

Environmental and Social Review Summary (ESRS) FRISA – MEXICO

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1 General Information of the Project and Overview of Scope of IDB Invest's Review

FRISA Industrias, S.A. de C.V. ("FRISA", "the Company", or "the Client") has requested IDB Invest's financial assistance to set up an uncommitted reverse factoring revolving credit facility (the "Facility") to finance the Company's suppliers in Mexico, through the acquisition of collection rights (the "Project" or the "Operation"). The Operation includes accounts receivable whose payment will be deferred due to the exceptional measures taken by the Company to mitigate the impact of COVID-19 on its input suppliers.

The Environmental and Social Due Diligence (ESDD) process included the review of supporting information such as: environmental management policies, plans, manuals, and procedures; human resources (HR) policy; occupational health and safety (OHS) programs; waste management information (both hazardous and non-hazardous waste, or waste requiring special handling); procedures for monitoring and evaluating environmental conditions at work (e.g., air, noise, and effluent emissions); and emergency response plans, among others. This process was supplemented by interviews with personnel from the areas of HR, OHS, sustainability, procurement, and operations associated with the Project.

2 Environmental and Social Categorization and Rationale

This has been classified as a Category B operation under the IDB Invest Environmental and Social Sustainability Policy, given that its environmental and social (E&S) and OHS risks and impacts are generally expected to be reversible and mitigable through available measures and existing technologies.

For those activities related to the Project's operation and maintenance (O&M) the potential impacts and risks include: (i) worker health and safety risks; (ii) generation of air pollutant emissions; (iii) generation of solid (hazardous and non-hazardous) and liquid waste (mainly industrial and domestic wastewater); and (iv) use of resources, mainly potable water and energy.

Due to its various locations, the Project is subject to natural hazards such as earthquakes, storms, droughts, and hurricanes, and social hazards such as vandalism and demonstrations or protests. However, they present a moderate to low risk in terms of both possible damage to the physical infrastructure of the plants and for employees and suppliers.

The Project will trigger the following International Finance Corporation (IFC) Performance Standards (PS): PS 1: Assessment and Management of Environmental and Social Risks and Impacts; PS 2: Labor and Working Conditions; PS 3: Resource Efficiency and Pollution Prevention; and PS 4: Community Health, Safety and Security.

3 Environmental and Social Context

FRISA, founded in 1971, is a world leader in the manufacture of seamless rolled rings and open forging. It is engaged in the forging, manufacturing, machining and marketing of industrial products from carbon, alloy and stainless steels, as well as titanium and superalloys for the following industries: (i) Aerospace: it uses nickel and titanium-based alloys to produce components for fan housings, compressors, combustion chambers, turbines, transmissions and exhaust; (ii) Construction and mining: is uses carbon and alloy steels to produce forged components for mining trucks, motor graders, shovels, excavators, mixers and crushers; (iii) Industrial machinery: manufacture of rolled rings and open forgings for machinery such as autoclaves, handling equipment, heat exchangers, rotating equipment, pumps, valves, tools, dies, transmissions, medical equipment, among others; (iv) Oil and gas: forging solutions for components used for drilling and production of deepwater, surface and distribution systems; (v) Wind energy: forging of seamless rolled rings and open forgings for shafts, bearings, flanges, gears, among other components used in the construction of wind generators; and (vi) Power generation: forging of components and parts for industrial gas and steam turbines, compressors and generators.

The Company's operational infrastructure comprises five production plants (the "Project Plants") strategically located in the State of Nuevo Leon, near the U.S. border. Its plants have ISO 9001, ISO 14001, ISO 17025, C-TPAT,¹ Pressure Equipment Directive (PED) certifications, among others. In addition, as part of its environmental and social commitments, each Project Plant must provide the Secretariat of Environment and Natural Resources (SEMARNAT), the Federal Attorney for Environmental Protection (PROFEPA) and the National Water Commission (CONAGUA) with regular reports on its compliance with applicable environmental regulations in connection with its operations in Mexico. In this sense, the Company has substantially and continuously fulfilled the compliance reports of the terms and conditions of the Environmental Impact Statements (EIS), the Single Environmental Licenses, and the permits granted to the businesses in its three governmental spheres (federal, state, and municipal); the timely and proper obtaining of the Annual Operating Certificates (AOC); and the verification 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 and Impacts

4.1.a E&S Assessment and Management System

FRISA has a certified Environmental Management System (EMS) based on the ISO 14001:2015 standard, which fulfills the requirements of PS-1. The Company also has an EMS Manual, which includes several procedures for its effective implementation at the Project's plants. Owing to the ISO 14001:2105 certification, the EMS is audited every six months and reviewed periodically by an authorized auditing body.

