Environmental and Social Review Summary (ESRS)
ORBIA – Supply Chain - REGIONAL

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1 General Project Information and Scope of IDB Invest's Environmental and Social Review

Orbia Advance Corporation, S.A.B. de C.V. (ORBIA or the "Company") has requested IDB Invest for their financial assistance to constitute a reverse factoring uncommitted revolving credit line in Mexico (the "Line") to finance suppliers based in Mexico, Panama, Colombia, Brazil, Peru, Argentina, Chile, El Salvador, Uruguay, Guatemala, Barbados and Ecuador, by acquiring the collection, and guarantee issuance rights for eligible financial institutions, in the form of unfunded interests (the "Project" or the "Transaction"). The Transaction includes receivables with delayed payment due to the exceptional measures adopted by the Company to mitigate the impact of COVID-19 on their suppliers.

Given the restrictions imposed by the COVID-19[1] pandemic, most of the environmental and social due diligence (ESDD) has been conducted virtually and included reviewing the following information, for example: (i) environmental management policies, plans, manuals and procedures; (ii) human resources (HR) policy; (iii) occupational health and safety (OHS) programs; (iv) hazardous, non-hazardous, and special-management waste management procedures; (v) procedure for monitoring and assessing the environmental conditions (for example, air emissions, noise and effluents); and (vi) emergency response plans. This process was supplemented by interviews with HR, OHS, Sustainability, Procurement and Operations personnel related to the Project.

2 Environmental and Social Categorization and Rationale

In accordance with IDB Invest's Environmental and Social Sustainability Policy, the transaction has been classified in Category B since its environmental and social (E&S), and OHS impacts and risks are expected to be, in general, reversible and mitigable with the measures enabled by current technologies. They include: (i) OHS risks; (ii) air pollutant emissions; (iii) solid (hazardous and non-hazardous) and liquid (mainly domestic and industrial wastewater) waste generation; and (iv) use of the resources, mainly drinking water and energy. Most of these estimated impacts and risks are moderately important.

The locations where the Project will be developed endure natural threats, such as extreme temperatures, hurricanes, hailstorms, frost and snow; as well as social threats, which include vandalism and demonstrations or protests. However, they all represent a moderate to low risk for the damages on the physical infrastructure of the plants, personnel and suppliers.

The Project triggers the following Performance Standards (PS) of the International Finance Corporation (IFC): PS1, Assessment and Management of Environmental and Social Risks and Impacts; PS2, Labor and

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[1] COVID-19 is the infectious disease caused by the coronavirus discovered in Wuhan, China, in December 2019 (https://www.who.int/emergencies/diseases/novel-coronavirus-2019)

Working Conditions; PS3, Resource Efficiency and Pollution Prevention; and PS4, Community Health, Safety and Security.

3   Environmental and Social Context

ORBIA is a global leader in innovating solutions for the construction and infrastructure, data communications, irrigation and chemical sectors. Its business groups and trademarks include the following: (i) Netafim™, precision agriculture; (ii) Wavin™, construction and infrastructure; (iii) Koura™, fluoridated solutions; (iv) Vestolit™ and Alphagary™, polymer solutions; and (v) Dura-line™, data communications.

The Company carries out business in over 100 countries, holds operations in over 50 of them and has 120 production plants in 37 countries. ORBIA also has 19 research and development (R&D) laboratories and a fluorite mine in the State of San Luis Potosí in Mexico (jointly, the "Project Plants" or "Operation Sites"). It is globally based, with offices in Mexico City, Boston, Amsterdam and Tel Aviv, and employs over 21,000 people worldwide.

Since 2012, ORBIA has been a member of the Environmental, Social and Governance (ESG) Index of the Mexican Stock Exchange (BMV), and in 2020 it was chosen for the new S&P/BMX Total Mexico ESG Index, jointly with Standard & Poor's Dow Jones Indices (S&P DJI)[2]. Moreover, in 2015 it became a member of FTSE4Good[3] and in 2019 of the DJSI MILA Pacific Alliance[4]. In terms of ESG performance, the Company has been recognized by the platforms Ecovadis[5] and Carbon Disclosure Project (CDP)[6].

All the Company's plants in Mexico are certified or in the process of being certified in ISO 14001:2015[7] and some of them have ISO 9001:2015 certification[8]. Moreover, as part of its E&S commitments, the Company submits regular reports on the compliance of its Mexican operations with the applicable environmental standards to the Department of Environment and Natural Resources (SEMARNAT), and the Federal Environmental Protection Agency (PROFEPA) and the National Water Commission (CONAGUA).

The Company has substantially and steadily completed the reports on terms and conditions of the environmental impact assessments (MIA, for its acronym in Spanish), the single environmental licenses (LAU, for its acronym in Spanish) and the federal, state and municipal permits; the annual operation

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[2]   https://blog.bmv.com.mx/2020/06/lanzamiento-de-nuestro-nuevo-indice-esg-sp-bmv-total-mexico-esg-index/

[3]   FTSE4Good Index series is designed to measure the performance of companies showing robust environmental, social and governance practices (https://www.ftserussell.com/products/indices/ftse4good).

[4]   The Dow Jones Sustainability ™ MILA Pacific Alliance Index is designed to measure the best-in-class members of the S&P MILA Pacific Alliance Composite that better fulfill certain sustainability criteria as compared to most of their peers in a specific industry.

