



Metalsa S.A. de C.V.
Sustainability-Linked Bond Framework

April 2021

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1. Introduction

1.1. Business Overview

Metalsa, S.A. de C.V. is a leading supplier of structural components for the automotive light vehicle (“LV”) and commercial vehicle (“CV”) markets in North and South America with over 60 years of experience. We manufacture and supply structures that help our customers move the world more efficiently while protecting the environment and ensuring the long-term economic and social value generation for our stakeholders.

Our main products include chassis structures, customized side rails, customized cross members, heavy truck frames, and bus frames, which we provide primarily as a direct, or “Tier One”, supplier to original equipment manufacturers (“OEMs”). Our customer base is a well-diversified list of more than 20 clients, which include Stellantis (formerly Fiat-Chrysler), Toyota, Ford, General Motors, Paccar (producer of the Kenworth, Peterbilt and DAF brands), Volvo/Mack, VW, and Tata Motors.

We are both a holding and operating company and have a presence in eight countries around the world with 12 facilities worldwide and approximately 11,000 employees. Our manufacturing facilities are supported by three state-of-the-art Tech Centers, two of which are located in Mexico and one of which is located in Michigan, United States. We also have international sales offices, engineering locations and sequencing centers in the Americas, India, and Japan.

1.2. Sustainability Strategy

Sustainability is at the core of Metalsa, and as such, our mission is to provide sustainable solutions for the global transportation industry by providing structures that help our customers move the world more efficiently, while protecting the environment and ensuring long-term economic and social value generation for our stakeholders. We endeavor every day to build the future of vehicle structures, co-creating with our partners and providing sustainable solutions for generations to come.

Sustainable Operations: our operations are managed through our Metalsa Operating System (MOS), which defines all guidelines and procedures to be followed at our different sites. The Metalsa Operations and Systems Coordinator team is also represented on the Metalsa Leadership Team to streamline decisions. Our new sustainability strategy aims to become one cohesively with the MOS, in order to maximize all sustainability efforts and initiatives, and thus, the impact they have on the environment and communities.

The MOS’ objective is to achieve a comprehensive approach to:

- a) People safety and development, ensuring all collaborators work in a safe environment, conducive for their physical and mental wellbeing.
- b) Customer satisfaction by providing outstanding quality, delivery and cost.
- c) Profitability through waste elimination.

... and it is guided by three core pillars:



Sustainable Projects



Sustainable Design and Process Performance



Social Sustainability

Metalsa's environmental policy states our commitment to sustainable operations. We strive to create a better world, protect natural resources and mitigate and reduce our environmental impact. We aim to systematically increase efficiency in the use of energy, fuels, water and materials to decrease our footprint. The Environmental, Health and Safety Department is in charge of monitoring environmental performance and it establishes annual performance objectives based on the performance of previous years, sales conditions and the number of projects assigned to the sites.

In 2019, all of our manufacturing sites were certified under ISO 14001:2015 Environmental Management system and in during 2020 we conducted in our operations EHS Legal Compliance Audits and Phase I Environmental Site Assessment to identify potential recognized environmental conditions. In the past two years, we have focused on stabilizing energy consumption in our operating processes as well as designing and implementing projects to increase efficiency in two action lines:

1. Reduce waste
2. Explore renewable and clean energy sources at competitive costs

As such, our current long-term sustainability targets address the issues most material to our business:



20% reduction

in Scope 1 and 2 greenhouse gas (GHG) emissions by 2031



39% reduction

in overall water use, company-wide by 2030



75%

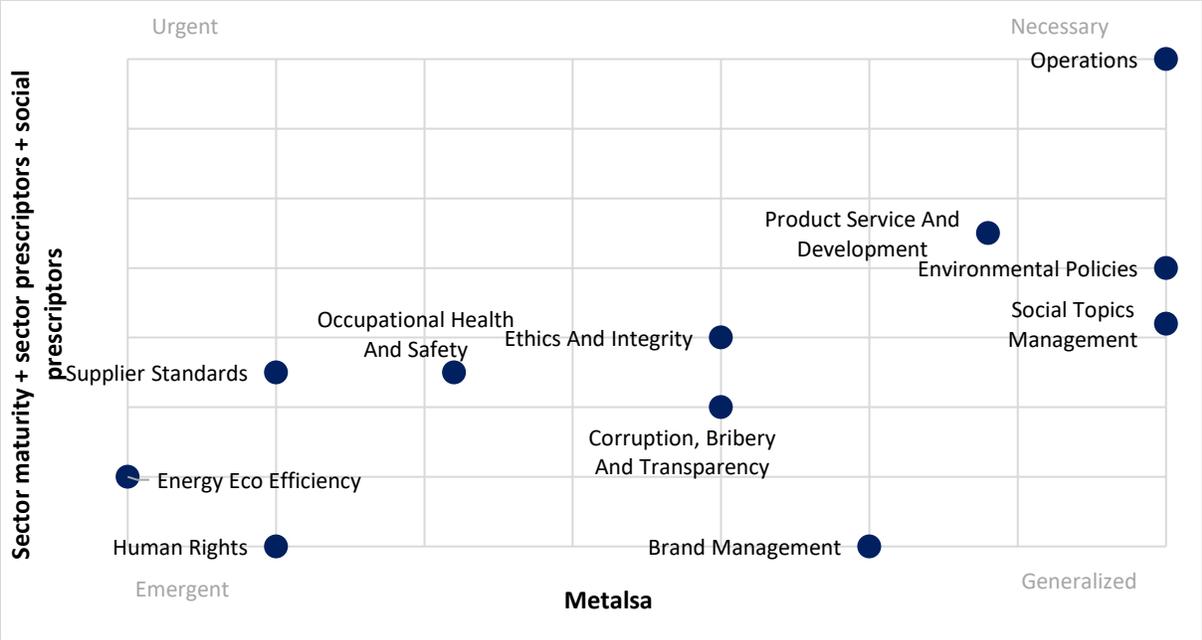
of our facilities being zero waste by 2030



100% of new

suppliers screened under sustainability requirements by 2025

Materiality Assessment: In 2019 we renewed our materiality assessment, aiming to identify material topics to focus on, as well as tendencies, risks and opportunities. We carried out a qualitative and quantitative analysis of the industry's maturity, sector risks and social risks by benchmarking against the sector's most significant companies, laws and industry chambers, as well as voluntary associations.



Our Sustainability Strategy is increasingly focused on Operations, Environmental Policies, and Social Topics Management, as these were identified as necessary after carrying out the Materiality Assessment. To address these topics, we are proposing several Strategic Initiatives: Awareness Programs, Infrastructure Actions, Energy Mix Sources. Additionally, the safety of our colleagues is of upmost priority, so as an axis, safety practices are embedded within our operations.

During 2020, Metalsa sought to redefine its Strategy and Vision to converge with the global transition to a low-carbon economy, seeking to contribute to the improvement of our environment by engaging the electrification of the auto industry and the sustainability of our planet.

We are proud to participate in the electrification efforts of the auto industry in partnership with our customers. The light-weighting design solutions applied to our structural products, will be key for our customers to achieve the desired cost-benefit as electric battery technologies continue to evolve. With the implementation and launching of some electric vehicle programs, as well as the testing, prototyping and ramping up of production for small emerging electric vehicle players, we are supporting the reduction of CO2 emissions created by vehicles around the world.

We are confident that with our support on the adoption of the electrification trend and our operational sustainability efforts, Metalsa will keep true to its mission of providing sustainable solutions for the mobility industry while protecting the environment.

2. Rationale for the Issuance

In order to reinforce Metalsa’s commitment to address environmental challenges, effect positive impact through its operations and deliver on its commitment to provide sustainable solutions to its clients, Metalsa intends to issue Sustainability-Linked Instruments, which may include, but are not limited to Sustainability-Linked Bonds (“SLBs”). As part of the issuance, Metalsa will commit to specific environmental outcomes by addressing its GHG Scope 1 and 2 emissions, setting ambitious timelines to achieve sustainability performance targets that are relevant, core and material to our business. This

framework provides a high-level overview of Metalsa’s Sustainability-Linked Instruments and investors should refer to the relevant documentation for any specific financing instrument.

