

Environmental and Social Review Summary (ESRS) IOCHPE-Maxion – MEXICO

Original language of the document: Spanish
Issuance date: March 2022

1 General Information of the Project and Scope of Environmental and Social Review

IOCHPE-Maxion, S.A. (“IOCHPE” or the “Client”), through its subsidiary Mexicana Ingeniería y Maquinaria de Guadalupe, S.A. de C.V. (“INMAGUSA” or the “Company”), 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 by purchasing collection rights (the “Project” or the “Transaction”). The Transaction includes accounts receivable whose payment will be deferred due to the exceptional measures adopted by the Company to mitigate the impact of COVID-19 on its suppliers.

Due to restrictions arising from the COVID-19¹ pandemic, the Environmental and Social Due Diligence (ESDD) process was mostly conducted online and included a review of the following: (i) environmental management policies, plans, manuals, and procedures; (ii) human resources (HR) policies; (iii) occupational health and safety (OHS) programs; (iv) waste management (hazardous, non-hazardous and special handling waste); (v) environmental conditions monitoring and evaluation procedures (e.g., air emissions, noise, and effluents); and (vi) emergency response plans. This process was supplemented by interviews with personnel from the project’s HR, OHS, sustainability, procurement, and operations departments.

2 Environmental and Social Categorization and Rationale

The Operation has been classified as a Category B operation according with BID Invest’s Environmental and Social Sustainability Policy since it will likely generate the following environmental and social (E&S) and OHS impacts and risks, generally reversible and mitigable through current and available technologies. These include: (i) risks to the health and safety of workers; (ii) the generation of polluting emissions to the atmosphere; (iii) the generation of both hazardous and non-hazardous solid and liquid (mainly industrial and domestic wastewater) waste; and (iv) use of resources, mainly potable water and energy.

As with other locations in the same geographic region, the Project site is subject to natural hazards such as extreme temperatures, hurricanes, hailstorms, frost, and snowfall, as well as social hazards that include vandalism and demonstrations or protests. All these threats pose a moderate to low risk, however, both in terms of the damage they could cause to the physical infrastructure of the plants and to employees and suppliers.

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

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

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

3 Environmental and Social Context

INMAGUSA is a company dedicated to the manufacture of chassis beams for heavy and passenger trucks (heat treated, non-heat treated, and aluminum), strategically located in the State of Coahuila, Mexico. The Company's operating infrastructure consists of a unit with seven industrial buildings where plate and strip leveling and cutting, forming, heat treatment, skate and cant cutting, punching, drilling and assembling, finishing, painting, packing and shipping processes are carried out. It also has maintenance offices; metal working facilities; a warehouse and warehouse reception; a raw materials warehouse; scrap yard offices; production, quality and engineering offices; dining room; general offices; industrial safety offices; education center; medical service; security center; and facilities where the INMAGUSA Institute offers kindergarten, elementary and high school classes (together, the "Project Plants").

The Company's plants are ISO 14001:2015,² IATF 16949:2016,³ and C-TPAT⁴ certified, among others. In addition, as part of its environmental and social commitments, the Company submits periodic reports to the Ministry of the Environment and Natural Resources ("SEMARNAT"), the Federal Attorney's Office for Environmental Protection ("PROFEPA") and the National Water Commission ("CONAGUA") on its compliance with applicable environmental regulations in connection with its operations in Mexico.

The Company has consistently and fully complied with the Compliance Reports of Terms and Conditions of Environmental Impact Statements (EIS), Single Environmental Licenses (SEL), and the federal, state, and municipal permits, Annual Operating Certificates (AOC), and greenhouse gases and compounds verification 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 Management System

INMAGUSA has a Quality Management System, an Environmental Management System and C-TPAT/OAS ("Integrated System"), as required by the IATF 16949:2016,⁵ ISO-9001:2015,⁶ and ISO 14001:2015 standards and the profile requirements of the Company acting as Authorized Economic Operator (AEO). This Integrated System focuses on permanent customer satisfaction by ensuring compliance with specifications, quality, and timeliness in the delivery of products and services, as well as preventing

² ISO 14001 corresponds to the certification of its environmental management system.

³ IATF 16949:2016 is the globally recognized quality management standard for the automotive industry, based on the ISO 9000 standard. It brings together European and U.S. standards and provides a framework for achieving best practices in product design and manufacturing for the automotive supply chain.

⁴ 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 to protect it against terrorism.

⁵ IATF 16949 is the global technical specification and quality management standard for the automotive industry. Based on ISO 9001:2015, it was published in October 2016 and replaces ISO/TS 16949.

⁶ ISO 9001 corresponds to the quality system certification.

environmental pollution and complying with applicable environmental legislation and the safety requirements established by the AEO to strengthen the supply chain.

The Company also has a Quality Management Manual, an Environmental Management Manual and a C-TPAT/OAS (“Integrated System Manual”), along with several procedures for their effective implementation at the Project’s plants. As a requirement derived from the ISO 14001:2105 certification, the environmental component of the Integrated System is audited annually and periodically reviewed by an authorized auditor.

4.1.b Policy

The Company has an Integrated Policy that brings together the requirements of the quality and environmental management systems. In it, the Company undertakes to comply with the requirements of its customers, with the applicable legal requirements, with a process of continuous improvement and the protection of the environment. It also has a Safety Policy focused on the supply chain and the safety of the Company’s personnel.