[5]   EcoVadis provides a holistic sustainability rating service through a global software-as-a-service cloud platform (https://support.ecovadis.com/hc/es-es).

[6]   CDP is a non-profit organization running the global disclosure system for investors, companies, cities, states and regions in order to manage their environmental impact (https://www.cdp.net/es).

[7]   ISO:14001 refers to the certification of its environmental management system. In Mexico this ISO is equal to Mexican Standard NMX-SAA-14001-IMNC-2015.

[8]   ISO:9001 refers to the certification of a quality management system. In Mexico this ISO is equal to Mexican Standard NMX-SAA-9001-IMNC-2015.

reports (COA, for its acronym in Spanish); and the verifications of greenhouse gases and compounds for its facilities (as applicable).

4   Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1   Assessment and Management of Environmental and Social Risks

4.1.a   E&S Management System

Each business group has an Environmental, Quality and Occupational Health and Safety Management System (Integrated System) aligned with the requirements of standards ISO-9001:2015, ISO 14001:2015 and ISO 45001:2018[9]; as well as with those for the Company as an Authorized Economic Operator (AEO), as required by the business. This system is focused on the ongoing customer satisfaction by assuring compliance with the product and service delivery specifications, quality and timeliness, as well as on preventing environmental pollution, complying with the applicable environmental legislation and the safety and security requirements established by the AEO to strengthen the supply chain (for the businesses where it may apply).

Each of ORBIA's operation sites has an environmental management system (EMS) as required by standard ISO 14001:2015[10], and complies with all the applicable environmental regulations and laws in each country where it is based. Moreover, each business group has in place an occupational health and safety, environmental and quality management manual (the Integrated System Manual), with several procedures for its deployment at the Project's plants. As required by certification ISO 14001:2105, the environmental component of the Integrated System is recertified every three years and reviewed annually in accordance with the program each plant has in place, by an authorized auditor in order to follow up on the system.

4.1.b   Policies

The Company has a sustainability policy in place, where it states its commitment to encouraging responsible business development, complying with the laws and standards of the countries where it is present, reducing process and product risks, and creating shared value in favor of social progress. The main commitments as included in its corporate strategy are focused on: (i) its operations, and the safety and security of its employees, contractors, customers and the communities near its operation sites; (ii) value creation; (iii) high quality, safe products by promoting the minimization of risks throughout the lifecycle; (iv) the communities by sharing benefits and harnessing opportunities to build shared-value projects; and (v) its people by strengthening its corporate culture and contributing to opportunities for their employees to be well and develop further, while advocating for human rights, volunteering activities, diversity and inclusion.

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[9]   Standard ISO 45001 refers to the certification of an occupational health and safety system, which replaces standard OHSA 18001.

[10]   In 2020, 59% (71 out of 120) of the eligible plants were certified under standard ISO 14001 or equivalent third-party standards, and the Company is aimed at reaching 100% of its certified plants by 2025.

4.1.c Identification of risks and impacts

4.1.c.i Direct and indirect impacts and risks

According to the Integrated System and the ISO 14001:2015 certification of each Project, the environmental risks are documented in a risk analysis, following the guidelines established in the General Procedure or the Process Risk and Environmental Aspect Matrices, to identify, determine, control, measure and follow up the current, potential and significant E&S risks and impacts.

In response to these impacts, the Company promotes good practices focused on correct waste management, decreased emissions, water and energy saving, and awareness among collaborators and suppliers about the use of resources to help minimize the environmental impact and prevent pollution.

Additionally, in compliance with the environmental impact requirements, each Project plant has an associated environmental risk assessment, which identifies the potential risks and rates them in terms of the level of hazard they represent and the associated mitigating measures.

4.1.c.ii Gender Risk

Latin America is highly unequal gender-wise; the gender gap is defined as differential, unequal access to work, education, economic and participation opportunities based on sex or gender. This gap is supported by widespread cultural rules for what is acceptable for men and women, and is exacerbated by weak legal safeguards or inadequate social response. It leads to gender discrimination, unequal access to public services, education differences, salary and labor inequality, and lower political participation rates. The gender gap is 0.76 in Mexico, which places it 23rd amongst the 26 countries in Latin America[11].

Gender-based violence and harassment (GBVH) are also a major problem in Latin America and the Caribbean, which accounts for the highest rate worldwide. Brazil, Mexico, Argentina, Peru, El Salvador and Bolivia hold 81% of the cases worldwide. Even though there are laws[12] and institutions[13] that seek to protect women in Mexico, the amount of femicides reported in Mexico (943) puts the country in second place in Latin America[14]. Gender-based violence and harassment have intensified during the COVID-19 pandemic; in Mexico calls to the hotline to reports sexual violence acts increased by 25% as compared to the 2019 figures.[15]

Nevertheless, given the type of activity and business, together with the fact that the Project plants are located in industrial areas or parks in urban areas, gender risk is estimated to be low and can be mitigated by applying the principles in the Company's Code of Ethics and Human Rights Policy.

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[11] "Gender gap index in Latin America 2021", Statista.

[12] Federal Law to Prevent and Eradicate Discrimination; Men-Women Equality Law (2006); Women's Access to a Violence-Free Life Law (February 2007) and Regulation of the Women's Access to a Violence-Free Life Law (March 2008).

