

Environmental and Social Review Summary (ESRS)

Vasconia - MEXICO

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

This transaction consists of a Partial Loan Guarantee to Grupo Vasconia S.A.B. (the "Group") for emissions generated by the Group under its program (the "Project"). Vasconia is a Mexican industrial group mainly dedicated to aluminum manufacturing and production. It is organized into two divisions: i) consumer products, Vasconia Brands S.A. de C.V ("Vasconia Brands"), with three plants mainly dedicated to the manufacture and sale (online) of tableware and kitchenware under different brands; and ii) industrial products, Almexa S.A. de C.V. ("Almexa"), with two operating plants and one in the late stages of construction, which manufacture aluminum sheets from recycled aluminum from local sources (68%) and imported primary aluminum (32%).

The Environmental and Social Due Diligence (ESDD) included a review of both Vasconia Brands and Almexa's environmental and occupational health and safety information (policies and procedures), as these companies are managed differently as far as these matters are concerned. The process also included discussions with Management and with the Vasconia Group's Occupational Health and Safety (OHS), Human Resources (HR), and Sustainability Department staff. Given the restrictions on mobility imposed to address the COVID-19 pandemic, the ESDD did not include physical visits to the Group's facilities by IDB Invest's environmental and social team.

2. Environmental and Social Categorization and Rationale

According with BID Invest's Environmental and Social Sustainability Policy, the Project has been classified as a Category B operation since most of the identified environmental risks and impacts are considered limited, site-specific, and easily mitigated. These include: (i) risks to the health and safety of workers; (ii) the generation of both hazardous and non-hazardous solid waste; (iii) use of resources such as energy, water, and local services; (iv) emissions; (v) the possibility of starting fires; y (vi) impacts associated with the supply chain.

The Performance Standards (PS) triggered by the Project are: PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety, and Security.

3. Environmental and Social Context

3.1 General Characteristics of the Project's site

The Group operates exclusively in industrial zones located in three states of the Gulf and Central Regions of Mexico: Mexico (Municipalities of Ecatepec and Cuautitlán), Veracruz, and Querétaro. Vasconia Brands has three plants (Querétaro, Cuautitlán and Tulpetlac or Ecatepec) that manufacture value-added aluminum and steel products (pots, pans, auxiliary utensils, trays, aluminum foil, etc.). Almexa also has three plants: The Cuautitlán and Tulpetlac plants, currently in production, and the Veracruz plant, culminating construction. The Almexa plants produce, on the one hand, laminated aluminum for construction and the automotive industry and, on the other hand, aluminum discs for manufacturing. In the Cuautitlán and Tulpetla facilities, Almexa and Vasconia Brands have neighboring operations.

3.2 Contextual Risks

The degree of economic development of the Project States (Center Region and Gulf) is lower than in its northern counterparts. Of the three states that host the Project, Mexico has the greatest population density (537 inhabitants per km²), followed by Querétaro (105 inhabitants per km²) and Veracruz (90 inhabitants per km²). Despite these States' lower economic development and higher population density, no significant homicide rates have been recorded compared to their counterparts in the north.¹

Mexico has limited bauxite reserves, the rock from which aluminum is mined, so its production depends on aluminum being collected and recycled or imported. The Mexican market's demand for aluminum has sparked an interest in increasing the country's recycling volumes (scrap) for its use.

In its processes, the Vasconia Group uses 32% primary aluminum, whose primary supplier is the Russian company RUSAL. Following the war with Ukraine, the international community has imposed a series of economic sanctions on Russia. Moreover, many Russian products are being rejected by civil society. As the war progresses, the negative predisposition of markets and civil society is likely to increase.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a E&S Assessment and Management System

While the Vasconia group lacks a Corporate Environmental and Social Management System (ESMS), Vasconia Brands and Almexa have management systems aligned with Mexican standards (NMX-CC-

¹ 2020 statistics of the National Institute of Statistics and Geography.

