)	(243,812)
Transfers	43	24,437	211,057	1,075	9,946	(249,064)	2,506	-
	$ 80,162	$ 417,322	$ 1,606,948	$ 1,729	$ 29,725	$ 436,692	$ 58,382	$ 2,630,960
As of December 31, 2022								
Cost	$ 80,162	$ 811,878	$ 4,523,634	$ 12,364	$ 142,407	$ 436,692	$ 65,827	$ 6,072,964
Accumulated depreciation	-	(394,556)	(2,916,686)	(10,635)	(112,682)	-	(7,445)	(3,442,004)
Net carrying amount as of December 31, 2022	$ 80,162	$ 417,322	$ 1,606,948	$ 1,729	$ 29,725	$ 436,692	$ 58,382	$ 2,630,960
For the year ended December 31, 2023								
Opening balance, net	$ 80,162	$ 417,322	$ 1,606,948	$ 1,729	$ 29,725	$ 436,692	$ 58,382	$ 2,630,960
Translation effect	1,107	(15,267)	33,161	591	978	42,820	1,118	64,508
Additions	-	86	29,823	56	504	441,309	12,472	484,250
Disposals	(1,162)	(2,281)	(5,447)	(15)	(17)	-	-	(8,922)
Impairment charge recognized in the year	-	(4,487)	(18,942)	-	(49)	(6,346)	(360)	(30,184)
Depreciation charge recognized in the year	-	(25,332)	(235,812)	(694)	(8,909)	-	(2,047)	(272,794)
Transfers	97	38,673	311,298	237	13,768	(364,901)	828	-
	$ 80,204	$ 408,714	$ 1,721,029	$ 1,904	$ 36,000	$ 549,574	$ 70,393	$ 2,867,818
As of December 31, 2023								
Cost	$ 80,204	$ 813,646	$ 4,745,688	$ 12,586	$ 156,884	$ 549,574	$ 80,095	$ 6,438,677
Accumulated depreciation	-	(404,932)	(3,024,659)	(10,682)	(120,884)	-	(9,702)	(3,570,859)
Net carrying amount as of December 31, 2023	**$ 80,204**	**$ 408,714**	**$ 1,721,029**	**$ 1,904**	**$ 36,000**	**$ 549,574**	**$ 70,393**	**$ 2,867,818**

As of December 31, 2023, 2022 and 2021, the Company capitalized borrowing costs to qualifying assets for $7,470, $2,970, and $1,597, respectively, which were not significant.

Of the total depreciation expense, $258,897, $229,086, and $236,305 were charged to cost of sales, $131, $108, $42, to selling expenses and $13,766, $14,618, and $16,859, to administrative expenses in 2023, 2022 and 2021, respectively.

As of December 31, 2023, 2022 and 2021, 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, 2023, 2022 and 2021 is 12 years.

a) The right of use recognized in the consolidated statement of financial position as of December 31, 2023, 2022 and 2021, and in the consolidated statements of income for the years ended December 31, 2023, 2022, 2021, are as follows:

	Buildings	Machinery and equipment	Vehicles	Other fixed assets	Total
Final balances as of December 31, 2021	$ 71,107	$ 4,902	$ 12,767	$ 1,926	$ 90,702
Final balances as of December 31, 2022	$ 75,521	$ 3,931	$ 6,316	$ 2,726	$ 88,494
Final balances as of December 31, 2023	**$ 74,160**	**$ 5,388**	**$ 15,729**	**$ 3,304**	**$ 98,581**
Depreciation expense 2021	$ (11,209)	$ (1,966)	$ (10,158)	$ (1,552)	$ (24,885)
Depreciation expense 2022	$ (11,279)	$ (3,031)	$ (13,664)	$ (1,740)	$ (29,714)
Depreciation expense 2023	**$ (14,408)**	**$ (3,062)**	**$ (15,303)**	**$ (2,331)**	**$ (35,104)**

The additions to the net book value of the right of use assets for the years ended December 31, 2023, 2022 and 2021 amounted $44,041, $28,385, and $32,216, respectively.

b) Expenses recognized in the consolidated statements of income for the years ended December 31, 2023, 2022 and 2021, are as follows:

	December 31		
	2023	2022	2021
Rent expenses from short-term and low-value asset leases	**$ 16,749**	$ 12,670	$ 13,235

