

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

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1. General information of the operation

This transaction consists of financial assistance for Fortaleza Materiales S.A.P.I. de C.V.¹ ("Fortaleza 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 and Costa Rica.

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 cement, has production plants²; has around 1,480 employees; and more than 1,300 independent distributors in the 3 countries in which it operates: Mexico, Costa Rica, and the United States. Fortaleza Materiales remains one of the leading cement producers in the United States, Mexico, and Central America, with a portfolio of eco-efficient and high-quality products,

¹ Fortaleza Materiales, S.A.P.I. de C.V. is a company created from a spin-off of Elementia, S.A.B. de C.V. (Cements, Construsistemas and Metals), consolidating the cement production Business Units in the United States, Mexico, and Central America.

² 8 cement production plants, 8 concrete plants, in addition to 3 waste recovery plants and 10 distribution terminals.

that defines a sustainability strategy transversal to line of business and is in line with the Sustainable Development Goals ("SDG")³.

Following the spin-off of Elementia Materiales in 2021, the Company redefined its sustainability strategy by conducting a materiality study to identify its sources of value creation, positive and negative impacts, and stakeholder perceptions on environmental, social, and corporate governance issues ("ESG").⁴ This, in turn, allowed it to identify the material issues driving the long-term sustainability model and strategy, which are grouped into four management areas: i) environmental (operational and energy eco-efficiency; materials recycling and circular economy; greenhouse gas ("GHG") emitter management and air quality; water efficiency and water management; and climate change); ii) social (occupational health and safety; talent attraction, management, and retention; and community relations and development); iii) corporate governance (ethics; and code of conduct, transparency and compliance); and iv) economic (efficiency and profitability).

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

The Company has several direct and digital communication instruments⁵ for external communication with stakeholders that serve as informative and accountability tools. These include: annual sustainability reports, press releases, mail, in-person meetings and social media posts.

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.

Fortaleza Materiales also has a Code of Ethics and Conduct and an Occupational 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 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.

In response to the conditions imposed by the COVID-19 pandemic, the Company updated its health and safety strategy for 2022-2023, incorporating an action plan to address legal requirements and increased control mechanisms throughout the organization and to adapt tools to ensure the health and well-being of its employees during the health contingency.

³ The sustainability strategy is described in the Sustainability Reports, published sequentially since 2013, following GRI standards. These reports can be found on the following web page: www.Fortalezamateriales.com

⁴ Fortaleza Materiales 2021 Materiality Study, including the identification of the material topics on which it was prepared based on the GRI Standards, developed by the Global Reporting Initiative (GRI).

⁵ https://www.Fortaleza.com/es_ES/nuestra-empresa

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, Fortaleza Materiales had commercial relationships with more than 1,300 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.

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 channels⁶ 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 has defined strategies to prevent and reduce pollution by adopting circular economy principles, adjusting its production processes to improve its environmental performance, and developing and marketing environmentally friendly construction materials. In doing so, the Company seeks to mitigate the effects of climate change and reduce its environmental impact throughout the value chain.

To mitigate climate change, the Company has focused on: i) energy efficiency; ii) the use of alternative raw materials to replace clinker; and iii) the use of alternative fuels.

The Company has also taken actions to improve its water and waste management, care for biodiversity in the regions where it operates, reduce its emissions, and seek greater efficiency in the use of raw materials and fuels.

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.

4.4 Community Health, Safety and Security

Thanks to its Corporate Social Responsibility ("CSR") and Sustainability practices, the Company enjoys a strong sense of support, empathy, and solidarity with the communities where it operates. In 2019, Fortaleza Materiales developed a Community Involvement Plan ("CIP") for the period 2020-2025 that is based on four pillars: i) infrastructure construction; ii) environmental care and conservation; iii) strengthening local economic development; and iv) promoting culture and sports. The CIP, which also foresees the implementation of a Community Participation and Involvement Plan,⁷ is being deployed

⁶ Complaints Mailbox available at www.fortalezamateriales.com or by emailing the Fortaleza Materiales Compliance Email: comite.cumplimiento@fortalezamateriales.com.

⁷ The CIP aims for local communities to be empowered and integrated into the process, provide more effective local solutions, and have greater access to valuable services and activities.

along four axes: i) building trust; ii) social responsibility; iii) providing more effective local solutions; and iv) use of local networks.

It should be noted that in 2022, Cementos Fortaleza obtained the ESR® ("Socially Responsible Company"⁸) Distinction for the second, consecutive year, awarded by the Mexican Center for Philanthropy ("CEMEFI")⁹, 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 and Latin America.

5. Local Access of Project Documentation

Additional sustainability information for Fortaleza can be accessed at the following link:
<https://www.fortalezamateriales.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 (Mexican and Costa Rican) 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.

⁸ <https://www.cemefi.org/distintivo-esr-2/>

⁹ <https://www.cemefi.org/>