[13] Instituto Nacional de las Mujeres (Inmujeres); Comisión Nacional para Prevenir y Erradicar la Violencia contra las Mujeres (CONAVIM); Consejo Nacional para Prevenir la Discriminación (CONAPRED); Comisión Nacional de los Derechos Humanos (CNDH); among others.

[14] "Number of femicides in Latin America by country 2019", Statista.

[15] "COVID-19: rise of gender violence in Latin America," Statista.

4.1.c.iii   Climate change exposure

In general, the Project plants infrastructure is moderately exposed to physical risks and hazards derived from climate change as follows: (i) based on a global climate model, they are highly exposed to draughts and moderately exposed to changes in the rainfall patterns, and earthquakes; and (ii) they are highly exposed to draughts, which may increase moderately in an RCP 8.5 climate change scenario.[16]

However, climate change exposure risk is expected to be handled with the measures proposed in the Emergency Management Manual and the Accident Prevention Program, which is annually reviewed.

4.1.d   Management Program

All Project Sites have the appropriate mitigation and compensation measures in place as described in the environmental impact correction reports, in the environmental risk assessments and in the accident prevention programs.

In this regard, each business group has matrices of environmental aspects, of process risks and of OHS risks which include the necessary measures to remove, transfer or mitigate each one of the detected impacts or risks. Some of the operational controls are as follows: (i) preventive controls, focused on eliminating or reducing the frequency, probability and severity of the negative impacts or risks, supported by preventive and predictive maintenance programs for equipment and machinery, as well as by ongoing training programs for employees and drill programs; and (ii) technical and operating recommendations, which are based on the national OHS and environmental regulations.

4.1.e   Organizational Capacity and Competency

ORBIA has an organizational structure specifically dedicated to E&S and OHS aspects. Sustainability within the Company is handled through a matrix structure provided with functional specialists, and global and corporate leaders in charge of the Sustainability and Corporate Practices Committee. This committee attends the Executive Team meetings at least once every three months.

Each business group encourages sustainability across its operation through its sustainability leaders, who work closely with the corporate sustainability team and report to the Health, Safety, Security, Engineering and Environment VP and the Sustainability VP to implement corporate programs and take advantage of specific business opportunities.

4.1.f   Emergency Preparedness and Response

ORBIA's Emergency Management Manual includes procedures and guidelines to attend and respond to accidents and emergencies, as well as to prevent and mitigate the impacts these situations may create. Moreover, this manual stipulates that, meetings must be jointly held by the Emergency Management

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[16]   A Representative Concentration Pathway (RCP) is a greenhouse gas (GHG) (not emissions) concentration pathway adopted by the IPCC. The pathways describe the different future climate scenarios, all of which are deemed possible depending on the volume of GHG issued in the coming years. RCPs, originally RCP 2.6, RCP 4.5, RCP 6 and RCP 8.5, are labelled based on a potential range of radiative forcing values in 2100 (2.6, 4.5, 6 and 8.5 W/m 2, respectively).

committees, and that drills must be carried out and that regular reviews of their procedures must follow accordingly.

The Company has emergency response plans in place for the Project Sites, which comply with the requirements of the civil protection program of the Ministry of Labor and Social Welfare (STPS), and federal and local civil protection legislation[17]. These instruments establish the preventive aid and mitigation actions to safeguard the physical integrity of workers, visitors, suppliers and people or customers at each facility; include measures to face the most likely risk scenarios to threaten property and continuous production; and establish the community communication and liaison mechanisms to deal with emergency situations that may come up in the Company.

The Safety Training Master Plan establishes what the annual training program will be for the first aid and emergency brigades, how frequently it will administered, and that the following courses will be offered, among others: (i) first aid; (ii) fire-fighting system; (iii) search and rescue; (iv) HAZMATs[18]; (v) evacuation; (vi) fire extinguishers maintenance, use and handling; (vii) ambulance and fire truck driving practice; (viii) advanced first aid; (ix) legal aspects, such as STPS rules, the Civil Protection Law, etc.; (x) industrial safety; and (xi) safe hazardous work, such as safety when working at height, in confined spaces, with voltage, load lifting, etc.

4.1.g   Monitoring and Evaluation

Each business group has a general procedure or matrix to identify, determine, control, measure and monitor the E&S aspects, risks and impacts; and monitor, record and assess its E&S performance. Monitoring involves following up on issues or aspects as required by the applicable environmental legislation. Moreover, as part of the EMS, environmental compliance audits are planned and carried out, following which, if nonconformities are identified, the Company shall adopt corrective or preventive measures and follow them up until the nonconformities are solved within the established timeframe.

In 2020, the Company worked along with an external organization[19] that specializes in health, safety and environment (HSE) compliance matters to develop a system that will provide continuously updated standardized regulatory information on all operational sites, which can help better monitor the compliance requirements applicable to each location. These processes were standardized based on 10 key activity areas: (i) air emission management; (ii) water management; (iii) chemical management; (iv) facilities/technical safety; (v) general environment; (vi) waste management; (vii) emergency preparedness; (viii) occupational health; (ix) safety management; and (x) hazardous materials management.

However, ORBIA will submit an annual sustainability report on the status of compliance with all the E&S and OHS policies and measures applicable to the Project, including the progress of the ESMS actions regarding the KPIs established, as well as the status of compliance with IDB Invest's Environmental and Social Sustainability Policy. Through these internal or external audits, the Company will define specific

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[17]   Civil Protection Law and its administrative order; and the Comprehensive Civil Protection and Risk Management Law for the State of Coahuila.