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

Cost	Development costs	Relationships with customers	Software and licenses	Intellectual property rights	Goodwill	Others	Total
As of January 1, 2021	$ 547,909	$ 135,940	$ 17,656	$ 5,400	$ 310,499	$ 31,855	$ 1,049,259
Translation effects	(5,689)	(6,384)	(215)	-	(14,352)	(1,416)	(28,056)
Additions	53,134	-	314	-	-	300	53,748
Disposals	(12,283)	(8,203)	(297)	-	-	(5,631)	(26,414)
As of December 31, 2021	$ 583,071	$ 121,353	$ 17,458	$ 5,400	$ 296,147	$ 25,108	$ 1,048,537
Translation effects	(28,471)	(2,554)	(753)	-	(11,736)	379	(43,135)
Additions	55,337	-	313	-	-	292	55,942
Disposals	(7,690)	(451)	(95)	-	-	(299)	(8,535)
As of December 31, 2022	$ 602,247	$ 118,348	$ 16,923	$ 5,400	$ 284,411	$ 25,480	$ 1,052,809
Translation effects	5,854	2,012	235	-	6,351	(237)	14,215
Additions	48,166	3,269	595	-	-	410	52,440
Disposals	(2,676)	-	(113)	-	-	(298)	(3,087)
As of December 31, 2023	**$ 653,591**	**$ 123,629**	**$ 17,640**	**$ 5,400**	**$ 290,762**	**$ 25,355**	**$ 1,116,377**
Accumulated amortization							
January 1, 2021	$ (305,501)	$ (89,336)	$ (14,619)	$ (5,400)	$ -	$ (21,699)	$ (436,555)
Amortizations	(50,377)	(8,557)	(1,182)	-	-	(454)	(60,570)
Disposals	11,699	7,859	297	-	-	344	20,199
Translation effects	(220)	5,382	825	-	-	302	6,289
As of December 31, 2021	$ (344,399)	$ (84,652)	$ (14,679)	$ (5,400)	$ -	$ (21,507)	$ (470,637)
Amortizations	(44,454)	(7,083)	(928)	-	-	(419)	(52,884)
Disposals	6,664	440	95	-	-	299	7,498
Translation effects	15,804	4,915	801	-	-	(101)	21,419
As of December 31, 2022	$ (366,385)	$ (86,380)	$ (14,711)	$ (5,400)	$ -	$ (21,728)	$ (494,604)
Amortizations	(60,868)	(7,046)	(749)	-	-	(472)	(69,135)
Disposals	(1,374)	-	(10)	-	-	-	(1,384)
Disposals	2,450	-	93	-	-	299	2,842
Translation effects	(2,183)	(2,534)	(197)	-	-	91	(4,823)
As of December 31, 2023	**$ (428,360)**	**$ (95,960)**	**$ (15,574)**	**$ (5,400)**	**$ -**	**$ (21,810)**	**$ (567,104)**
Net carrying amount							
Cost	$ 583,071	$ 121,353	$ 17,458	$ 5,400	$ 296,147	$ 25,108	$ 1,048,537
Accumulated amortization	(344,399)	(84,652)	(14,679)	(5,400)	-	(21,507)	(470,637)
As of December 31, 2021	$ 238,672	$ 36,701	$ 2,779	$ -	$ 296,147	$ 3,601	$ 577,900
Cost	$ 602,247	$ 118,348	$ 16,923	$ 5,400	$ 284,411	$ 25,480	$ 1,052,809
Accumulated amortization	(366,385)	(86,380)	(14,711)	(5,400)	-	(21,728)	(494,604)
As of December 31, 2022	$ 235,862	$ 31,968	$ 2,212	$ -	$ 284,411	$ 3,752	$ 558,205
Cost	$ 653,591	$ 123,629	$ 17,640	$ 5,400	$ 290,762	$ 25,355	$ 1,116,377
Accumulated amortization	(428,360)	(95,960)	(15,574)	(5,400)	-	(21,810)	(567,104)
As of December 31, 2023	**$ 225,231**	**$ 27,669**	**$ 2,066**	**$ -**	**$ 290,762**	**$ 3,545**	**$ 549,273**

Of the total amortization expense, $80,278, $61,960, and $64,912, were charged to cost of sales, $16,678, $13,514 and $12,616, to administrative expenses, $216, $217, and $284 to selling expenses, and $7,067, $6,907, and $7,643 decreasing the revenues to costs incurred to obtain new agreements with clients in 2023, 2022 and 2021, 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, 2021	$ 106,821	$ 203,678	$ 310,499
Translation effect	(9)	(14,343)	(14,352)
Balance as of December 31, 2021	$ 106,812	$ 189,335	$ 296,147
Translation effect	18	(11,754)	(11,736)
Balance as of December 31, 2022	$ 106,830	$ 177,581	$ 284,411
Translation effect	(18)	6,369	6,351
Balance as of December 31, 2023	**$ 106,812**	**$ 183,950**	**$ 290,762**

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 2023, 2022 and 2021 were as follows:

	2023		
	North America	Europe	Rest of the World
Growth rate	1.50%	1.50%	2.50%
Discount rate	11.02%	10.54%	12.14%
	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%

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, 2023.

13. Other non-current assets

	December 31		
	2023	2022	2021
Restricted cash (Note 7)	$ 4,618	$ 6,499	$ 6,265
Equity investments [(1)]	-	3,644	3,432
Investments in associates	22,276	18,071	25,306
Tax credits receivable	-	-	7,772
Other assets	8,627	6,704	3,906
Total other non-current assets	$ 35,521	$ 34,918	$ 46,681

(1) Equity investments are investment in shares of non-publicly traded companies. No impairment loss was recognized as of December 31, 2023, 2022 and 2021.