3. Metalsa Sustainability-Linked Bond Framework

3.1. Selection of Key Performance Indicators (KPIs)

KPI: GHG Emissions Intensity (Scope 1 & 2)

KPI	Greenhouse Gas (GHG) Emissions Intensity - Scope 1 and 2 (in tonnes CO2 per million USD of revenue)
Baseline	78 tCO ₂ e/USDm (2019)
Sustainability Goal	62 tCO ₂ e/USDm (2031) – 20% Reduction
SDG Alignment	<p>SDG 7: Affordable and Clean Energy. Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. Target 7.3 By 2030, double the global rate of improvement in energy efficiency</p> <p>SDG 9: Industry, Innovation and Infrastructure. Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities</p>
Rationale	Metalsa selected the scope 1 and 2 GHG emissions intensity reduction goal as one of the main focus areas for improving our environmental footprint because it will have a meaningful and direct contribution on climate change. GHG emissions is a key operational indicator tracked by Metalsa and it is monitored regularly by the business, including monthly at site-level and quarterly at the global-level.
Calculation Methodology	<p>GHG emissions refers to the Scope 1 and 2 carbon dioxide equivalent emissions of all key manufacturing sites (12 plants) where Metalsa has full operational control. It excludes the Scope 2 emissions associated with our central offices, administrative sites, tech centers, sequencing centers, and commercial offices. These excluded sites represented ~1.9% of our total Scope 2 Emissions in 2019.</p> <p>Scope 1 and 2 emissions are calculated as the sum of the absolute electricity consumption multiplied by the location-based emission factors and the absolute fuel consumption multiplied by the related Global Warming Potential (GWP). This GHG calculation does not take into account any potential impact of fugitive emissions. By 2023, Metalsa intends to adopt the GHG Protocol guidance for calculation and reporting of its GHG Emissions data and may update the calculation methodology and baseline if this results in a material change in KPI as laid out here.</p>

Revenues comprise the fair value of the consideration received for the sale of goods and services in the ordinary course of the transactions, and are presented in the consolidated statement of income of each facility, net of the amount of variable considerations, which comprise the estimated amount of returns from customers, rebates and similar discounts.

Revenues are represented in millions of USD (USDm).

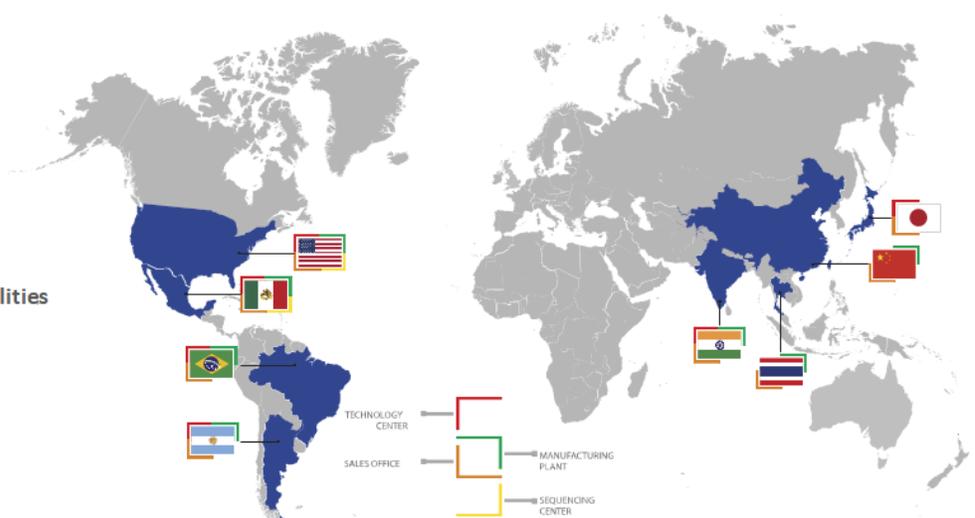
Boundary and scope: The following map identifies the central offices, administrative sites, tech centers, sequencing centers, manufacturing sites, and commercial offices.

Light Vehicle Facilities

- Apodaca, MEX
- Saltillo, MEX
- Elizabethtown, USA
- Hopkinsville, USA
- Owensboro, USA
- El Talar, ARG

Commercial Vehicle Facilities

- Apodaca, MEX
- Roanoke, USA
- Osasco, BRL
- Campo Largo, BRL
- Rayong, THA
- Jamshedpur, IND

