

Environmental and Social Review Summary (ESRS) Elementia Materiales Project- REGIONAL

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1. General information of the operation

This transaction consists of financial assistance for Elementia Materiales S.A.P.I. de C.V.¹ ("Elementia Materiales" or the "Company") to establish an uncommitted revolving credit facility (the "Facility") to provide financing to its suppliers through the acquisition of collection rights (the "Project" or the "Operation"). The Project includes accounts receivable, the payment of which will be deferred due to the exceptional measures adopted by the Company to mitigate the impact of COVID-19 on its suppliers in Mexico, Costa Rica, Ecuador, Peru, Colombia, El Salvador and Honduras.

2. Scope of the IDB Invest's Environmental and Social Review

The environmental and social review of the Operation consisted of a documentary analysis of the Company's environmental and social performance over time, with an emphasis on compliance of the following Performance Standards (PS): 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 Categorization and Rationale

The Project has been classified as a Category C operation according with IDB Invest's Environmental and Social Sustainability Policy as it will generate almost no adverse environmental or social risks or impacts and, if any, they will be very limited and their intensity very low.

4. Environmental and Social Risks and Impacts

4.1 Assessment and Management of Environmental and Social Risks and Impacts

The Company, which manufactures and markets construction materials, copper, and aluminum products, has 22 production plants; more than 5,381 employees; and more than 3,389 independent distributors in the 9 countries in which it operates: Mexico, Colombia, Ecuador, Bolivia, Costa Rica, El Salvador, Honduras, Peru, and the United States. This has made it the leading producer of fiber cement in Latin America, the second largest in the United States, and one of the five largest producers of copper and alloy products in

¹ Elementia Materiales, S.A.P.I. de C.V. is a company created from a spin-off of Elementia S.A.B. de C.V., which consolidates the Construsistemas and Metals Business Units.

the world. Elementia Materiales has two business lines: i) "Construsistemas" or construction systems,² for which it manufactures and distributes fiber cement (tiles, roofs, pipes) and plastic (septic tanks, cisterns, sheets) products, with six plants in Mexico; and ii) Metals,³ which manufactures and sells copper products and alloys (sheet, pipes, bars, wire) for self-construction.

Elementia Materiales has managed to define a sustainability strategy that applies to both lines of business and is in line with the Sustainable Development Goals ("SDG").⁴ As a result, it has developed a solid Environmental, Social, and Governance management system implemented as part of an Integrated Management System Policy, under the leadership of a Management and Sustainability Committee. This has allowed it to: (i) identify and implement environmental management actions that are monitored through 11 key performance indicators that are summarized in an operations dashboard; (ii) ensure regulatory compliance in the countries where it operates; (iii) offer its employees employment conditions so that, in addition to compliance with applicable labor laws and regulations, it develops and retains the best talent in a diverse and inclusive manner, with a focus on the promotion of occupational health and the prevention of safety risks; iv) have a Code of Ethics and an Integrity Policy⁵ that define different channels and responsibilities for receiving, handling, and responding to complaints and reports, whether direct or anonymous; and v) implement a Supplier Code of Ethics, a mechanism that includes the quality standards required of suppliers as well as a methodology for evaluating them.

As part of its environmental and social commitments, Elementia Materiales complies with all applicable regulations in each country where it operates.

The Company has several digital communication instruments⁶ for external communication with stakeholders that serve as informative and accountability tools, such as: annual sustainability reports, press releases and newsletters, and announcements in each business unit's social media channels.⁷

4.2 Labor and Working Conditions

The Company complies with the labor aspects and conditions (working hours, remuneration, paid annual leave, labor compensation, work regimes, safe working conditions, among other aspects) specified in the labor and occupational health and safety ("OHS") legislation of the countries where it operates.

Elementia Materiales also has a Code of Ethics and a Health and Safety Policy, instruments that aim to guide the behavior of all members of the Company, as well as that of independent contractors or consultants who provide services, so that they act with the highest standards of personal and professional integrity in all aspects of their activities. The code establishes and ensures: i) compliance with local laws and international labor and human rights conventions and treaties signed by the countries where it operates; ii) dignified treatment of workers; iii) a healthy work environment; iv) a good quality of life in the Company; and v) optimal working conditions for its employees, including key issues such as the

² 6 plants in Mexico, 3 in Central America (1 in El Salvador, 1 in Honduras, 1 in Costa Rica) and 6 in the Andean Region (3 in Colombia, 1 in Ecuador and 2 in Peru).

³ Including 3 plants in Mexico.