¹ C-TPAT (Customs-Trade Partnership Against Terrorism) is an initiative between the U.S. government and the private sector to ensure security in the different areas of the supply chain in order to protect it against terrorism.

4.1.b Policy

The Company has a Quality, Safety and Environment Policy as part of the EMS that states its commitment to fulfilling applicable legal requirements, continuous improvement in process effectiveness and efficiency, and optimization of the use of natural resources to minimize environmental impacts and prevent pollution. Likewise, the EMS establishes that this policy must be available to the general public, following the communication procedure.

4.1.c Identification of Risks and Impacts

A procedure has been established within the EMS for the identification and evaluation of environmental aspects to determine the degree of significance. In this regard, the Company has identified the most significant risks and impacts associated with the operation and the provision of services, including: (i) impacts to soil associated with waste generation; (ii) resource depletion associated with water consumption; (iii) impact to receiving water bodies associated with wastewater discharges; and (iv) impacts to the atmosphere from pollutant emissions due to fuel consumption (direct source) and energy consumption (indirect source). In response to these impacts, the Company promotes good environmental practices focused on proper waste management, reduction of emissions, water and energy savings, and awareness of its employees and suppliers to optimize the use of resources to help minimize environmental impacts and prevent pollution.

In addition, in compliance with environmental impact requirements, each Project Plant has an Environmental Risk Study, which identifies potential risks based on the hazardous characteristics of the substances or materials used, specifically, those that are on the 1st and 2nd list of highly hazardous activities, their storage quantities, and the safety measures in place.

4.1.d Management Programs

All of the Project Plants have the mitigation, restoration and compensation measures described in the environmental impact regularization reports and environmental risk studies, in addition to compensation programs and contingency and emergency plans in the event of natural disasters. The measures required to eliminate or mitigate each of the impacts or risks detected include: (i) preventive measures, focused on eliminating or reducing the frequency and/or severity of negative impacts or risks, supported by preventive and predictive maintenance programs for equipment and machinery, as well as ongoing employee training programs and drill programs; and (ii) technical-operational recommendations, which are based on compliance with national regulations, specifically, in NOM-002-STPS-2010, which establishes the firefighting procedures and equipment to deal with an emergency situation.

4.1.e Organizational Capacity and Competency

FRISA has a dedicated E&S and OHS organizational structure that satisfies the requirements of PS-1. The head of the Environmental Area at the corporate level, together with the Safety and Environment (S&E) Leader or Specialist and the S&E Heads or Engineers of each Project Plant, are responsible for overseeing environmental and OHS regulatory compliance and promoting a sustainable business model that is respectful of the environment, identified with the improvement of energy performance and committed to pollution prevention, as well as advising the Managers of each plant on the implementation of emergency preparedness and response procedures. In addition, there is a Medical Service, who together

with the heads of S&E at each plant, are responsible for the implementation and surveillance of hygiene and safety protocols in response to the COVID-19 pandemic.²

4.1.f Emergency Preparedness and Response

FRISA has a Contingency Plan for each of its Project plants that complies with the internal civil protection program required by the regulations issued by the Ministry of Labor and Social Welfare (MLSW) and by federal and local civil protection legislation.³ Each Contingency Plan establishes the preventive mitigation and relief actions to be taken in a facility in order to safeguard the physical integrity of employees, visitors, suppliers and people or customers inside the facility, as well as to deal with the wide range of emergencies that threaten property and continued production.

Additionally, as required by the Environmental Law of the State of Nuevo Leon and its Regulations, the Company has developed Environmental Risk Studies for its plants, in order to identify the principal risk characteristics according to the most relevant materials based on their hazardousness and to describe the necessary measures to eliminate or mitigate each of the causes of risk detected.