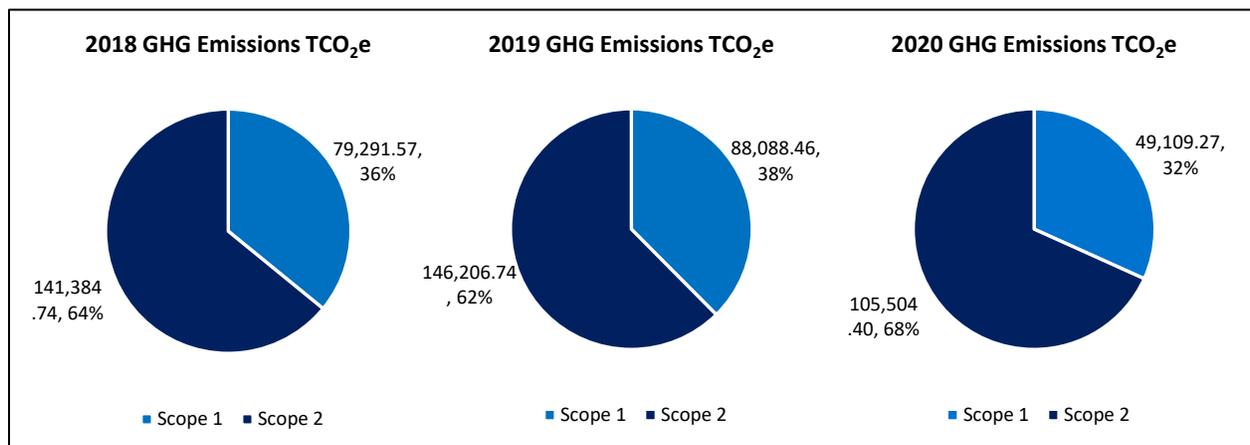


The following table states which sites are included within the boundary of the KPI. The boundary of the KPIs may change if there is a material change to Metalsa’s business, such as through a material acquisition or divestiture of assets.

Strategic Business Unit (SBU)	Plant	Location
Light Vehicles (LV)	APO LV	Apodaca, MEX
	SAL	Saltillo, MEX
	ETL	El Talar, ARG
	ETN	Elizabethtown, USA

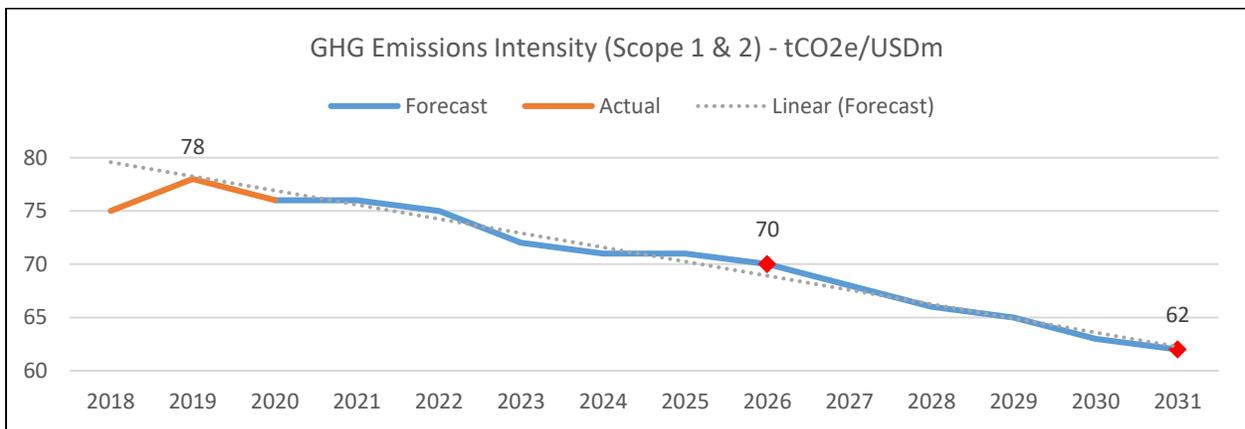
	OWE	Owensboro, USA
	HOP	Elizabethtown, USA
Commercial Vehicles (CV)	APO CV	Apodaca, MEX
	ROA	Roanoke, USA
	OSA	Osasco, BRL
	CLAR	Campo Largo, BRL
	JAM	Jamshedpur, IND
	RAY	Rayong, THA

KPI Background: Metalsa’s indirect emissions accounted for 64% of Metalsa’s Scope 1 & 2 emissions in 2018. For 62% in 2019, and 68% in 2020. Natural gas-based electricity consumption was the largest contributor to our indirect emissions while our direct emissions were driven by our consumption of gasoline (1%), diesel (3%), natural gas (81%), propane (11%) and welding gas (4%) in our operations. Given the nature of Metalsa’s manufacturing processes and that its industrial sites are not air-conditioned, the impact of fugitive emissions on Metalsa’s Scope 1 emissions were historically considered negligible. Metalsa’s key GHG reduction initiatives are focused on energy efficiency and renewable energy procurement and we establish annual GHG reduction targets for all manufacturing sites and annual renewable energy procurement targets for select manufacturing sites.