9001-IMNC-2015) and ISO 9001:2015². The Vasconia Group has a Great Place to Work certification,³ a Socially Responsible Company (*Empresa Socialmente Responsable*) certification,⁴ an Inclusive Company distinction,⁵ a Clean Industry distinction,⁶ and has been recognized as a Safe Company for its Self-Management in Occupational Health and Safety.⁷ Nevertheless, Vasconia Brands and Almexa will strengthen their integrated management systems and quality systems, respectively, adding risk identification aspects, occupational health and safety policies, etc.

The Group's plants have all permits, licenses, and environmental, social, and occupational health and safety assessments required by Mexican law. These include: Single Environmental License; Register as Hazardous and Special Handling Waste Generator; Well Water Abstraction Permit (Cuautitlán plant); State Civil Protection Registry; and Ruling on Minimum Municipal Security and Civil Protection Conditions, among others. Vasconia Brands and Almexa also have a Legal Requirements Matrix for all their plants, including the one in Veracruz, which should start operations in May 2022.

Vasconia Brands has an Integrated Management System Manual (VB-DG-GEN-MAN-01) approved by its management in April 2021. This manual is revised every three years and includes a quality policy, a list of reference documents, a detailed explanation of the processes in all three plants, and the integrated management model divided into strategic, operating, and support processes. Responsibility for applying the manual lies with all Vasconia Brands employees. Nevertheless, the inspectors, supervisors, managers and directors of the Quality Department and the Integrated Management System Coordinator are responsible for its implementation and continuous improvement. For this purpose, the Vasconia Brands Management meets every quarter with the representatives of each area (production, quality, costs, planning, procurement, sales, and product).

Almexa has a Quality Management System Manual (GGE-01-M) for its two production plants (Tulpetlac and Cuautitlán), which was last revised in March 2021. Responsibility for its implementation lies with the Quality Management area. Almexa complies with the annual revisions required by clean industry environmental standards, as well as by the Secretariat of the Environment and Natural Resources (SEMARNAT), the Secretariat of the Environment (SEDEMA), the Municipal Decentralized Public Body for the Provision of Potable Water, Sewerage and Sanitation Services (OPERAGUA) the National Water Commission (CONAGUA), and the National Commission for the Efficient Use of Energy (CONUEE). In terms of Health, Safety, and Hygiene, it fulfills the Technical Standard of Civil Protection and the Official Mexican Occupational Health and Safety Standards, which include provisions on: the provision of personal protective equipment; the preparation of reports on work risks; and the management of static electricity, vibrations, lighting, and noise, among others (NOM-STPS). Almexa is ISO 9001:2015 certified until 20214 and IATF

² International Organization for Standardization (ISO) standard for quality management systems.

³ Certification that allows evaluating and comparing one's own organizational culture with that of The Best Places to Work®.

⁴ Certification issued by the Mexican Center for Philanthropy (Cemefi) and the Alliance for Corporate Social Responsibility in Mexico (AliarRSE) to leading companies in their commitment to contributing social value at all levels of their operations.

⁵ Title granted by the Secretariat of Labor and Social Security (STPS).

⁶ Issued by the Federal Bureau of Environmental Protection (PROFEPA).

⁷ Title granted by the Secretariat of Labor and Social Security (STPS).

16949:2016⁸ certified until March 2022, although its renewal process until 2025 has already been started.

4.1.b Policy

The Vasconia Group lacks a Corporate Environmental or Occupational Health and Safety Policy. However, Vasconia has a Quality Policy and a Safety Policy (applicable only to the Tulpetlac plant). Both policies emphasize aspects of quality, consumer and customer responsibility, financial margin, and staff's personal and professional development. Environmental and occupational health and safety aspects are referred to implicitly and no requirements or standards adopted by the Company (local legislation, national and ISO standards) are mentioned. Almexa has a Safety, Health, and Environment policy that clearly states its commitment to the safety of its direct and indirect workers, and the environment. Nevertheless, its standards and requirements are not stated explicitly.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and Indirect Impacts and Risks

The Vasconia Group conducts risk identification in each plant and for each process in both divisions (Almexa and Vasconia Brands). Both risk identification and preventive measures are detailed in monitoring and control sheets and are regularly monitored: every year, both divisions undergo an internal audit as part of its Internal Audits and Continuous Improvement Program. The risks in the control sheets are assessed under two criteria: severity and probability. The scored derived from this analysis can be categorized in four risk groups: acceptable, low, medium or high.