The accumulated summarized financial information for investments in associates accounted for under the equity method and that are not considered material, is as follows:

	2023	2022	2021
Net income (loss) and comprehensive income (loss)	$ 2,486	$ (508)	$ (1,019)

There are no contingent liabilities or commitments related to the Company's investments in associates.

14. Trade and other accounts payable

	December 31		
	2023	2022	2021
Trade account payable	$ 1,120,172	$ 1,156,457	$ 1,002,174
Advances from customers	44,799	45,329	42,681
Other social security fees and benefits	108,248	97,673	86,979
Related parties (Note 26)	5,490	5,501	2,238
Other payables	323,347	272,206	235,267
	$ 1,602,056	$ 1,577,166	$ 1,369,339

15. Debt

	December 31		
	2023	2022	2021
Current:			
Bank loans [(1) (2) (3)]	$ 264,145	$ 86,593	$ 181,325
Current portion of non-current debt	29,116	13,289	11,511
Interest payable [(1)]	10,545	7,089	7,117
Total current debt	$ 303,806	$ 106,971	$ 199,953
Non-current debt:			
Secured bank loans	$ 73	$ 130	$ 181
Unsecured bank loans	442,966	432,763	240,085
In U.S dollars:			
Sustainability-linked bonds / Senior Notes	500,000	500,000	500,000
In Euros:			
Sustainability-linked bonds / Senior Notes	552,425	533,323	568,626
Non-current debt before debt issuance and obtaining costs	1,495,464	1,466,216	1,308,892
Less: Debt issuance and obtaining costs	(12,720)	(13,067)	(11,591)
Less: current portion of other debts	(29,116)	(13,289)	(11,511)
Non-current debt	$ 1,453,628	$ 1,439,860	$ 1,285,790

(1) As of December 31, 2023, 2022 and 2021, short-term bank loans bore interest at an average rate of 5.87%, 4.51% and 3.55%, respectively. The short-term interest payable as of December 31, 2023, 2022, and 2021 amounted to $741, $826, and $923.

(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 $70,000. 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 (USD)	Debt issuance and obtaining costs	Interest paid	Balance as of December 31, 2023	Balance as of December 31, 2022	Balance as of December 31, 2021	Inception date MM/DD/YYYY	Maturity date MM/DD/YYYY	Interest rate
Brazil	BRL	$ 73	$ -	$ 1	$ 74	$ 130	$ 181	12/15/2020	01/25/2025	6.00%
Total secured bank loans		73	-	1	74	130	181			
Bancomext LP (1)	USD	-	-	-	-	182,785	185,898	12/23/2019	12/23/2029	6.30%
Bancomext LP										
2023 (1)	USD	200,000	1,065	3,487	202,422	-	-	04/11/2023	04/11/2033	SOFR 3M + 2.50%
The Bank of Nova Scotia	USD	100,000	1,086	-	98,914	99,218	-	12/22/2022	12/19/2027	SOFR 1M + 2.15%
BBVA Mexico	USD	100,000	1,216	-	98,784	99,218	-	12/22/2022	12/19/2027	SOFR 1M + 2.15%
Scotiabank Turkey	EUR	6,906	-	11	6,917	13,377	21,357	02/07/2020	10/28/2024	1.35%
Spain	EUR	2,275	-	30	2,305	2,685	3,390	12/02/2020	02/01/2028	1.50%
USA	USD	33,785	4,476	-	29,309	28,562	24,437	10/31/2020	12/21/2025	1.31%
Total unsecured bank loans		442,966	7,843	3,528	438,651	425,845	235,082			
Total bank loans		443,039	7,843	3,529	438,725	425,975	235,263			
Sustainability-linked bond / Senior Notes	USD	500,000	2,213	467	498,254	498,412	496,747	06/28/2021	06/28/2031	3.63%
Sustainability-linked bond / Senior Notes	EUR	552,425	2,664	5,809	555,570	534,979	571,340	07/20/2021	07/20/2028	2.25%
Total Senior Notes		1,052,425	4,877	6,276	1,053,824	1,033,391	1,068,087			
Total		1,495,464	12,720	9,805	1,492,549	1,459,366	1,303,350			
Less: current portion of non-current debt		(29,116)	-	-	(29,116)	(13,274)	(11,511)			
Non-current debt (including non-current interest debt payable)		$ 1,466,348	$ 12,720	$ 9,805	$ 1,463,433	$ 1,446,092	$ 1,291,839			

(1) In 2023, the Company contracted financing with Bancomext for $200,000 for a 10-year term at a variable rate of SOFR + 2.50. The funds received were used to prepay the unpaid balance of a loan contracted with the same institution.