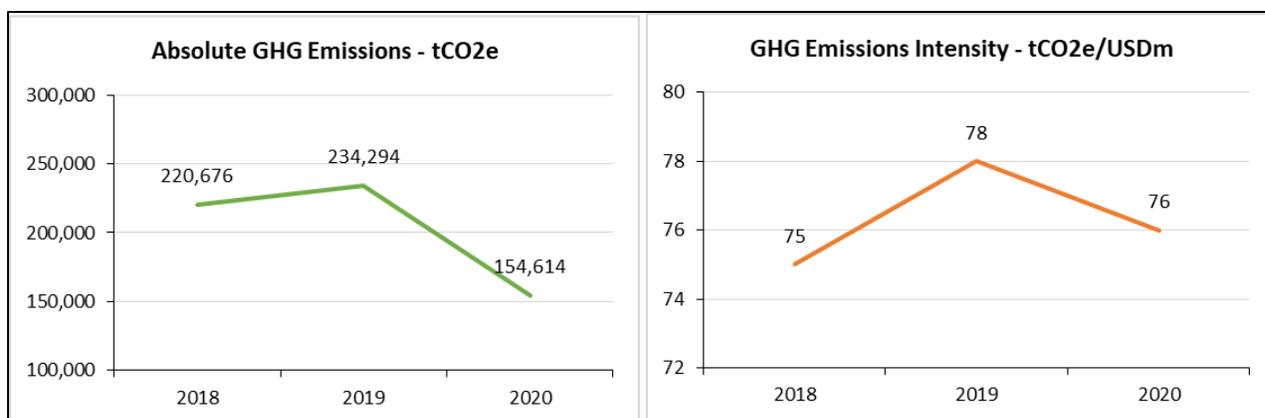


3.2. Calibration of Sustainability Performance Targets (SPTs)

KPI	SPT(s)	Baseline	Change from Baseline	Target Observation Date
GHG Emissions Intensity (Scope 1 & 2)	Achieve GHG Emissions Intensity of 70 tCO ₂ e/USDm by 2026	2019	10%	December 31, 2026



SPT Rationale: Metalsa has chosen 2019 as the baseline year because it is the first year with robust data collection. Furthermore, 2020 is considered a slight outlier as we had a divestment process of one business unit and the COVID-19 pandemic caused complete shutdowns in some months and some other partial shutdowns in our manufacturing sites throughout the year. Metalsa is in the process of kickstarting its SBTi approval process and expects to commit to science-based targets by 2024. In the interim period, it has established a goal of achieving 20% reduction in Scope 1 & 2 emissions by 2031 and the 2026 SPT represents the intermediate target towards this long-term goal.



By December 2023, Metalsa intends to adopt the GHG Protocol guidance for calculation and reporting of its GHG Emissions data and by December 2024 the company expects to have committed to science-based targets. In January 2025, Metalsa will evaluate if the SBTi-approved targets it will have adopted and the GHG Protocol-based GHG emissions data imply a materially different trajectory of GHG emissions intensity reduction from the SPT stated in this Framework. Metalsa is committed to modify the KPI baseline calculation and SPT to appropriately reflect a similar or more ambitious level of reduction as its approved SBTi targets business. Any such changes will be communicated within the annual reporting.

Initiatives to drive GHG Emissions reductions:

Strategic Initiative	Task	When?
Awareness Programs	Energy Behaviors Awareness Program	Jan-22
	Sustainability Awareness Program	Aug-21
Infrastructure Actions	Analyze Equipment's Current Energy Efficiency (retrofits)	Sep-21
	Designate a % of CAPEX to Emissions Intensity/Energy Efficiency Improvement	Sep-21
	All plants' Lighting changes to LED	Dec-24
Energy Source Mix	Integrate Renewable and Clean Energy Sources through PPAs in the Mexico Region	Oct-22
	Clean Energy PPA in the rest of the facilities	Apr-27

- **Awareness Programs:** Programs designed to create awareness, change behaviors, and support the preservation of natural resources in order to contribute to the reduction of GHG emissions.
- **Infrastructure actions:** Set of actions to identify potential inefficiencies and opportunity areas in terms of energy consumption in our shop floors.
- **Energy Source Mix:** Dedicated efforts to include clean and renewable energy sources either with local production or power purchase agreements for our manufacturing sites.