Vasconia brands, as part of its Integrated Management System Manual, has an Internal Audit Procedure in place (VB-DG-GEN-PRO-03) that requires that these review processes perform a detailed analysis of the type of risk, its severity, its probability, and preventive measures. On the other hand, Almexa, as part of its Quality Management System Manual and Opportunity and Risk Management Procedure (GGE-11-P), conducts a risk analysis for each of its processes, defining indicators and control mechanisms for this purpose.

4.1.c.ii Analysis of Alternatives

As the Group operates only in already established industrial areas, no alternative analysis studies have been conducted.

4.1.c.iii Cumulative Impacts Analysis

A preliminary cumulative impact analysis conducted based on the operation of the industrial parts with all the foreseen companies and three value components (air, noise, and traffic) shows that, despite the fact that the incremental impact produced by the Group on these value components is immaterial, there would be a variation in air quality resulting from the simultaneous operation of

⁸ IATF 16949:2016 certification is granted by the International Automotive Task Force (IATF).

all the companies as planned. Nevertheless, in order to mitigate this incremental impact, the Vasconia Group has set up monitoring platforms in each furnace. Likewise, the industrial zones where the Group's platforms are located have adopted a warning system that is triggered when air quality falls beneath a set threshold, which forces production to a stop until the minimum conditions required are restored.

4.1.civ Gender Risks

Of Vasconia Group's workforce, 32.8% are women, 19% of whom are employed by Almexa, 46% by Vasconia Brands and 44% by Corporate. Women occupy 35% of the Group's senior positions. The Group has a non-discrimination and equal opportunity policy, and its whistleblower mechanism encourages employees to report any type of discrimination or violence. During 2021, two of the 21 reports received by the Group related to sexual harassment. These reports were investigated and resolved in a timely manner. In 2007, the Group created the *Fundación para Nosotras las Mujeres* (Foundation for Us Women) with the aim of providing aid to Mexican women facing health problems, especially breast cancer.

4.1.c.v Climate Change Exposure

The plants are located in industrial areas that historically have not been affected by extreme weather events. In this sense and depending on the type of activities performed in the Group, climate change exposure of its facilities is considered low.

4.1.d Management Programs

The Vasconia Group has policies, procedures, guidelines, and programs aimed at preventing, controlling, and mitigating the adverse effects of its plants' operations. The procedures allocate responsibilities and mitigate environmental and social risks in the Group's activities. For the most part, such procedures are required by either local regulations (federal, state, or district) or by ISO9001 or IATF (16949:2016, in the case of Almexa, and ISOE EIC 17025:2005 in the case of Vasconia Brands⁹) auditors.

As part of compliance with local regulations and the Integrated Management and Quality System, the Group has the following management tools: i) ISO 9001: 2015 and IATF 16949:2016 (for Almexa) requirements compliance matrices for each of their processes; ii) Raw Material Storage Procedure (VB-DCS-CA-PRO-01); iii) Supplier Quality Manual (VB-DCS-COM-MAN-01); iv) Raw Material Inspection and Reception Procedure (VB-DCS-COM-MAN-01); v) Raw Material Process and Storage (VB-DCS-CS-PRO-01); vi) Hazardous Waste Removal (VB-DRH_SEH-PRO-02); vii) Internal Audit Procedure (VB-DG-GEN-PRO-03); viii) Risk and Opportunity Management Procedure (GGE-11-P); viii) COVID-19 Protocol; ix) Annual Training Program, and x) Safety and Hygiene Procedures (AT-SHI2-1A), among others.

⁹ To certify the quality of pressure pots in its own accredited laboratory.

4.1.e Organizational Capacity and Competency

The Vasconia Group has a Human Resources Department and a Sustainability Department that report directly to Corporate Management. Almexa and Vasconia Brands also have Quality Control and Occupational Health and Safety teams that include analysts and environmental assistants.

The Group has an annual training plan that has a record of over 25 courses imparted in 2021, which focused on compliance with federal law and the procedures included in the Management System. Trainings covered the following subjects: safety in confined spaces; emergency response; preventive occupational health and safety services; risk from exposure to high temperatures; and safe handling of flammable materials, among others. The Annual Training Plan for the Vasconia Group will be modified to include training on the IDB Invest Sustainability Policy.