The S&E Specialist is in charge of defining the annual training program for the implementation of the Environmental Contingency Programs and the Air Contingency Response Programs, as well as reviewing the frequency of such training.

4.1.g Monitoring and Review

One of FRISA's objectives is to ensure compliance with all environmental laws and provisions. For this reason, and to avoid sanctions, it plans and conducts environmental audits as part of its EMS to ensure legal compliance by means of a systematic, objective, evidence-based review that guarantees compliance with the legal requirements applicable at each work center.

However, FRISA will prepare⁴ a consolidated annual report on the compliance status of all E&S and OHS policies and measures applicable to the Project, including the progress of EMS actions against the defined KPIs; as well as the compliance status with the IDB Invest Environmental and Social Sustainability Policy. Based on the results of these internal or external audits, FRISA will define specific measures to reduce impacts and improve efficiency and will document and report on its progress and new procedures, as well as on other certifications, depending on the country in which the facility is located.

4.1.h Stakeholder Engagement

FRISA has identified all social stakeholders—including local authorities—interested in its operations, with whom it maintains an open and ongoing dialog. As part of the relationship with these social stakeholders, the Company (i) has implemented an Internal and External Communication Procedure; (ii) has a mechanism for responding to queries, claims and grievances; and (iii) presents information on its

² 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>)

³ General Civil Protection Law and its Regulations; and Comprehensive Risk Management and Civil Protection Law for the State of Nuevo Leon.

⁴ Either internally (internal audit) or through an external independent E&S expert (external audit).

environmental and social performance, related to its operations, through digital media (mainly through its website).

4.1.i External Communication and Grievance Mechanisms

4.1.i.i External Communication

The EMS includes the Internal and External Communication Procedure, which establishes how all requests for information from external stakeholders are received and the procedure for recording them. It also mentions that all communications addressed to external audiences, including stakeholders, will be analyzed and issued by the Head of S&E and, if necessary, by the Director of Human Development and the General Manager.

4.1.i.ii Grievance Mechanism for Affected Communities

FRISA has a formal mechanism for receiving queries, claims or grievances, through a whistleblower mailbox on its website (<https://proveedores.frisa.com/Home/wfAnonymousBox.aspx>), which seeks to make the company's business management transparent, maintain an open and honest relationship, and promote the values of integrity, honesty, transparency and respect. Likewise, the EMS includes a procedure for internal and external communication that regulates the treatment of all communication related to the EMS from interested external parties.

4.1.j Ongoing Reporting to Affected Communities

On its website, FRISA provides information on the environmental and social performance of the Company; likewise, it provides information on its Social Responsibility actions through the FRISA Foundation through their own website: www.fundacionfrisa.org.

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

FRISA has a Code of Ethics and an Integrity Policy, which establishes: (i) corporate values of transparency, respect, integrity and fairness; (ii) business ethics and the conditions for relating with shareholders, employees, customers, suppliers, competitors, regulators and public agencies, and the community; (iii) working conditions and the conduct of employees, managers and contractors; (iv) how to proceed in situations of conflict of interest; (v) information management and the prevention of fraud and corruption; and (vi) the obligation to comply and responsibilities of this Code. The competent body for monitoring the Code of Ethics is the Internal Control or HR Department, which is responsible for disseminating and training all managers, administrators, workers, contractors and suppliers directly involved in the operation of the Project Plants.

Additionally, in compliance with the Mexican Federal Labor Code, the Company has its Internal Labor Regulation (ILR) that contains the rules and conditions related to: working and rest days and hours; paid annual leave; days and places of payment; paid and unpaid leaves of absence and sick leave; rights and

obligations of both the company and employees; child labor, protection of women, and non-discrimination and harassment; health and safety, occupational hazards, and medical services; behavior and disciplinary measures; risk prevention; and, in general, compliance with labor laws, including the standards and principles established by the International Labor Organization (ILO) and other organizations that determine labor standards.