[18]   The term "HAZMATs" refer to hazardous materials.

[19]   Enhesa (https://www.enhesa.com/)

measures to reduce impacts and improve efficiency, and document and report progress and new procedures, and other certifications, depending on which country the facility will be located in.

4.1.h   Stakeholder Engagement

ORBIA has identified all the stakeholders and interest groups associated with its activities (local authorities, trade unions, civil associations, non-governmental organizations and other parties with interest in its operations) and holds constant, open dialogue with them. As part of the Company's community engagement position, it has implemented (i) a global corporate grievance reporting and anti-retaliation policy; (ii) a query, grievances and complaints mechanism; and (iii) a digital platform (web page, mainly) to submit information about the environmental and social performance of its operations.

4.1.i   External Communication and Grievance Mechanism

4.1.i.i   External communication

ORBIA accepts responsibility for offering true, thorough, updated and accurate information. In order to do this, it has created a protocol to engage with the media that specifically states that information can only be disclosed by authorized personnel.

Within the Integrated System, ORBIA has a generic communication procedure which establishes the methods and the people responsible for setting up the communication processes inside and outside the Company. The communications with the stakeholders are channeled through the Human Resources Department, which works with the Site Manager and the Operations Manager in the case of quality and environmental issues.

4.1.i.ii   Grievance Mechanism for Affected Communities

ORBIA has a formal mechanism to receive grievances and suggestions from the community in their web page[20]. Reports on violations to the Company's Code of Ethics are channeled through an ethics hotline (*Línea de Ética*), which is managed by an independent third party[21] specialized in handling information regarding bad behavior, fraud, resource diversion or noncompliance with the applicable laws and regulations, assuring anonymity and confidentiality.

The Company also has a Community Grievances and Suggestions Methodology, which is used to deal with and follow up on grievances and suggestions submitted by people and organizations located near the places it operates at. This guide establishes that for each operation site, the following must happen: (i) a local community engagement manager must be appointed, who will be in charge of dealing with and following up on grievances and suggestions, as well as of reporting the performance indicators semiannually; and (ii) the communication channels must be set up to capture grievances and suggestions from neighboring people and organizations. The communication channels may be: (i) written materials (default forms) that are left in boxes at the premises; (ii) calls to a dedicated telephone line; and (iii) a personal email or a message sent through the Company's web page.

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[20]   https://www.orbia.com/es/esto-es-orbia/contactenos/

[21]   NAVEX Global (https://www.navexglobal.com/es-es).

4.1.j   On-Going Reporting to Affected Communities

ORBIA offers information about the Company's environmental and social performance in its web page[22].

4.2   Labor and Working Conditions

4.2.a   Working Conditions and Management of Worker Relationships

4.2.a.i   Human Resources Policies and Procedures

ORBIA's Code of Ethics is mandatory for all directors, executives, employees, contractors, temporary workers and business partners working on its behalf, and establishes the following, among other things: (i) general principles and corporate values; (ii) the respect for human rights; (iii) the prohibition to use child labor, any type of forced or slave work, abusive or discriminatory behaviors and unethical or illegal situations; (iv) the promotion of safe and positive workspaces; (v) zero tolerance for any kind of harassment or other abusive conditions, such as physical or psychological intimidation or humiliation; (vi) fair, free competition; (vii) the relationship with consumers, competitors, suppliers and distributors; (viii) the suppliers', service providers' and customers' or distributors' obligation to observe the Code of Ethics; (ix) the fight against corruption and money laundering; (x) the way to act in case of conflict of interest; (xi) the confidential and secure treatment of information; (xii) financial integrity; (xiii) the use of IT resources and assets; (xiv) long-term sustainability in their operations, by optimizing the use of natural resources, investing in people and communities where they are present; and (xv) details on reported grievances management, the reporting channel and non-retaliation practices towards the reporting parties.

Additionally, in compliance with Mexican Federal Labor Law, the Company has an internal labor rulebook (ILR) with the rules and conditions related to: the nature of the work; the onboarding, suspension and dismissal of workers; the working hours, breaks and vacation; punctuality, leaves and absences; salary; supplies, tools, materials and equipment; training; safety, hygiene and environmental measures; professional risks; the Company's obligations and prohibitions; workers' rights and obligations; workers' prohibitions; punctuality, attendance and leave noncompliance; sanctions; and, in general, compliance with federal and state labor laws, including regulations and principles as established by the International Labor Organization (ILO).

ORBIA has a human rights policy, an anti-slavery and anti-people-trafficking policy, and a diversity and inclusion policy that work together with the Code of Ethics.

4.2.a.ii   Working Conditions and Terms of Employment

The provisions in the Code of Ethics and ILR govern the way and conditions for staff selection and hiring; working days, hours, and breaks; vacation; leaves; flexible work schemes to promote collaboration and productivity; wages and benefits; employer and employee rights and obligations; behavior and disciplinary measures; asset security; risk prevention; and workers with disabilities, among others.

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[22]   https://www.orbia.com/es/sustentabilidad/

In order to reinforce the people's knowledge of the work conditions, the Company requires that each worker commit to observe the Code of Ethics and report any real, potential or seemingly noncompliant situation.