4.1.f Emergency Preparedness and Response

The Vasconia Group has an Emergency Response Plan for each plant, whose Safety and Hygiene Department is responsible for implementing. This department heads the implementation of two emergency response drills per year (including earthquakes and fires).

As specified by technical standard NTE-001 CGPC-2016, the Emergency Plans have required the formation of five brigades (first aid, fire prevention and control, evacuation, search and rescue, and communication) and one civil protection unit per plant, which are trained on immediate emergency response.

The scenarios considered in the Emergency Plans include fire, explosions, chemical spills, gas leaks, medical emergencies, floods, and earthquakes, among others. However, coordination and the relationship between the emergency plans among Vasconia Group divisions is unclear, as is coordination with other companies in each industrial complex. In this regard, the Vasconia Group will update its Emergency Plans to define better methods of coordination between divisions and plants (especially the Cuautitlán and Tultepec plants).

4.1.g Monitoring and Review

Grupo Vasconia conducts an annual internal audit on its processes and the implementation of its Integrated Management (Vasconia Brands) and Quality (Almexa) System. In addition, the Group is required to submit the Annual Operating Card ("Cédula de Operación Anual" or "COA") to SEMARNAT for each plant. The plants are also subject to periodic inspections as part of the ISO certifications.

4.1.h Stakeholder Engagement

The Vasconia Group has identified internal (partners, human capital, and senior management) and external (clients, distributors, investors, suppliers, authorities, and regulators) stakeholders. Both groups have been involved to develop the Vasconia Sustainability Report.

Almexa, as part of its Quality Management, has identified internal (partners, human capital, and senior management) and external (government, clients, suppliers) stakeholders. The Vasconia Brands Integrated Management System has yet to identify its stakeholders.

4.1.h.i Disclosure of Information

The Vasconia Group communicates environmental, social, and commercial information through its website,¹⁰ and, as of 2022, through its Sustainability Report, which is expected to be published in the second quarter.

4.1.h.ii Informed Consultation and Participation

As part of its Sustainability Report, the Vasconia Group conducted online surveys and interviews to identify environmental, social, and material corporate government issues.

As the Group's operations take place in industrial areas and given that the Project seeks to improve process efficiency using basically its existing infrastructure, Mexican law does not require a consultation process to be carried out.

4.1.i External Communication and Grievance Mechanisms

4.1.i.i External Communication

The Vasconia group discloses information to the public at large through its website and Sustainability Report (to be published for the first time in 2Q 2022).

4.1.i.ii Grievance Mechanisms for Affected Communities

The Group has an external grievance mechanism managed by a third party (Deloitte). Grievances may be filed anonymously. Of the 21 grievances received in 2021, none was by the communities.

4.1.i.iii Provisions for addressing vulnerable groups' grievances

The Group encourages the reception of grievances from vulnerable groups by socializing its external grievance mechanism.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

The Vasconia Group employs 1,730 direct employees; Vasconia Brands, 904 (702 in Cuautitlán, 124 in Querétaro, and 78 in Tlalnepantla/Ecatepec), and Almexa 826 (436 in Tlalnepantla, 383 in Cuautitlán, and 7 in Veracruz). Approximately 32% of the labor force are women.

¹⁰ <http://www.grupovasconia.com/fundacion/programas-ambientales/>

4.2.a.i Human Resources Policies and Procedures

Although most of the Vasconia Group's processes and procedures are based on the needs of its two divisions and are therefore different, labor relations management rests with the Corporate Human Resources Department. The Group has Corporate Human Resources Policies and Procedures (GV-DRH-RH-MAN-01) that outline employee rights and duties, as do the Code of Ethics, talent recruitment mechanisms, and trainings. The Code of Ethics is published in its [website](#).

4.2.a.ii Working Conditions and Terms of Employment

The Vasconia Group's Human Resources Policies fulfill the provisions of the Federal Labor Law regarding working conditions, including duration of the working day, overtime accounting and payment, company and employee commitment to observing the appropriate measures for accident and disease prevention, disciplinary measures, and causes for termination of employment.