4.2.a.ii Working Conditions and Terms of Employment

The provisions contained in the Code of Ethics and Conduct, Integrity Policy and Internal Labor Regulations meet the requirements of PS-2 and comply with local labor and safety legislation and regulations in Mexico. These provisions regulate the form and conditions of personnel selection and hiring; working days and hours, and their breaks; paid annual leaves; paid and unpaid leaves of absence; flexible work schemes to promote collaboration and productivity; wages and benefits; employee and employer rights and obligations; conduct and disciplinary measures; asset security; risk prevention; and workers with disabilities, among others. To reinforce awareness of these working conditions, the Company requires each employee to declare a commitment to comply with the Code of Ethics and undertake to report any actual, potential or apparent deviation from the Code.

FRISA recruits, selects, and hires talent through transparent, objective, confidential, and rigorous processes that guarantee respect for the principles of equality and non-discrimination. Additionally, within the Integrity Policy, the Company states that personnel selection and hiring is based on the competencies, skills, professional experience, and the level of identification that the candidates have with the Company's values.

4.2.a.iii Workers' Organizations

FRISA, by committing to comply with applicable local legislation, recognizes the rights of workers to form and be part of labor organizations, and respects and assumes all responsibilities derived from such legislation, including international conventions and treaties that countries have signed with the Labor Organization (ILO).⁵ In addition, the Code of Ethics and the Integrity Policy recognize the right of free association and the right to negotiate collective bargaining agreements. Finally, in compliance with the Federal Labor Law, FRISA and the Nuevo Leon Industrial Workers Union filed the Company's Internal Labor Regulations with the competent authority in the State of Nuevo Leon.

4.2.a.iv Non-discrimination and Equal Opportunity

Mexico is a signatory to several ILO international conventions and treaties relating to workers' rights, including Convention No. 100 concerning Equal Remuneration and Convention No. 111 concerning Discrimination in Respect of Employment and Occupation. In addition to complying with these provisions, the Company establishes respect for individual diversity and equity in its Code of Ethics, Integrity Policy and Internal Work Regulations, proceeding with justice, equality and impartiality, seeking a positive and inclusive social impact. Moreover, the Code of Ethics and the Integrity Policy declare zero tolerance for attitudes of discrimination, harassment, abuse, and workplace harassment, as well as the Company's commitment to promote an environment in which no applicant, employee, service provider, or contractor

⁵ Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 concerning the Right to Organize and Collective Bargaining.

is excluded or discriminated against in an external or internal selection process for reasons of ethnic or national origin, gender, age, disability, social status, health conditions, religion, immigration status, opinions, sexual preference, marital status, or any other factor that violates human dignity.

4.2.a.v Grievance Mechanism

The means for reporting or making complaints about any inappropriate conduct, ethically questionable actions or non-compliance with FRISA's integrity policy, values and Code of Ethics, is through the Whistleblower System, which integrates several communication channels ranging from: (i) a direct or written complaint to the immediate supervisor, with the HR Director or the Head of Integrity and Internal Audit; or (ii) indirect or anonymous reporting, using the Whistleblower Mailbox through digital options such as: email, website, employee portal or WhatsApp. The Code of Ethics establishes that all reports are confidential and prohibits any retaliation against those who report suspected violations or cooperate in the investigation of a suspicious act.

The Company also has a Whistleblower System Management Procedure, which defines the guidelines to ensure that all reports received are handled and investigated in a timely manner, creating and maintaining an adequate control environment based on the Company's values and Code of Ethics. These guidelines define the roles of each person involved (the Integrity and Internal Audit Manager, the Compliance and Authorized Follow-up Manager, the reported person and the Integrity Committee) and the stages in which each one is involved, from the reception, classification, review, analysis, investigation, development of the action plan with the reported person, monitoring and management of the System itself and the presentation of its performance indicators.

However, in classifications presented for the first time, it is the Integrity Committee that makes the decision on the sanction to be applied to those involved in the report, and when the nature of the facts implies a violation of the country's legal regulations, said Committee is obliged to bring said circumstance before the competent authorities, with the prior authorization of the Company's General Management and Legal Department.