As of December 31, 2023, the annual maturities of non-current debt, gross of debt issuance and obtaining costs are the following:

	2024	2025	2026	2027	2028	2029 and thereafter	Total
Bank loans[1]	$ 29,116	$ 12,814	$ 5,697	$ 208,809	$ 12,792	$ 173,811	$ 443,039
Sustainability-linked bonds[2]	-	-	-	-	-	1,052,425	1,052,425
	$ 29,116	$ 12,814	$ 5,697	$ 208,809	$ 12,792	$ 1,226,236	$ 1,495,464

(1) Interest on bank loans will be paid quarterly.
(2) Interest on Sustainability-linked bonds will be paid semiannually.

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, 2023, 2022 and 2021, 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 2023, 2022 and 2021, 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 $500 million 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 million 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 CO_2 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 $200,000 with two banks featuring a five-year bullet repayment. Under the terms of the loan, the banks provided $100,000 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.

As of December 31, 2023, 2022 and 2021 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, 2023, 2022 and 2021, 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 (by its acronym in Portuguese, "BNDES"). As of December 31, 2023, the outstanding balance and the value of the pledged assets are approximately $73 and $307, respectively. As of December 31, 2022, the outstanding balance and the value of the pledged assets are approximately $100 and $304. As of December 31, 2021, the outstanding balance and the value of the pledged assets are approximately $200 and $310, respectively.

16. Lease liability

	December 31		
Current portion:	**2023**	**2022**	**2021**
USD	$ 13,114	$ 5,929	$ 11,362
EUR	9,282	8,642	7,420
Other currencies	5,269	1,014	2,652
Current lease liability	$ 27,665	$ 15,585	$ 21,434
Non-current portion:			
USD	$ 41,411	$ 26,040	$ 32,169
EUR	52,380	52,437	43,725
Other currencies	20,024	22,288	25,291
	113,815	100,765	101,185
Less; Current portion of lease liability	(27,665)	(15,585)	(21,434)
Non-current lease liability	$ 86,150	$ 85,180	$ 79,751

As of December 31, 2023, 2022 and 2021, changes in the lease liability related to the financing activities in accordance with the statement of cash flows consist of the following:

	2023	2022	2021
Beginning balance	$ 100,765	$ 101,185	$ 95,999
New contracts	44,041	28,385	32,216
Write-offs	(281)	(434)	(4,670)
Interest expense from lease liability	7,234	4,203	4,383
Lease payments	(41,924)	(30,937)	(34,372)
Exchange loss (income)	3,980	(1,637)	7,629
Ending balance	$ 113,815	$ 100,765	$ 101,185

The total of future minimum payments of leases that include non-accrued interest is analyzed as follows:

	December 31, 2023
Less than 1 year	$ 27,665
Over 1 year and less than 3 years	39,123
Over 3 year and less than 5 years	16,879
Over 5 years	30,148
Total	$ 113,815

17. Other liabilities

	December 31		
	2023	**2022**	**2021**
Current:			
Other taxes and withholdings	$ 11,233	$ 12,157	$ 6,982
Statutory employee profit sharing	11,841	18,446	10,386
Share-based payment (Note 20)	775	890	703
Derivative financial instruments (Nota 4)	1,971	4,913	869
Others	36	128	96
Total	$ 25,856	$ 36,534	$ 19,036
Non-current:			
Other(1)	$ 16,996	$ 7,527	$ 10,935
Total	$ 16,996	$ 7,527	$ 10,935

(1) It includes share-based payments (Note 20).

18. Employee benefits

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		
	2023	2022	2021
Country			
Mexico	$ 52,809	$ 40,961	$ 30,871
United States	-	-	322
Canada	4,992	3,168	5,362
Poland	12,314	10,878	10,473
Austria	10,259	8,305	9,888
Germany	6,569	5,394	8,821
Other	2,923	5,598	4,878
Total	$ 89,866	$ 74,304	$ 70,615

Below is a summary of the primary financial data of these employee benefits:

	December 31		
	2023	2022	2021
Obligations in the consolidated statement of financial position:			
Pension benefits	$ 84,511	$ 66,560	$ 63,716
Post-employment medical benefits	5,355	7,744	6,899
Liability recognized in the consolidated statement of financial position	89,866	74,304	70,615
Charge in the consolidated statements of income for:			
Pension benefits	5,531	(8,168)	(6,850)
Post-employment medical benefits	241	(235)	(486)
	5,772	(8,403)	(7,336)
Remeasurements from employee benefit obligations recognized in other comprehensive income (loss) for the year			
Pension benefits	(3,176)	(1,282)	9,690
Post-employment medical benefits	65	1,871	340
	(3,111)	589	10,030
Remeasurements accumulated in stockholders' equity	$ (9,372)	$ (6,261)	$ (6,850)

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		
	2023	2022	2021
Present value of the obligations	$ 119,070	$ 101,108	$ 106,226
Fair value of plan assets	(29,204)	(26,804)	(35,611)
Net liabilities in the consolidated statement of financial position	$ 89,866	$ 74,304	$ 70,615

The movement in the defined benefit obligation during the year was as follows:

	2023	2022	2021
As of January 1	$ 101,108	$ 106,226	$ 107,853
Current service cost	6,689	7,360	14,693
Interest cost	5,457	2,867	2,564
Contributions from plan participants	28	25	49
Remeasurements:			
Actuarial remeasurements	3,216	(6,334)	(3,501)
Settlements	946	(2,290)	-
Benefits paid	(7,825)	(4,565)	(6,755)
Exchange differences	9,451	(2,181)	(8,677)
As of December 31	$ 119,070	$ 101,108	$ 106,226

The movement in the fair value of plan assets for the year was as follows:

	2023	2022	2021
As of January 1	$ (26,804)	$ (35,611)	$ (31,676)
Interest income	(1,129)	(1,114)	(888)
Remeasurements – return from plan assets, net	(1,230)	5,553	(3,205)
Exchange differences	(1,459)	3,800	(1,026)
Contributions from plan participants	(872)	(2,685)	(345)
Employee contributions	(28)	25	(49)
Benefits paid	2,318	3,228	1,578
As of December 31	$ (29,204)	$ (26,804)	$ (35,611)

The primary actuarial assumptions were as follows:

	December 31		
	2023	2022	2021
Mexico:			
Inflation rate	4.66%	7.82%	7.36%
Wage increase rate	5.50%	5.00%	4.50%
Future wage increase	5.50%	3.50%	3.50%
Medical inflation rate	7.00%	7.00%	7.00%
Discount rate:			
Mexico	9.75%	9.25%	7.75%
Canada	4.62%	5.14%	3.07%
Austria	4.45%	4.00%	1.00%
United States	5.50%	5.10%	2.35%
Germany	3.68%	3.15%	1.35%
Poland	5.20%	6.70%	3.20%

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%	$ (48,600)	$ 60,774

Pension benefit assets

Plan assets are comprised of the following:

	2023	2022	2021
Equity instruments	$ 8,387	$ 7,706	$ 24,097
Short and long-term fixed-income securities	20,817	19,098	11,514
	$ 29,204	$ 26,804	$ 35,611

19. Stockholders' equity

At December 31, 2023, 2022 and 2021, the fixed, capital stock of $431,734, $433,816, and $433,866, respectively, was represented by 3,037,820, 3,054,812 and 3,055,292 thousand registered common shares, "Class I" of the Series "A", without face value, fully subscribed and paid, respectively.

As of December 31, 2021, the shares were represented as follows:

Stockholder	Number of shares (In thousands)	Amount
Public investors	3,076,595	$ 436,069
Repurchase of shares	(21,303)	(2,203)
Balances as of December 31, 2021	3,055,292	$ 433,866

As of December 31, 2022, the shares were represented as follows:

Stockholder	Number of shares (In thousands)	Amount
Public investors	3,055,292	$ 433,866
Repurchase of shares	(480)	(50)
Balances as of December 31, 2022	3,054,812	$ 433,816

As of December 31, 2023, the shares were represented as follows:

Stockholder	Number of shares (In thousands)	Amount
Public investors	3,054,812	$ 433,816
Repurchase of shares	(16,992)	(2,082)
Balances as of December 31, 2023	3,037,820	$ 431,734

The movement in outstanding shares for the year was as follows:

	Number of shares (In thousands)
Shares as of January 1, 2021	3,076,595
Repurchase of shares	(21,303)
Shares as of December 31, 2021	3,055,292
Repurchase of shares	(480)
Shares as of December 31, 2022	3,054,812
Repurchase of shares	(16,992)
Shares as of December 31, 2023	**3,037,820**

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, 2023, 2022 and 2021, the legal reserve amounted to $73,766 (MXP

1,246,171), $61,351 (MXP 1,187,853), and $57,709 (1,187,853), respectively, which is included in retained earnings.

Dividends paid are not subject to ISR tax if paid from Net Tax Profit Account ("CUFIN", by its acronym in Spanish). Any dividends paid in excess of this account will cause a tax equivalent to 42.86% if they are paid in 2023. 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, 2023, the tax value of the consolidated CUFIN and value of the Capital Contribution Account ("CUCA") amounted to $557,508 (MXP 9,418,263) and $95,393 (MXP 1,611,526), 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 Company 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, 2023, 2022 and 2021, the Company generated taxable income of $4,373, $50,591, and $5,278, 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 for the month of December of each year. The average share's price considered for the compensation's measurement in U.S. dollars in 2023, 2022 and 2021 was $0.25 (MXP 4.19), $0.3 (MXP 5.78), and $0.3 (MXP 6.07), 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		
	2023	2022	2021
Short-term	$ 775	$ 890	$ 703
Long-term	1,907	2,007	1,705
Total carrying amount	$ 2,682	$ 2,897	$ 2,408

21. Expenses classified by nature

The total cost of sales and administrative and sales expenses, classified by nature, were as follows:

	December 31		
	2023	2022	2021
Raw materials	$ (2,156,650)	$ (2,218,264)	$ (1,630,365)
Maquila (production outsourcing)	(316,057)	(275,668)	(249,486)
Employee benefit expenses (Note 24)	(1,043,245)	(848,878)	(785,847)
Personnel expenses	(5,972)	(4,508)	(3,072)
Maintenance	(245,537)	(213,125)	(193,531)
Depreciation and amortization	(369,966)	(319,503)	(331,018)
Freight charges	(47,221)	(26,689)	(23,294)
Advertising expenses	(780)	(586)	(677)
Consumption of energy and fuel	(296,903)	(272,964)	(178,246)
Travel expenses	(11,030)	(9,169)	(3,293)
Operating leases	(16,749)	(12,670)	(13,235)
Technical assistance, professional fees and administrative services	(129,667)	(108,803)	(61,270)
Other	(160,691)	(143,663)	(100,951)
Total	$ (4,800,468)	$ (4,454,490)	$ (3,574,285)

22. Other income (expenses), net

	2023	2022	2021
Gain on sale of property, plant, and equipment [1]	$ 11,330	$ 222	$ 39
Impairment of property, plant, and equipment (Note 27)	(31,568)	(36,117)	(6,930)
Other income	3,950	9,925	12,103
Total other income (expenses), net	$ (16,288)	$ (25,970)	$ 5,212

(1) As of December 31, 2023, the gain on sale of property, plant and equipment corresponds mainly to the sale of building of the subsidiary Nemak of Canada Corporation.

23. Financial results, net

	2023	2022	2021
Financial income:			
Interest income in short-term bank deposits	$ 5,116	$ 1,722	$ 1,409
Financial income with related parties (Note 26)	507	341	242
Other financial income [1]	1,776	3,652	1,824
Total financial income	$ 7,399	$ 5,715	$ 3,475
Financial expenses:			
Interest expense on bank loans [3]	$ (84,911)	$ (55,409)	$ (106,788)
Other financial expenses [2]	(43,959)	(19,356)	(5,130)
Total financial expense	$ (128,870)	$ (74,765)	$ (111,918)
Exchange fluctuation loss, net:			
Exchange fluctuation gain	$ 112,851	$ 224,706	$ 117,018
Exchange fluctuation loss	(169,228)	(234,493)	(137,077)
Total exchange fluctuation loss, net	$ (56,377)	$ (9,787)	$ (20,059)
Financial results, net	$ (177,848)	$ (78,837)	$ (128,502)

(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 $28 of Senior Notes.

24. Employee benefit expenses

	2023	2022	2021
Salaries, wages and benefits	$ 890,828	$ 716,656	$ 654,921
Contributions to social security	142,075	112,314	108,036
Employee pension benefits (Note 18)	6,689	7,360	14,693
Other contributions	3,653	12,548	8,197
Total	$ 1,043,245	$ 848,878	$ 785,847

Holiday Labor Reform

On December 27, 2022, the amendments of the articles 76 and 78 of the Federal Labor Law ("LFT", by its acronym in Spanish) were published in Mexico and is effective as of 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:

	2023	2022	2021
Germany	**30.0%**	30.0%	30.0%
Austria	**24.0%**	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	**20.0%**	23.0%	25.0%

a) Income tax recognized in the consolidated statements of income:

	2023	2022	2021
Current tax	**$ (75,304)**	$ (62,496)	$ (43,548)
Deferred tax	**78,437**	6,000	(50,905)
Income tax expensed	**$ 3,133**	$ (56,496)	$ (94,453)

b) The reconciliation between the statutory and effective income tax rates was as follows:

	2023	2022	2021
Income before taxes	**$ 1,240**	$ 107,087	$ 99,731
Equity in losses of associates recognized through the equity method	**(2,486)**	508	1,019
(Loss) income before interests in associates	**(1,246)**	107,595	100,750
Statutory rate	**30%**	30%	30%
Taxes at statutory rate	**374**	(32,279)	(30,225)
(Add) less tax effect on:			
Inflation adjustments	**(4,826)**	(34,417)	(26,004)
Non-deductible expenses	**(23,255)**	4,099	3,501
Tax loss recovery valuation reserve	**-**	-	(50,835)
Non-taxable exchange effects	**18,299**	3,658	4,327
Other	**12,541**	2,443	4,783
Total income tax expense	**$ 3,133**	$ (56,496)	$ (94,453)
Effective rate	**251%**	53%	94%

c) The detail of the deferred income tax asset and liability is as follows:

	December 31		
	2023	2022	2021
Inventories	**$ 1,044**	$ -	$ -
Property, plant and equipment	**78,234**	(7,539)	(5,194)
Intangible assets	**(34,337)**	(8,549)	(2,285)
Provisions	**48,528**	10,226	9,818
Tax loss carryforwards	**(2,674)**	1,783	28,577
Other temporary differences, net	**3,378**	29,705	(24,839)
Deferred tax asset	**$ 94,173**	$ 25,626	$ 6,077
Inventories	**$ (516)**	$ 210	$ (448)
Property, plant and equipment	**(130,120)**	(96,722)	(172,493)
Intangible assets	**(32,528)**	(24,799)	(28,583)
Provisions	**44,652**	77,267	76,906
Tax loss carryforwards	**3,184**	24,069	174
Other temporary differences, net	**11,760**	(93,250)	15,502
Deferred tax liability	**$ (103,568)**	$ (113,225)	$ (108,942)