4.2.a.iii Workers' Organizations

As required by Mexican law, the Vasconia Group allows the free association of its employees and collective bargaining. Fifty-one percent of the Group's workforce is unionized. Employment contracts with both unions, the *Confederación de Trabajadores y Campesinos* (CTC) and the *Confederación de Trabajadores de México* (CTM), are reviewed annually in terms of wages and inflation adjustments and every two years to define changes in benefits. Relations with the unions are stable and there have been no labor conflicts.

4.2.a.iv Non-discrimination and Equal Opportunity

The Vasconia Group provides equal opportunity to all employees and recruits with no discrimination by race, religion, nationality, sex, sexual orientation, age, marital status, or abilities.

The socialization of the grievance mechanism encourages employees and people outside the company to report any act of discrimination involving reasons of sex, race, creed, color, social status, intolerance, marital status, disability, and political affiliation, among others.

4.2.a.v Retrenchment

The Vasconia Group provides incentives for long-term employment. Nevertheless, the Corporate Human Resources Policy states that, should restructuring or downsizing be required, employee termination will be done as required by the applicable Mexican legislation.

4.2.a.vi Grievance Mechanism

The Vasconia Group has an internal grievance mechanism managed by a third party (Deloitte) and involves the company's Ethics Committee. Complaints can be anonymous and can be received via telephone, fax, through the Group's website, email, or through the post office. Once a grievance is received, it is analyzed by Deloitte's Ethics and Integrity Center and communicated to the Ethics Committee. Once analyzed, the complainant is informed of the result of the analysis process. This

process may take two weeks to a month. The use of this mechanism is extensible to suppliers, clients, and communities.

In 2021, the Vasconia Group received 21 complaints, 9 of which had to do with Almexa and 12 with Vasconia Brands. Only one of these complaints failed to be resolved in a satisfactory manner, since the complainant did not have a working relationship with the company.

4.2.b Protecting the Workforce

Mexico is a signatory to several conventions and treaties of the International Labor Organization (ILO) related to the rights of workers. The Environmental and Social Due Diligence process did not find any child labor or forced labor instances. On the other hand, the Vasconia Group's Corporate Human Resources Policy and Procedure expressly forbids child labor and forced labor, as does Mexican law.

The Vasconia Group has a disease prevention program for its employees and has implemented several sanitary campaigns, such as: cervical cancer prevention; prostate cancer prevention; weight control and diabetes prevention; seasonal influenza vaccine application; and tetanus toxoid vaccine application. On the other hand, and due to the COVID-19 pandemic, the Vasconia Group joined the initiative of the *Universidad Nacional Autónoma de México* (UNAM) to put at its employees' disposal a psychological support hotline and weekly therapy sessions, as required.

4.2.c Occupational Health and Safety

The Vasconia Group's operation adheres to the Federal Occupational Health and Safety Regulations.¹¹ Based on labor risk analyses (noise, temperature, lighting, vibrations, physical earthing, etc.), both Vasconia Brands and Almexa implement Occupational Health and Safety (OHS) procedures that include the following, among others: use of personal protective equipment (PPE); adoption of COVID-19 prevention measures; the provision of nursing facilities; and ongoing training on OHS for accident prevention.

During 2021, the Group made progress in strengthening its protocols and OHS measures. These included: new employee induction; placing visible signs to raise awareness on the use of PPE; conducting drills, trainings, showing videos on health and safety measures; and "safe start" acknowledgments to provide positive feedback to employees on any deviations. These and other measures have resulted in a 55% accident rate reduction in the Querétaro and Cuautitlán plants. Each accident is registered and its root cause analyzed.

The Vasconia Group's five operating plants have a fire prevention system in line with Mexican regulations. Nevertheless, such system will be reevaluated to ensure it meets the standards of the National Fire Protection Association (NFPA).

¹¹ <http://www.diputados.gob.mx/LeyesBiblio/regla/n152.pdf>

4.2.d Provisions for People with Disabilities

The Group's plants have ramps to facilitate wheelchair user access. The Vasconia Group fosters labor inclusion in various population sectors, such as persons with disabilities, senior citizens, and vulnerable groups, encouraging these groups to apply for available job openings.