4.2.b Protecting the Workforce

FRISA, in fulfillment of all legal labor obligations in Mexico, regulates labor relations respecting the rights and obligations of employees and employers, and promotes equality and equity in human, civil, political, economic, social and cultural rights between men and women.

Similarly, the Code of Ethics and the Integrity Policy establish that the Company's collaborators, contractors, third-party workers and suppliers have the obligation to comply with all applicable laws and regulations in each country where they operate, in order to further its objective of ensuring transparency and responsibility in business and interactions with the community and responsibility with the environment.

4.2.c Occupational Health and Safety

In its adherence to the Federal Labor Code and the Federal Occupational Health and Safety Regulations, FRISA has Occupational Health and Safety Programs in place for each Project Plant, containing the guidelines and behaviors to be followed to protect the physical integrity of its employees, to prevent

injuries and damage to their health, as well as to avoid affecting the safety of the processes through the implementation and execution of the EMS procedures related to industrial safety and ecology, with the identification of hazards, risk assessment and the establishment of prevention, correction, control and/or transfer measures. Additionally, for all risky work defined in the Occupational Health and Safety Diagnoses, the Company requires all its contractors to provide proof of work skills and work permits duly authorized by the S&E department.

Due to the COVID-19 pandemic, FRISA has developed an Integral COVID-19 Contingency Plan, which contains four lines of action focused on: (i) its employees, where awareness actions, the installation of sanitary fences, social distancing, suspension of travel, remote work and support to vulnerable groups are recommended; (ii) its customers, to establish ongoing communication in order to meet established commitments and maintain customer service as a priority; (iii) its operations, establishing operational continuity, disinfection routines, the reduction of people in each work space and the canteen services offering take-out food and social distancing; and (iv) the community in general, where through the FRISA Foundation a call is made to support the most vulnerable population of the State of Nuevo Leon through its community partners to achieve its social investment objectives.

In addition, the Company has developed an Epidemiological Attention Program for Suspected COVID-19 cases, for the prevention of outbreaks within its facilities and obtained the health safety badge for having a Monitor for the Healthy Return to Work and having carried out its Health Safety Protocol for COVID-19, according to the requirements of the Mexican Social Security Institute (MSSI).

4.2.d Workers Engaged by Third Parties

In accordance with the provisions of the Code of Ethics and the Integrity Policy, all of the Company's labor standards, policies, and procedures apply equally to its employees, customers, suppliers, contractors, and other third parties. The permanence of employees, both own and those engaged by third parties, depends on compliance with the provisions of the Code of Ethics, as well as with applicable laws and regulations. These measures are reinforced through contractual clauses that have been incorporated into employment and service contracts.

4.2.e Supply Chain

The Code of Ethics and the Integrity Policy establish that the Company will not use child labor or incorporate any product or service that uses child labor into its business activities. It also indicates that FRISA will ensure compliance with applicable legal provisions and conventions ratified by Mexico, including those related to child labor. In this sense, the Company has a Supplier Policy that dictates the behavior of both parties to ensure the integrity of the process and the relationship, and sometimes, based on this relationship, it involves suppliers in the care of safety and the environment. The Company also maintains supplier outreach programs where it promotes its suppliers sharing the same values it has declared, including ethical behavior.

However, to ensure strict compliance with the provisions of PS-2, the Company will update the general guidelines for supplier selection in its Supplier Evaluation Procedure to incorporate the need for each supplier, either as part of the acceptance of the Code of Ethics or any other applicable binding instrument, to ratify its compliance with (i) current labor and OHS laws, especially the prohibition of child labor and forced labor, non-discrimination, gender equality, and ensuring safe working conditions, and (ii) the

applicable environmental legislation, in order to minimize environmental impacts by controlling its air emissions, the adequate management and treatment of liquid and solid waste, and the rational consumption of natural resources in its processes. In addition, the supplier management exercised by the Company's Procurement staff, which evaluates recurring suppliers annually and measures their performance in terms of quality, cost, and delivery times, will include a compliance review of the applicable environmental, labor, and OHS legislation in force.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

Greenhouse gas (GHG) emissions records are submitted annually In the AOC of each Project Plant, for both direct emissions from fuel consumption (Scope 1) and indirect emissions from electricity consumption (Scope 2). Similarly, the EMS and ISO 14001 certification provide for a reduction in gas consumption in the forge of between 18% and 20%, gas consumption in survey furnaces of 25% and diesel consumption of between 2% and 25%, depending on whether it is for vehicle use or heat treatment.