Tax losses as of December 31, 2023 expire in the following years:

Expiration year	Amount
2024	$ 12,945
2025	21,306
2026	21,974
2027	3,079
2028 and thereafter	40,801
No maturity	156,084
	$ 256,189

Additionally, as of December 31, 2023, the Company holds tax loss carryforwards of $247,021 and has decided to reserve the total amount.

d) The tax charge/(credit) related to comprehensive income (loss) is as follows:

	2023			2022			2021		
	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	$ 38,489	$ -	$ 38,489	$ (48,784)	$ -	$ (48,784)	$ (3,972)	$ -	$ (3,972)
Remeasurements of obligations for employee benefits	(3,111)	777	(2,334)	589	(102)	487	10,030	(1,340)	8,690
Derivative financial instruments designated as cash flow hedges	2,942	(855)	2,087	(4,044)	1,171	(2,873)	(1,350)	405	(945)
Other comprehensive income (loss) items	$ 38,320	$ (78)	$ 38,242	$ (52,239)	$ 1,069	$ (51,170)	$ 4,708	$ (935)	$ 3,773

26. Transactions with related parties

Transactions with related parties during the years ended December 31, 2023, 2022 and 2021, which were carried out in terms similar to those of arm's-length transactions with independent third parties, were as follows:

	December 31, 2023 Loans with related parties					
	Accounts receivable	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	$ -	$ 5,565	MXP	12/31/2024	12.50%	$ 4,706
Associates	3,112	2,242	MXP	08/03/2025	4.25%	784
Affiliates	339	65	MXP			-
Total	**$ 3,451**	**$ 7,872**				**$ 5,490**
	December 31, 2022 Loans with related parties					
	Accounts receivable	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	$ -	$ 4,501	MXP	12/31/2023	11.50%	$ 3,950
Associates	3,229	2,155	EUR	08/03/2023	4.25%	1,488
Affiliates	409	2	MXP			63
Total	$ 3,638	$ 6,658				$ 5,501
	December 31, 2021 Loans with related parties					
	Accounts receivable	Capital and Interest	Currency	Maturity date MM/DD/YYYY	Interest rate	Accounts payable
ALFA	$ -	$ 4,019	MXP	12/31/2022	6.42%	$ 1,113
Associates	3,367	2,216	EUR	03/04/2022	4.35%	1,125
Affiliates	895	-				-
Ford	$ 59,032	-				-
Total	$ 63,294	$ 6,235				$ 2,238

Sales revenues and other related parties:

	Year ended December 31, 2023		
	Finished goods	Interest	Other
ALFA	$ -	$ 388	$ -
Associates	-	119	17,541
Affiliates	-	-	863
Total	**$ -**	**$ 507**	**$ 18,404**

	Year ended December 31, 2022		
	Finished goods	Interest	Other
ALFA	$ -	$ 218	$ -
Associates	-	123	20,932
Affiliates	-	-	845
Total	$ -	$ 341	$ 21,777

	Year ended December 31, 2021		
	Finished goods	Interest	Other
ALFA	$ -	$ 154	$ -
Ford	961,771	-	-
Associates	-	88	18,330
Affiliates	-	-	864
Total	$ 961,771	$ 242	$ 19,194

Cost of sales and other expenses with related parties:

	Year ended December 31, 2023		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ 11,074	$ -	$ -
Affiliates	2,960	1,687	-
Total	**$ 14,034**	**$ 1,687**	**$ -**

	Year ended December 31, 2022		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ 9,208	$ -	$ -
Affiliates	2,660	1,160	-
Total	$ 11,868	$ 1,160	$ -

	Year ended December 31, 2021		
	Administrative services	Other costs and expenses	Dividends paid
ALFA	$ 2,195	$ -	$ 728
Affiliates	2,502	1,917	-
Total	$ 4,697	$ 1,917	$ 728

For the years ended December 31, 2023, 2022 and 2021, wages and benefits received by senior management of the Company were $9,400, $7,801, and $6,410, 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, 2023

	North America	Europe	Rest of the world	Eliminations	Total
Statement of income					
Income by segment	$ 2,736,969	$ 1,764,320	$ 578,668	$ (86,599)	$ 4,993,358
Inter-segment income	(23,281)	(62,314)	(1,004)	86,599	-
Income from external customers	$ 2,713,688	$ 1,702,006	$ 577,664	$ -	$ 4,993,358
EBITDA					
Operating income	$ 64,814	$ 69,968	$ 41,820	$ -	$ 176,602
Depreciation and amortization	228,346	113,409	28,211	-	369,966
Impairment	6,073	25,495	-	-	31,568
Adjusted EBITDA	$ 299,233	$ 208,872	$ 70,031	$ -	$ 578,136
Capital investments (Capex and intangibles)	$ 316,089	$ 200,857	$ 23,695	$ -	$ 540,641