ORBIA recruits, selects and hires talent following transparent, confidential, objective, stringent processes that guarantee that the principles of equality and non-discrimination are respected. Moreover, in the Code of Ethics and the human rights policy, the Company declares that the recruiting, onboarding, compensation, evaluation or promotion of employees is based on the competencies, academic education, professional experience, performance, behavior, attitude and level of identification the candidates show with the Company's values.

4.2.a.iii   Worker Organizations

By pledging to comply with the local legislation as applicable in the countries where it operates, ORBIA acknowledges the workers' rights to create workers' organizations and be part of them, and respects and accepts all the responsibilities derived from the related laws, including the international treaties and conventions the countries have signed with the ILO[23]. Also, the Code of Ethics and the Human Rights Policy acknowledge the workers' right of freedom of association and their right to enter into collective bargaining agreements.

4.2.a.iv   Non-discrimination and Equal Opportunity

Mexico is a signatory of several ILO conventions and international treaties related to workers' rights including Convention 100 on Equal Remuneration and Convention 111 on Discrimination (Employment and Occupation). Apart from complying with these provisions and with Federal Labor Law and its regulations, the Company establishes, within the Code of Ethics and its Human Rights, and Diversity and Inclusion policies, respect for equality and individual diversity by acting justly, equally and impartially and looking for inclusive, positive social impact. In addition, the Code of Ethics makes it clear there should be zero tolerance for actions of discrimination, bullying, abuse and work harassment, and reaffirms the Company's commitment to promoting an environment in which no applicant, employee, supplier or service provider feels excluded or discriminated against in the internal or external recruitment process based race, color, age, gender, gender identity, sexual orientation, marital status, ancestry, ethnicity or nationality, religion, disability or medical condition (including COVID-19) or any other discriminatory situation.

4.2.a.v   Grievance Mechanism

The ethics hotline (*Línea de Ética*) is the channel to submit grievances or reports of any inappropriate behavior, ethically questionable actions, and noncompliances with the applicable laws and regulations, ORBIA's policies and Code of Ethics. This instrument gathers several ways of capturing grievances, from a direct report before their immediate superior (manager) or the Legal or Human Resources Departments to an indirect or anonymous contact via any of the permanently available digital options (web page of the reporting channel, email or dedicated telephone line). The Code of Ethics, and the reporting and anti-retaliation policy establish that all reported incidents are dealt with confidentially and that any retaliation

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[23]   Convention No. 87 on Freedom of Association and Protection of the Right to Organize and Convention No. 98 on the Right to Organize and Collective Bargaining.

against those reporting suspicions of violations or cooperating in the investigation of any suspicious act is forbidden.

The reporting channel is impartially and independently managed by a third party, who receives reports on alleged violations and grievances, records the case, compiles all the necessary information, and gives the process a unique identification number and a password so that the person who reported it can check the case progress and can contribute new evidence, if need be. Once the report is received, the Internal Audit Department coordinates all investigative procedures. All the reports on alleged violations and grievances are communicated to ORBIA's Ethics Committee, which, among other things, assists the Internal Audit Department in situations involving possible improper behavior and, once all the investigative procedures have been completed, assesses the case, and determines all the applicable disciplinary measures, notwithstanding resorting to any criminal, civil or administrative legal actions, depending on the case.

Also, the reporting and anti-retaliation policy, which is applicable to all staff working for or on behalf of the Company, states that ORBIA is obliged to respond if any investigation is initiated by the relevant authorities and to disclose information, evidence or even the identity of the reporting employee as long as the law requires it to do so.

4.2.b   Protecting the Workforce

ORBIA, in observance of the local legal labor requirements applicable in Mexico, respects the rights and duties of employers and employees, and promotes equality and equity in the enjoyment of human, civil, political, economic, social, and cultural rights between women and men.

The Code of Ethics and the ILR state that the Company's employees, directors, and executives, as well as its contractors and suppliers, must comply with all the laws and regulations applicable in Mexico, in order to guarantee transparency and responsibility in the course of business, the engagement with the community and its responsibility towards the environment.

4.2.c   Occupational Health and Safety

ORBIA, in compliance with Federal Labor Law and Federal Occupational Health and Safety Regulations, has an accident prevention program containing the guidelines and actions to safeguard the physical integrity of its employees and to prevent health damage and injuries by implementing and executing the emergency response plans making up the Integrated System. Additionally, the Company has a general procedure to identify risk and assess OHS risks, which establishes and maintains a mechanism to identify hazards, and states the need to constantly assess risks and determine the legal controls needed for OHS.

All hazardous work requires each business group to have an OHS risk matrix based on standard ISO 45001:2018, with the minimum safety requirements and controls to execute the works.

In 2020, about 44% of the operation sites were certified under international safety standards, such as the International Safety Rating System (ISRS), ISO 45001:2018 or OHSAS[24] 18001.

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[24]   OHSAS means Occupational Health and Safety Assessment Series.

ORBIA developed a COVID-19 response plan focused on three general objectives: (i) to safeguard its workers; (ii) to support the neighboring communities; and (iii) to assure business continuity. In order to protect the workers, each business group has provided the workers with supplies to work from home and with personal protection equipment (PPE), has thoroughly adapted the operation sites with signals, minimum requirements of social distancing and the construction of duly conditioned cubicles or workspaces, and has crafted new health and biosecurity protocols for sanitary and epidemiological contingencies, including: (i) identifying and classifying the vulnerable population; (ii) placing biosecurity filters in accesses; (iii) classifying the cases into positive, suspicious and close contact with a positive case; (iv) adopting procedures for medical discharge and work reintegration of patients recovered from COVID; (v) defining vacation conditions and work reintegration; (vi) adopting procedures for visitors, high risk visitors or foreigners, and suppliers; and (vii) implementing procedures to deal with COVID-caused internal capacity shortage. The Company has also devoted some resources (psychological, medical, health and wellbeing, nutritional, etc.) to support the healthcare systems in countries that could not properly face the COVID-19 challenges.