Each FRISA plant has emission control systems or equipment to keep gas and particulate emissions under control and comply with the applicable standards in force.

Also, in compliance with municipal and state regulations to prevent, monitor and address episodes of high air pollutant concentrations exceeding the maximum permissible limits established in the Mexican Official Standards, each FRISA plant has an Atmospheric Contingency Response Program (ACRP) to address atmospheric contingencies in the Monterrey Metropolitan Zone (MCZ) and thus contribute to minimizing the health risks to both its employees and the population in nearby communities during a contingency episode.

4.3.a.ii Water Consumption

Water consumption by the Project Plants for their O&M activities will be kept at the estimated historical averages, in accordance with the volumes authorized in the groundwater or well concessions. Drinking water will be provided through the public municipal water supply system and industrial water will be extracted from wells duly concessioned by the competent authority.

The Company has adopted projects and objectives within the EMS and ISO 14001 certification to reduce and optimize the use of water in its operations by replacing potable water from the municipal network with treated wastewater, which was previously considered a discharge. In addition, measures have been implemented such as: (i) replacing obsolete or faulty devices with state-of-the-art technology to reduce consumption; (ii) carrying out leak detection programs; and (ii) conducting water use awareness campaigns.

4.3.a.iii Energy

As for the water resource, in its O&M phase, the Project will not generate a significant increase in the historical average energy consumption. This will be provided through the public grid and under a service

contract with the authorized distributor. Additionally, in compliance with the provisions of the Energy Transition Law, each Project Plant voluntarily submits its energy consumption to the High Consumption Pattern Users System ("UPAC System").

Once again, the Company has adopted projects and objectives within the EMS and ISO 14001 certification to reduce electricity consumption by an average of 10%. Initiatives to minimize energy consumption include: (i) gradual installation of LED lighting;⁶ (ii) replacement of equipment with energy efficient equipment; (iii) shutdown of unused equipment; (iv) installation of automatic or semi-automatic controls for high consumption equipment, such as presses; (v) preventive maintenance of equipment to increase its performance; (vi) shutdown of lighting in industrial premises; (viii) use of natural light in as many areas as possible; and (ix) training of employees on energy saving.

4.3.b Pollution Prevention

4.3.b.i Waste

FRISA, in compliance with environmental legislation, reports the volumes of non-hazardous solid waste and special handling waste, as well as wastewater discharges to municipal sewers, in each Project Plant's AOC.

The EMS also ensures and evaluates compliance with legal and other requirements through Clean Industry Audits, monitoring of environmental controls, and monthly inspection audits of environmental parameters including legal compliance of wastewater discharges. FRISA has the authorizations for the final disposal of waste requiring special handling and its registration as a generator of such waste and the specific management plan, according to the applicable regulations.⁷

FRISA currently separates, sorts and temporarily stores the solid waste produced at its facilities and contracts an authorized external manager for the removal, transportation and management of the non-hazardous (domestic) solid waste produced, either for subsequent valuation (recycling managers) or for final disposal in an authorized landfill.

FRISA has a non-hazardous waste management procedure within the EMS that promotes education campaigns on reduction, reuse and recycling for all personnel and suppliers, and initiatives to classify and record (by weight or volume) its solid waste into: (i) organic from canteen losses, which corresponds to damaged products that are discarded; (ii) recyclable (cardboard, paper, plastics, wood, metals, etc.); (iii) domestic, any non-hazardous waste that is not in the previous categories; and (iv) special handling or hazardous waste, as defined by environmental regulations. In addition, the Company conducts training campaigns for its employees and awareness campaigns for its suppliers on issues related to the use of single-use waste and integrated waste management.

⁶ LED (*Light Emitting Diode*).

⁷ General Law for the Prevention and Integral Management of Waste and the General Environmental Law of the State of Nuevo Leon and its Regulations.