For the year ended December 31, 2022

	North America	Europe	Rest of the world	Eliminations	Total
Statement of income					
Income by segment	$ 2,614,396	$ 1,574,639	$ 563,654	$ (85,797)	$ 4,666,892
Inter-segment income	(25,555)	(59,742)	(500)	85,797	-
Income from external customers	$ 2,588,841	$ 1,514,897	$ 563,154	$ -	$ 4,666,892
EBITDA					
Operating income (loss)	$ 125,404	$ 72,192	$ (11,164)	$ -	$ 186,432
Depreciation and amortization	183,158	105,660	30,685	-	319,503
Impairment	2,971	11,852	21,294	-	36,117
Adjusted EBITDA	$ 311,533	$ 189,704	$ 40,815	$ -	$ 542,052
Capital investments (Capex and intangibles)	$ 298,135	$ 125,804	$ 40,370	$ -	$ 464,309

For the year ended December 31, 2021

	North America	Europe	Rest of the world	Eliminations	Total
Statement of income					
Income by segment	$ 1,956,541	$ 1,475,093	$ 461,947	$ (95,256)	$ 3,798,325
Inter-segment income	(24,903)	(69,999)	(354)	95,256	-
Income from external customers	$ 1,931,638	$ 1,405,094	$ 461,593	$ -	$ 3,798,325
EBITDA					
Operating income	$ 86,271	$ 128,740	$ 14,241	$ -	$ 229,252
Depreciation and amortization	184,965	115,762	30,291	-	331,018
Impairment	852	3,604	2,474	-	6,930
Adjusted EBITDA	$ 272,088	$ 248,106	$ 47,006	$ -	$ 567,200
Capital investments (Capex and intangibles)	$ 207,406	$ 109,509	$ 43,359	$ -	$ 360,274

The reconciliation between "Adjusted EBITDA" and income before tax is as follows:

	2023	2022	2021
Adjusted EBITDA	$ 578,136	$ 542,052	$ 567,200
Depreciation and amortization	(369,966)	(319,503)	(331,018)
Impairment	(31,568)	(36,117)	(6,930)
Operating income	176,602	186,432	229,252
Financial results, net	(177,848)	(78,837)	(128,502)
Equity in associates	2,486	(508)	(1,019)
Income before taxes	$ 1,240	$ 107,087	$ 99,731

For the year ended December 31, 2023

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	$ 1,646,128	$ 106,812	$ 183,927
Europe	1,014,421	183,950	140,098
Rest of the world	207,269	-	33,067
Total	**$ 2,867,818**	**$ 290,762**	**$ 357,092**

For the year ended December 31, 2022

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	$ 1,486,474	$ 106,830	$ 181,809
Europe	937,615	177,581	143,795
Rest of the world	206,871	-	36,684
Total	$ 2,630,960	$ 284,411	$ 362,288

For the year ended December 31, 2021

	Property, plant and equipment, net	Goodwill	Intangible assets and right of use
North America	$ 1,361,625	$ 106,812	$ 184,521
Europe	974,130	189,335	144,377
Rest of the World	223,527	-	43,557
Total	$ 2,559,282	$ 296,147	$ 372,455

Nemak's clients are automotive companies, known as OEMs, some of them consolidate into major automotive groups. The Company has the following global clients whose transactions represent more than 10% of the consolidated sales: Ford 24%, 24%, and 24%, General Motors 15%, 18%, and 16%, Stellantis(1) 10%, 11%, and 9% and Volkswagen Group 13%, 12% and 14% in 2023, 2022 and 2021, respectively.

(1) "Stellantis" means Stellantis N.V. and its relevant subsidiaries in different countries, a new automotive group resulting from the merger of Fiat Chrysler Automobiles and PSA Group, effective as of January 2021.

28. Commitment and contingency

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, 2023, 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, 2023, 2022 and 2021, the Company had the following contingency:

Nemak México, S.A. received a claim from the Canada Revenue Agency ("CRA") for a tax credit for approximately $77,800 (including interest) related to alleged Goods and Services Tax ("GST") and the Harmonized Sales Tax ("HST") liabilities on certain assets delivered in Canada. However, the Company disputed the claim before the CRA's Audit Division arguing that its clients in Canada acted as importers and that the deliveries occurred outside Canadian territory. Following a face-to-face meeting with the CRA where Nemak presented its evidence and arguments, Nemak and its legal advisors believe the case will be resolved favorably. Consequently, no provision has been recognized 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, 2023, and through January 31, 2024, (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

The issuance of the consolidated financial statements was authorized on January 31, 2024, by Armando Tamez Martínez, as Chief Executive Officer and Alberto Sada Medina, as 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

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NEMAK

Stock exchange and symbol

Nemak S.A.B. de C.V.
Trades on the Mexican Stock Exchange under the symbol Nemak.

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