Likewise, and according to the recommendations and guidelines from federal and state authorities (like the STPS, the Ministry of Health (SSA, for its acronym in Spanish) and the Mexican Social Security Institute (IMSS, for its acronym in Spanish) and their international counterparts, like the World Health Organization (WHO), the Company has promoted actions among its workers to avoid spreading the disease; for example, by reducing the amount of people at each work space, setting up sanitary gates, recommending social distancing, suspending all travel, encouraging remote work, supporting vulnerable groups and adopting a disinfection routine.

4.2.d   Workers Engaged by Third Parties

According to the Code of Ethics and the ILR, all the Company's internal rules, policies and procedures apply, without any exception, to all employees worldwide and to the Company's business partners, including its suppliers, distributors, agents, contractors, and any other employee engaged by third parties working with or for the Company. Workers, both hired by Company and by third parties, can remain as long as they respect the Code of Ethics and the federal and local labor laws and regulations of the countries where they operate. These measures are supported with contract clauses included in the work and service agreements.

4.2.e   Supply Chain

Through its Code of Ethics and Human Rights Policy, ORBIA promotes the respect for human rights in its own operations and all throughout its supply chain. In this sense, ORBIA looks out for the compliance with work-related applicable legal provisions and conventions ratified by Mexico, including those regarding child labor[25] and forced labor[26]. The Company also demands its suppliers to observe all environmental and OHS laws in the countries where they operate, and all its employees to know and comply with the Code of Ethics and the Human Rights Policy.

ORBIA has a Purchase Manual which, in one of its three pillars, includes the supply chain as one of the Company's sustainability goals. The manual states that: (i) suppliers must be vetted and classified, in terms

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[25]   ILO's Convention 138 concerning minimum age and Convention 182 on the worst forms of child labor.

[26]   ILO's Convention 29 concerning forced labor and Convention 105 concerning the abolition of forced labor.

of their risk of financial stability, ethics and compliance, social responsibility, work practices, environmental sustainability and green footprint, supply chain continuity and cybersecurity; and (ii) the supplier's compliance must be assessed and audited internally or externally, also in terms of its social responsibility, its green footprint and in compliance with the UN work guidelines.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

According to the requirements of the sites' COAs, the Project submits annually its records of greenhouse gas (GHG) emissions, both direct, due to fuel use (scope 1) and indirect, due to electricity consumption (scope 2). Moreover, in 2020 the first Scope 3 GHG emission assessment was completed; it included all relevant categories of the "Corporate Value Chain (Scope 3) Accounting and Reporting Standard"[27].

ORBIA has also in place guidelines for the operating control, monitoring and reporting of emissions from fixed sources, as required by the applicable Mexican regulations[28]. In this sense, each Project Site has emission control equipment and systems to keep gas and particle air discharge under control, comply with the applicable regulations in force and follow the Annual Program of Environmental Monitoring.

The Company wants to decarbonize its business[29] through the following strategies: (i) optimizing operational processes in order to increase energy efficiency in production and logistics; (ii) supporting low-carbon production through innovation; (iii) increasing the use of renewable energies at its sites; (iv) exploring carbon capture opportunities; (v) combing energy sources (for example, using biofuels) at its production operations to make them more environmentally friendly; (vi) engaging in actions to recover materials (for instance, refrigerants) and recycling end-of-life drip lines; (vii) increasing the use of recycled raw materials; (viii) partnering with suppliers and industry organizations to drive these and other best practices; and (ix) ongoing employee education and engagement in sustainability initiatives.

Also, during 2019, with a better understanding of its carbon footprint[30], the Company managed to improve its climate change score to B (management level) in the Carbon Disclosure Project, in line with the Task Force on Climate-related Financial Disclosures (TCFD).

4.3.a.ii Water Consumption

Water consumption at the Project Sites will be kept at the estimated historical average values, according to the volumes authorized in the groundwater withdrawal concessions (water for industrial use) and the drinking water supply agreements (through the municipal public grid) granted by the relevant authorities in the countries where they operate.

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[27] The "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" is published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

[28] NOM-043-SEMARNAT-1993 and NOM-085-SEMARNAT-2008, respectively.

[29] Net zero carbon emission for 2050 and reduced Scope 1 and 2 GHG emissions by 47% by 2030.

[30] For example, through Vestolit^{TM} , in 2019 the expertise gained was leveraged to reduce the carbon footprint of its portfolio to develop a PVC that is free from fossil fuels.

The Operation Sites maintain water efficiency plans and, in some of them (more specifically at the extrusion plants), they have closed loop systems to minimize water withdrawal. In 2020, the Company improved its water performance by reducing water consumption[31] by 3% (in absolute terms) with respect to the water consumed in 2019. Also in 2020, as part of its water withdrawal monitoring actions in areas of water stress, a risk assessment program was initiated including the watersheds in five of its resin plants in Mexico and Colombia[32]. Some examples of water efficiency initiatives: (i) reuse of wastewater by two neighboring companies, thus avoiding water being discharged into the sea and alleviating the local water stress; and (ii) wastewater circularity, by means of which treated water is sourced by the municipal plants, then used for production processes and further returned to the municipal plants to be treated again (water closed loop).