Key factors that support the achievement of the target:

- Metalsa has scoped out capital expenditure plans to invest in energy efficiency, fossil fuel substitution and the incorporation of new technologies in processes that allow GHG emissions reduction.
- Metalsa is currently scoping out renewable energy power purchase agreements for its largest manufacturing sites including Elizabethtown and Hopkinsville in the US and Apodaca in Mexico.
- Metalsa's key customers expect it to achieve 2% - 3% of absolute emissions reduction on an annual basis.
- Awareness programs for sustainability and energy behaviors will continue to be deployed by our colleagues.
- Metalsa expects to certify our largest manufacturing sites on ISO 50001 to assure major improvements on energy management.
- We will update all sustainability requirements for new projects in order to assure to get the most efficient/or lowest impact pieces of equipment for the environment in our manufacturing processes.

Potential barriers to target achievement:

- Extreme events, such as pandemics and natural disasters.
- Equipment failure, unexpected plant shutdown, among other operational factors.
- Market constraints in availability and pricing of energy efficient equipment and renewable energy.
- Regulatory uncertainty, for example related to the procurement of renewable energy through power purchase agreements.

3.3. Bond Characteristics

For any Sustainability-Linked Instrument aligned with this Framework, if the SPT has not been achieved by the Target Observation Date, a premium will be payable by Metalsa, such as, but not limited to a step-up in coupon margin. The timing and mechanism for payment of the premium will be specified in the indenture and other final terms of the instrument.

If, for any reason, the performance level against each SPT cannot be calculated or reported in satisfactory manner supported by a verification assurance certificate provided by an independent auditor, the premium payment will be applicable.

If, for any reason, Metalsa does not publish the relevant verification assurance certificate within the time limit as prescribed by the terms and conditions of the indenture of the Sustainability-Linked Instrument, the premium payment will be applicable.

Unless specified in the instrument documentation, no assurance can be provided that the proceeds of the Sustainability-Linked Instruments will be allocated to finance green or social projects.

3.4. Reporting

Metalsa will publish a Sustainability-Linked Instrument Report, as a part of its annual sustainability reporting which is available on its Investor Relations website (<https://investors.metalsa.com/>), which will include:

- a. up-to-date information on the performance of the KPI, including the baseline where relevant, and a discussion of the progress towards the SPTs;
- b. a verification assurance certificate relative to the calculation of the KPIs; and
- c. any other relevant information enabling investors to monitor the progress of the SPT.

When feasible and possible, the report may also include:

- a. qualitative or quantitative explanations of the contribution of the main factors, behind the evolution of the performance/KPI on an annual basis;
- b. illustration of the positive sustainability impacts of the performance improvement; and
- c. any reassessments of KPI boundary and/or restatement of the SPT to align with SBTi-approved targets, if relevant; and
- d. updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs, if available.

This report will be published during the April-May window, after each calendar year-end, and will be provided annually, at least until the date/period relevant for assessing the achievement of the SPT has been reached. Thereafter, Metalsa will provide updates related to its GHG emissions performance through its consolidated annual sustainability reporting.

3.5. External Review

3.5.1. Second Party Opinion

Metalsa will obtain and make publicly available a Second Party Opinion (SPO) from a consultant with recognized environmental and social expertise on the sustainability benefit of this Framework as well as its alignment to the SLBP 2020. The SPO will be available on Metalsa's Investor Relations website (<https://investors.metalsa.com/>).

3.5.2. Verification

While Metalsa has not sought third-party verification for the stated KPI previously, the company will seek independent and external verification of the performance level for the stated KPI, including historic data since 2018, by a qualified external reviewer to a limited level of assurance. The verification of the performance of the KPI will be made publicly available in the form of a verification assurance certificate on Metalsa's website. This verification will be provided annually, at least until the date/period relevant for assessing the achievement of the SPT has been reached and in connection with any trigger event as specified in specific Bond documentation.

Disclaimer

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In addition, it should be noted that all of the expected benefits of the eligible projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, the potential barriers described in section 3.2, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available eligible projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of eligible projects. Each environmentally focused potential investor should be aware that eligible projects may not deliver the environmental or sustainability benefits anticipated and may result in adverse impacts. 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