⁴ The sustainability strategy is based on 10 principles that are described in the Sustainability Reports, published sequentially since 2013, following GRI standards. These reports can be found on the following web page: www.elementiamateriales.com

⁵ https://www.elementia.com/es_ES/transparencia

⁶ https://www.elementia.com/es_ES/nuestra-empresa

⁷ <https://www.mexalit.com/>; and <http://www.nacobre.com.mx/>

prohibition of child and forced labor, the right to free association of its employees, the prohibition of any form of harassment or discrimination, and health and safety.

The Supplier Code of Ethics establishes business practices for a healthy relationship, seeking to ensure that the work philosophy is consistent with the Company's ethical principles. Thus, in 2022, Elementia Materiales had commercial relationships with more than 1,500 suppliers in different countries, to which it has transmitted its principles and values regarding care for the environment and respect for the communities in which it operates. Nevertheless, the Company will implement a procedure to verify that its suppliers: i) meet the required quality standards; ii) follow Elementia Materiales' environmental and social ("E&S") and Occupational Health and Safety ("OHS") guidelines; and iii) comply with the provisions included in the Company's Supplier Code of Ethics.

Regarding its response to claims or complaints, the Company has set up a direct and confidential channel for its employees, suppliers, and stakeholders, through which anyone can personally or anonymously report any irregular act or violation of the guidelines of its Code of Ethics or applicable regulations, without fear of reprisals. All grievances that enter through its communication channels⁸ are attended to and investigated by the Steering Committee's Internal Audit Contact Center, which, after the respective analysis and processing, reports to the Compliance Committee for the corresponding investigations. Corrective actions resulting from investigations are communicated to the complainant and, when appropriate, implemented by the corresponding department, under the supervision of the Compliance Committee.

4.3 Resource Efficiency and Pollution Prevention

The Company strives to reduce the environmental impact of its operations. To this end, it has allocated the necessary resources and implemented operating procedures, action plans, and ongoing monitoring processes that allow it to track trends in the behavior of its operations in relation to the management of its significant environmental aspects. This, in turn, has allowed it to make more efficient use of water and implement its reuse; reduce waste generation, seeking to recover and use the waste generated as raw materials in some of its production processes; align with the principles of the circular economy; increase efficiency in the consumption of fuels used in its production process; seek alternatives to reduce the consumption of electricity in each facility; and identify clean energy options to reduce greenhouse gas ("GHG") emissions.

The Company has an Environmental Management System ("EMS") certified under ISO 14001:2015⁹ for all the plants of the Mexico Metals division and Construsistemas in Ecuador.

Since the Project is a commercial transaction that involves financing the Company's suppliers through the acquisition of collection rights, it will not generate pollution or require the use of additional natural resources.

⁸ Reporting channel available on Elementia's website: www.elementiamateriales.com; or Elementia Materiales' Compliance Committee's email: "comite.cumplimiento@elementiamateriales.com"; or postal mail for the Compliance Committee addressed to Elementia Materiales, S.A.P.I. de C.V., Attn.: Elementia Compliance Committee, Av. Paseo de las Palmas No. 781, Piso 7, Col. Lomas de Chapultepec III Sección, Alcaldía Miguel Hidalgo, Ciudad de México, México.

⁹ Certification granted by the International Organization for Standardization (ISO) to environmental management systems that meet certain minimum requirements for sustainability and continuous improvement.

4.4 Community Health, Safety and Security

The Company has a strong sense of support, empathy, and solidarity with the communities through its Corporate Social Responsibility ("CSR") and Sustainability practices. Its efforts focus on improving the standard of living of the communities neighboring its operations.

It should be noted that in 2022, the Company obtained the ESR® ("Socially Responsible Company")¹⁰ Distinction for the twelfth consecutive year, awarded by the Mexican Center for Philanthropy ("CEMEFI")¹¹, due to the implementation of its principles and values as a corporate citizen committed to the development of its communities and the protection and conservation of natural environments. This distinction is awarded following a process of measuring and comparing the degree of implementation of CSR and environmental, social, and governance ("ESG") sustainability actions of companies operating in Mexico.

5. Local Access of Project Documentation

Additional sustainability information for Elementia Materiales can be accessed at the following link: <https://www.elementiamateriales.com>

6. Environmental and Social Action Plan

No.	Aspect	Action	Deliverable	Compliance date
PS 1: Assessment and Management of Environmental and Social Risks and Impacts				
1.1	Project's Regulatory Compliance	1. Prepare an environmental and social performance report that includes a detailed outline of compliance with: i) applicable national (Mexico, Costa Rica, Ecuador, Peru, Colombia, El Salvador and Honduras) environmental and social, labor, and occupational health and safety ("OHS") regulations; and ii) the IDB Invest Environmental and Social Sustainability Policy.	Environmental and Social Compliance Report.	Annually over the life of the loan.

¹⁰ <https://www.cemefi.org/distintivo-esr-2/>

¹¹ <https://www.cemefi.org/>