4.3.a.iii   Energy

During the O&M phase, the Project Sites will not generate any significant increase over the historical average energy values. The energy will be provided through the public grid, a service agreement with the authorized distributor or self-generation from natural-gas-run generators, and renewable sources[33]. Additionally, when applicable in compliance with Energy Transition Law, each Project Site reports its energy consumption to the high-consumption users system (HCU System).

As part of its Sustainability Approach, each business group seeks to save energy, without disrupting the production volumes at the sites. In 2020, ORBIA managed to reduce its energy consumption globally by 4% as compared to 2019. In order to achieve this, apart from setting up a metering system at each site, the business groups are carrying out the following actions, among others,: (i) progressively installing LEDs[34]; (ii) installing and replacing equipment with other more efficient options; (iii) turning off equipment when not in use; (iv) setting automatic or semi-automatic controls for high-consumption equipment; (v) carrying out preventive maintenance actions on the equipment for better performance; (vi) installing motion sensors and turning off the plant lights; (viii) using natural light in as many places as possible; (ix) executing waste heat recovery programs; and (x) training workers on energy saving.

4.3.b   Pollution Prevention

4.3.b.i   Wastes

In compliance with the environmental legislation, ORBIA reports on its special-management, hazardous and non-hazardous solid waste as well as the wastewater discharges to the municipal sewage system.

Moreover, the EMS and the ISO 14001:2015 certification require assessing the Company's compliance with the legal requirements, monitoring the environmental controls, performing monthly inspections of the environmental parameters and verifying the Company respects the maximum wastewater discharge

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[31]   Water consumption values are derived from deducting the volume of water discharged into natural water bodies or wastewater treatment systems from the volume of water withdrawn.

[32]   These are located in high or extremely high water stress areas, and represent 41% of ORBIA's consumption.

[33]   In 2020 about 131 GWh were used from renewable sources, accounting for 5% of total consumption and 60% increase with respect to 2019.

[34]   LED stands for Light Emitting Diode.

concentrations. In this regard, ORBIA has been formally authorized to dispose of special-management wastes, identified as the generator of such wastes and drafted a specific handling plan, as per the applicable regulations[35].

The Company's sustainability approach supports the circular economy and aims for the elimination of waste (zero waste[36]) to landfills by 2025. The Company's plans to reach those goals include: (i) reduction at source through design for sustainability; (ii) inclusion of recycled raw materials in its products, specifically the drip lines and pipelines; (iii) recyclability of components; and (iv) implementation of recycling programs and end-of-life take-back. In this regard, in 2020 the Company managed to reduce total wastes at all its business groups by 14%.

4.3.b.ii   Hazardous Materials Management

Each business group, in compliance with the applicable environmental legislation[37], reports on the generation, storage, handling and transportation of the hazardous waste generated, as well as the records of the companies handling it. In 2020 about 8 tons of hazardous waste was reported as generated (43% less than in 2019[38]), 5% of which was recycled or prepared for reuse.

Each site —if applicable— has a hazardous solid waste management plan, which sets the environmental KPI for waste generation, but also lists the activities, resources, people responsible, estimated completion date and status information for managing such hazardous waste. The plan includes guidelines to (i) identify, control, minimize, add value to and manage hazardous waste comprehensively; (ii) encourage a reduction-oriented mindset, by eliminating the use of this type of wastes or replacing them with non-hazardous ones; (iii) determine the measures for the internal collection and transportation to a temporary storage area for each type of hazardous waste, and (iv) safely store hazardous materials in line with the regulations, the products' safety data sheets, the official safety standards and procedures.

4.4   Community Health and Safety

4.4.a   Community Health and Safety

ORBIA runs the Project Sites and property with the best applicable environmental and OHS practices. The emergency response plan of each site includes a specific section to fulfill the requirements stated in the Community Protection Code of the Comprehensive Responsibility Management System. The Company puts it into practice with staff specialized in managing external emergencies (operations involving HAZ-MATs, firefighting, rescue and first aid) in coordination with the external authorities[39], to deal with leaks, spillages, fires or explosions that exceed ORBIA's response capacity.

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[35]   Comprehensive Waste Prevention and Management Law and environmental laws for each State and their regulations.

[36]   Orbia adopts a definition of Zero Waste to Landfill which is 90% diversion of waste (including hazardous and non-hazardous waste).

[37]   NOM-052-SEMARNAT-2005, NOM-004-SCT/2008, NOM-005-STPS-1998 and the regulation of the Comprehensive Waste Prevention and Management Law.

[38]   No major construction and decommissioning projects were reported for 2020, so less hazardous and non-hazardous waste was diverted for disposal.

[39]   Persons or entities with technical and legal competence, such as: Protección Civil, SEMARNAT, PROFEPA, the Red Cross, the fire brigade, etc.

As part of its corporate responsibility, the Company includes in the emergency response plans an industrial mutual assistance plan for the industrial areas where the sites are located and uses the Emergency Management Committees to reach agreements and dedicate human, technical and material resources to deal with the contingencies. Likewise, the Company, in line with its Communication Procedure and through its Site and Operations Managers, informs the communities about the emergency plans, the potential risks at its sites, the response and fighting devices, the alarm and communication systems, the evacuation routes and the internal and external drill program.