4.2.e Workers Engaged by Third Parties

Persons engaged by third parties enjoy the same privileges and obligations as those employed directly by the Vasconia Group.

4.2.f Supply Chain

All Vasconia Group suppliers undergo an approval process that ensures that they comply with Mexican regulations, including the Federal Occupational Health and Safety regulations. Almexa and Vasconia Brands have a list of approved authorizers obtained from this review. It should be noted that Vasconia Brands' main supplier is Almexa, i.e. Vasconia Group uses a vertical integration business strategy.

Vasconia Brands, through its Purchasing Department, selects, classifies, and evaluates its suppliers as per its Supplier Quality Manual (VB-DCS-COM-MAN-01) and its Raw Material Inspection and Reception Process (VB-DCS-COM-MAN-01).

Almexa has an Acquisitions Process (GGE-06-P) that was last reviewed in August 2021, and a protocol for the acquisition and delivery of recycled aluminum (*scrap*). Thirty suppliers are currently authorized to supply scrap to Almexa. These suppliers, however, have no direct contact with the "*pepenadores*" (garbage pickers), rather, they purchase scrap in blocks. In 2021, the largest supplier of scrap (41%) was the company Envases Universales S.A.. Both the procurement procedure and the scrap acquisition protocol will be updated to include the need to inspect suppliers annually and incorporate provisions to ensure the latter comply with Mexican labor laws.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

The Vasconia Group has several programs that foster an efficient use of resources, such as programs on saving water or rainwater harvesting, aluminum recycling, changing light sources, etc. Thus, for example, in November 2021, Vasconia Brands changed 346 lights to LED technology in its Cuautitlán plant, reducing its electric power consumption by 300,000 kilowatts hour (kWh). It intends to replicate this initiative in its Querétaro plant in the second semester of 2022 Likewise, until 2025, the Group intends to implement a rainwater harvesting project to make the Vasconia Brands operations self-sufficient.

To manage its resources and encourage a decrease in consumption and adverse impacts from its operations, Vasconia Brands has defined key performance indicators (KPIs) for CO₂ emissions,

energy consumption, and water use. Likewise, Almexa is incorporating state-of-the-art technology in its Veracruz plant to cut its natural gas consumption by half. To supplement these efforts, the Vasconia Group will record the annual resource consumption and waste production for each of its divisions and plants, in order to propose efficiency measures for its inputs and adopt waste reuse procedures.

Greenhouse Gases

The Vasconia Group regularly inventories the greenhouse gases (GHGs) associated to aluminum sheet production, as well as to diesel, liquefied petroleum gas, and gasoline use as energy sources. In 2021, the Group had scope 1 emissions (direct hydrocarbon consumption) of 37,084 ton CO_{2eq} and scope 2 (electric power consumption) emissions of 19,145¹² ton CO_{2eq}. For Vasconia Brands, its scope 1 emissions were 2,460 ton CO_{2eq} and scope 2, 3,780 ton CO_{2eq}. For Almexa, its scope 1 emissions were 34,624 ton CO_{2eq} and scope 2 reached a total of 15,365 ton CO_{2eq}. The Group is discussing with its internal team the inclusion of scope 3¹³ emission calculations in its analysis (raw materials and transport), and it will propose and adopt emission reduction measures.

Thanks to the state-of-the-art technology that will be employed in Veracruz, which will allow savings of almost half of the current consumption, GHG emissions for natural gas consumption are expected to decrease despite the foreseen increase in production.

Water and electricity consumption

Water is supplied to the Vasconia Group's facilities primarily through the municipal network. Almexa's Cuautitlán plant also has a well with the corresponding permits and use rights.

Electric power to operate the Group's production lines, recharge power lifts' batteries, and light the plants, distribution center, and administrative offices is supplied by the Federal Electricity Commission.

The main energy source for all five of the Vasconia Group's plants is natural gas, especially to feed the furnaces. This is provided through the municipal central network. The Group also uses diesel and liquefied petroleum gas for forklifts.

In 2021, natural gas consumption in Almexa's Cuautitlán plant for the smelting, treatment, homogenization, and curing furnaces was 7.8 million m³, and in Tultepec, 6.9 million m³.