4.3.b.ii Hazardous Materials Management

Once again, in compliance with environmental legislation, FRISA reports the generation, storage and handling of all hazardous waste generated, as well as its transfer and the records of the companies providing the service for its management, in each Project Plant's AOC.

The EMS also includes general procedures for handling hazardous waste and hazardous materials and emergency response procedures for responding to any incident involving such waste or materials. These procedures aim to identify, control, minimize, value, and comprehensively manage hazardous waste, and promote a culture of reduction, starting with the elimination of the use of this type of waste or its substitution with non-hazardous products. They also contain instructions for determining the measures for internal collection and transportation to a temporary storage space for each type of hazardous or infectious biological waste (in the case of those from medical services or generated by medical emergencies), as well as the use of an authorized external supplier for definitive elimination or final disposal in authorized landfills.

Similarly, the Company has a procedure for the safe storage of hazardous materials which, in line with regulations, safety data sheets for each product, and official safety standards and procedures, contains a compliance checklist for each hazardous substance, according to its characteristics.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

FRISA conducts operations in the Project's properties and plants using applicable environmental and OHS best practices. It also has general liability insurance that covers any type of accident and responds for any damage caused to neighboring properties and for the environmental and social impacts it generates.

Finally, in the context of response to the COVID-19 pandemic, the Company has developed an Integral COVID-19 Contingency Plan, where it has established its hygiene and safety protocols, and implemented practices and processes based on the recommendations and guidelines of State and national authorities (such as the Ministry of Health and the MSSI), and international authorities such as the World Health Organization (WHO), to adapt its facilities and operating processes in order to guarantee a clean and safe environment for its employees and suppliers.

4.4.a.i Infrastructure and Equipment Design and Safety

FRISA hires qualified life and fire safety (L&FS) professionals to certify that all Project facilities and plants are in compliance with national workplace fire safety and protection standards,⁸ which refer to the international standards of the National Fire Protection Association (NFPA). These certifications include the inspection of the installation and distribution of all L&FS equipment as designed and the performance of the equipment according to international requirements.

⁸ Official Mexican Standard NOM-002-STPS-2010, Safety Conditions - Fire Prevention and Protection in the Workplace.

4.4.b Security Personnel

Frisa has a security and surveillance service provided by a duly registered specialized security company. The Company ensures that all security personnel working in its facilities and plants have been properly registered and hold the appropriate certifications required to perform their duties, issued by the competent authority,⁹ and have received training on the obligations of operating personnel, which includes, among others: (i) requirements to perform the duties of a private security guard; (ii) training, both in human rights and those provided by the Company; (iii) principles of action, mainly preventive and dissuasive, resorting to the use of force as a last option; (iv) actions to follow for the notification of events to the authorities; (v) abstentions; (vi) use of communication, computing and dissuasion equipment; and (vii) sanctions.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not involve any new development nor does it require the acquisition of land or property, and therefore does not involve any involuntary physical or economic displacement.

4.6 Biodiversity Conservation and Natural Habitats

Because the Project does not involve new properties or the development of new works or infrastructure, no significant impacts on vegetation or disturbance of biodiversity are anticipated.

FRISA purchases materials within its supply chain from companies that purchase, sell, collect, and transport recyclable materials requiring special handling, duly authorized by the State Environmental Authority. In addition, the Company declares to its customers that its production of metals and alloys is free of any materials classified as "conflict minerals" (also called 3TG) or their derivatives originating from the Democratic Republic of Congo or neighboring or adjacent countries. In this regard, it declares that it complies with the 2010 legislation of the United States of America, the Dodd-Frank Wall Street Reform and Section 1502 of the Consumer Protection Act.

4.7 Indigenous Peoples

The Project does not involve any new property development and is located within established industrial zones, so no impacts to indigenous peoples' lands or resources are foreseen.

4.8 Cultural Heritage

The Project does not involve the development of new properties and is located within established industrial zones, so there are no foreseeable impacts to cultural heritage.

5 Local Access of Project Documentation

Frisa discloses official information on sustainability on its website: <https://www.frisa.com/es/acerca-de/sustentabilidad.html>

⁹ General Directorate of Private Security of the Ministry of the Interior.