ORBIA has full business insurance[40], which covers any type of damage to the property, either real-state or personal, within its facilities, including third party's property in its custody and control. These policies also cover damages to adjoining property, environmental and social damage outside its facilities.

In order to help neighboring communities amid the COVID-19 pandemic, the Company has partnered with international institutions (UNICEF[41], CARE[42], Doctors without Borders[43]), as well as with the healthcare authorities of the countries where it operates to offer financial assistance and donations of goods as immediate solutions. Some of the donations included food, medicines, personal hygiene kits and protection masks, hand-wash stations, renewed water infrastructure for better access and the construction of small hospitals.

4.4.a.i   Infrastructure and Equipment Design and Safety

ORBIA's sites have installed equipment for detecting and containing leaks and spillages, alarm and fire-fighting systems, and emergency communication systems in line with the national requirements[44]. The emergency response plan and the Safety Systems and Equipment Manual make an inventory of the fire suppression equipment, either fixed (foam and water sprinklers; hydrants; CO_2 and AFFF[45], suppression system; pumps, tanks or cisterns for storing water to fight fires, etc.) or mobile (extinguishers), as well as the maintenance actions to be performed on the detection systems and fire alarms, and the names and roles of the fire brigade.

As part of its audit and certification process, the Company hires external consulting firms to inspect the firefighting infrastructure and systems, determine the risk levels and estimate the loss expectancies. Additionally, and following the international standards of the National Fire Protection Association (NFPA), annual inspections, tests, and maintenance activities are performed by a certified third party on the control panels of the alarm and detection systems, and on the hydrant systems.

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[40]   They have property, liability and environmental liability insurance.

[41]   United Nations Children's Fund.

[42]   The Cooperative for Assistance and Relief Everywhere (CARE) is a humanitarian agency delivering emergency relief and long-term international development projects.

[43]   It is an international humanitarian medical organization providing aid to precarious populations and victims of natural or man-made disasters and of war, irrespective of race, religion or political affiliation.

[44]   Mexican official standard NOM-002-STPS-2010, Safety conditions – Fire protection and prevention at the work sites.

[45]   Aqueous film former foam (AFFF) is a fire suppressant used to extinguish fuel fires.

4.4.b   Security Personnel

ORBIA has security and surveillance services in place, provided by a specialized security company that is duly registered with the Public Security Office of the State where the sites are located. The Company makes sure that all security personnel working in the premises and sites has been registered and certified by the relevant authority[46], and that they observe the specific procedure for security personnel, which includes the procedures, activities and actions that must be executed to keep ORBIA safe and secure. Likewise, the Company trains all its security personnel in the implementation of the property security aspects of its Drill and Alert Code, which involves analyzing security scenarios ranging from an extorsion call or a suspicious person in the premises to a bomb threat.

The Company's security guidelines are aligned with the international standards on human rights, and the laws and regulations of the countries where it operates. In order to make sure that every single person, whether they belong to the Company or not, has all their essential rights guaranteed, the process to hire private security services used in ORBIA demands that the applying company guarantees the respect of human rights.

4.5   Land Acquisition and Involuntary Resettlement

The Project does not involve any new development or require the acquisition of land or property; therefore, no involuntary economic or physical displacement is expected.

4.6   Biodiversity Conservation and Natural Habitats

Given the fact that the Project is not expected to use new property or develop new works or infrastructure, no significant impact on the vegetation or alteration to the biodiversity is anticipated.

Nonetheless, in compliance with the requirements of the environmental authorities, actions are underway to protect the biodiversity in the area of influence of its fluorspar mining operations in San Luis Potosí (Mexico). This includes restoration of the natural habitats, relocation of species, reforestation and compensation for adverse effects based on the findings of environmental impact studies. In this regard, ORBIA works closely with the National Forestry Commission of Mexico (CONAFOR) and provides shared funding for a program on payments for environmental services. These funds are being invested in the conservation of around 2,000 hectares of woodland in Sierra de Alvarez, Santa Catarina, through a wide range of initiatives, such as building firewalls, providing cameras for monitoring animal species and equipment for radio communication and forest firefighting, and road maintenance.

As to the purchase of materials within the supply chain, ORBIA makes reasonable efforts to guarantee that all raw materials for its products are responsibly sourced. So, in 2020, a program[47] was launched across the Group for supplier environmental assessment, monitoring and improvement. The EcoVadis framework was adopted, which evaluates the suppliers in terms of environment, labor, human rights, ethics and sustainable sourcing practices.

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[46]   *Dirección General de Seguridad Privada* (general private security office), from the *Secretaria de Gobernación* (internal affairs office) of the State of Sonora.

[47]   The program implementation is risk-aligned and three-year-phased and started with Wavin in Europe and Dura-Line in 2020, covering suppliers that represent 80% of our total spend across these brand operations.

4.7   Indigenous Peoples

Because the Project is based on already settled industrial areas, it does not involve developing any new property. Therefore, the lands and resources of the indigenous peoples are not expected to suffer impacts of any kind.

4.8   Cultural Heritage

The Project will not generate any impact on the cultural heritage.

5   Local Access of Project Documentation

ORBIA offers additional sustainability information in its website: https://www.orbia.com/es/sustentabilidad/