¹² Using the emission factor (February 2022) of 530 g/kWh provided by the Federal Electricity Commission. This factor, however, is expected to be reduced to 308 g/kWh in two years' time (2024).

¹³ Assuming 0 emissions for recycled aluminum and 13 ton CO_{2eq} per ton of primary aluminum.

4.3.b Pollution Prevention

The Vasconia Group, in observance of Mexican standards, measures air emissions¹⁴ (all furnaces have sampling platforms) and wastewater discharges,¹⁵ and conducts potable water¹⁶ and waste hazardousness¹⁷ studies. The results of these studies are included in the emissions reports contained in the Annual Operating Card (COA), which, to date, show compliance with Mexican regulations.

Waste

Wastewater discharge is through the municipal sewage network. However, to measure flow rates and calculate a water balance, the Vasconia Group intends to install wastewater discharge meters during the second semester of 2022, beginning with the Vasconia Brands division's Cuautitlán plant.

Hazardous Materials Management

Hazardous and special handling waste is done as required by Mexican regulations (NOM-052-SEMARNAT).

In 2021, Vasconia Brands' operations produced the following quantities of special handling waste per plant: Cuautitlán 426 tons ("ton"), Querétaro 627 ton, and Tulpetlac/Ecatepec 94.3 ton. In the Cuautitlán plant, hazardous waste was 131 ton, and in Querétaro 35 ton. That same year, Almexa produced, from the operations of both of its plants, 3,192 ton of special handling waste and 253 ton of hazardous waste. The Group has a traceability matrix that records the output weight of each plant's waste and the weights that reach the authorized collection center. Final disposal services have been outsourced to authorized companies.¹⁸

Pesticide Use and Management

Vasconia Group's Safety and Hygiene Office is in charge of pest control management through a duly authorized third party. Pest control mechanisms include mechanical action traps and UV traps. All chemical components and UV radiation sources meet government provisions. Standard NOM-256-SSA1-2012 provides the sanitary requirements for pesticide application.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

Both the Vasconia Group's five operating plants (Querétaro, Cuautitlán, and Tulpetlac/Ecatepec) and the almost completed plant (Veracruz) are located in industrial zones, with no urban

¹⁴ Official Mexican Standard NOM-043-SEMARNAT, NOM-085-SEMARNAT. These standards set emission limits and emitter responsibilities.

¹⁵ Official Mexican Standard NOM-002-SEMARNAT.

¹⁶ Official Mexican Standard NOM-127-SSA1.

¹⁷ Official Mexican Standard NOM-052-SEMARNAT.

¹⁸ SERCOPSA S.A. DE CV., Garcisol reciclados S.A. DE C.V., Recuperadora Ecológica Ambiental S.A. DE C.V.

settlements in their vicinity. Nevertheless, to manage traffic in the area neighboring the Veracruz plant, which will likely increase once it starts operations, the Group will prepare a road safety plan.

4.4.a.i Hazardous Materials Management and Safety

Hazardous waste and special waste management is done by duly authorized third parties. The Vasconia Group's plants, being far from urban centers, present no major risk to the management of this type of materials.

4.4.aii Community Exposure to Disease

No impacts on community health have been identified. As all the Group's plants are located far from urban centers, community impacts are minimal or null.

4.4.b Emergency Preparedness and Response

The plants' emergency plans do not include the communities in their implementation, as there are no communities in their vicinity.

4.4.b Security Personnel

Security services are provided by a duly authorized company. Security guards are unarmed and mostly control entry into the premises.

4.5 Land Acquisition and Involuntary Resettlement

The Project will not require new land acquisition and, therefore, it does not involve any kind of involuntary physical or economic displacement.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Project is located in previously disturbed industrial lands. Consequently, it will not affect sensitive natural habitats, critical habitats, or places with high biodiversity.

4.7 Indigenous Peoples

The Project will not affect Indigenous communities or populations.

4.8 Cultural Heritage

The Project will not affect any cultural heritage.

5. Local Access of Project Documentation

Documentation on the Vasconia Group and its divisions can be accessed at:
<https://www.grupovasconia.com/>