The Integrated System establishes guidelines for the follow-up and implementation of both policies, which are set out in the Specific Procedure for management reviews.

4.1.c Identification of Risks and Impacts

4.1.c.i Direct and Indirect Impacts and Risks

As defined in the Company’s Integrated System and ISO 14001:2015 certification, environmental risks are documented in a “Risk Analysis” for each plant, following the guidelines set out in the Specific Procedure to Identify, Determine, Control, Measure, and Follow-up on Present, Potential, and Significant Environmental Aspects.

The latest ISO 14001:2015 certification audit (September 2020) identified the following risks and impacts related to its operations and the provision of services: (i) emission of polluting gases and dust; (ii) generation of hazardous and special handling waste; (iii) wastewater discharges; and (iv) reduction of water consumption resources.

In response to these impacts, the Company promotes best practices focused on proper waste management, cutting emissions, saving water and energy, and raising awareness among its employees and suppliers on resource use optimization to minimize environmental impacts and prevent pollution.

Furthermore, in compliance with environmental impact requirements, the Company has an Environmental Risk Study for each plant and work area, which identifies potential risks and classifies them in terms of their hazardousness and safety measures to address them.

4.1.c.ii Gender Risks

Although Mexico has laws⁷ and institutions⁸ to protect women, compared to other Mexican states, the State of Coahuila ranked 26th in terms of gender-based violence and sexual crimes.⁹ For every 100,000 inhabitants, Coahuila has 205.4 domestic violence crimes, the eighth highest rate in the country, and 357 cases of alleged gender violence crimes in all its forms (other than domestic violence), which places it in third place nationwide.¹⁰ According to the Center for Justice and Empowerment for Women (CJEM, for its acronym in Spanish), these figures worsened in 2020 and 2021 as a result of the COVID-19 pandemic.

Nevertheless, due to the type of activity and the industrial line of business (manufacturing of automotive parts), together with the fact that the Project's plants are located within urban centers, it is estimated that gender risk is low and can be mitigated through the enforcement of the principles contained in the Code of Conduct and the Company's equality and equity practices.

4.1.c.iii Climate Change Exposure

Overall, the Project's infrastructure, like that located in the same geographic region, is moderately exposed to physical risks and climate change hazards, as follows: (i) according to a global climate model, a high exposure to droughts and a moderate exposure to changes in precipitation patterns and earthquakes; and (ii) a high exposure to droughts with a tendency to a moderate increase in the RCP 8.5 climate change scenario.¹¹

However, the risk of climate change exposure is expected to be addressed by the measures proposed in the Accident Prevention Program, which is reviewed annually.

4.1.d Management Programs

All of the Project's plants have adequate mitigation and compensation measures, which are described in the environmental impact regularization reports, environmental risk studies, and Accident Prevention Programs.

The Company has an Operational Control Matrix that sets out the measures necessary to eliminate or mitigate each of the impacts or risks detected. Operational controls include: (i) preventive controls, focused on eliminating or reducing the frequency or severity of adverse impacts or risks, supported by preventive and predictive maintenance programs for equipment and machinery, as well as ongoing

⁷ Federal Law to Prevent and Eradicate Discrimination; General Law for Equality between Women and Men (2006); General Law for Women's Access to a Life Free of Violence (February 2007) and Regulation of the General Law for Women's Access to a Life Free of Violence (March 2008).

⁸ National Women's Institute (Inmujeres); National Commission to Prevent and Eradicate Violence against Women (CONAVIM); National Council to Prevent Discrimination (CONAPRED); National Human Rights Commission (CNDH); among others.

⁹ 2016 National Survey on the Dynamics of Household Relationships (ENDIREH).

¹⁰ According to statistics from the Executive Secretariat of the National Public Security System, by 2020.

¹¹ A representative concentration trajectory (RCP) is a greenhouse gas concentration trajectory (not emissions) adopted by the IPCC. The trajectories describe different climate futures, all of which are deemed possible depending on the volume of greenhouse gases (GHGs) emitted in the coming years. The original RCPs RCP 2.6, RCP 4.5, RCP 6 and RCP 8.5 are labeled based on a possible range of radioactive forcing values in the year 2100 (2.6, 4.5, 6 and 8.5 W/m², respectively).

employee training programs and drill programs; and (ii) technical-operational recommendations, based on compliance with national regulations, specifically NOM-002-STPS-2010, which establishes firefighting procedures and equipment for managing emergency situations.

4.1.e Organizational Capacity and Competency

INMAGUSA has an organizational structure dedicated to H&S and OHS issues, led by the Health, Safety and Environment (HSE) Management, which, in turn, is supported by a team made up of a Health Supervisor, a Safety Supervisor and an Environmental Supervisor, as well as nurses and technicians in the areas of safety and environment. The responsibilities of the HSE Management are to ensure compliance and implementation of the legal requirements applicable to the Company's line of business; to supervise the implementation, knowledge, and integration of the Environmental Management System as part of the Integrated System; and to manage and control the environmental aspects derived from the productive activities and services provided by the Company.

In addition, the Company has a Medical Service, consisting of a Health Supervisor and several nurses, who together with the HSE Management are responsible for implementing and monitoring health and safety protocols in response to the COVID-19 pandemic.

4.1.f Emergency Preparedness and Response

INMAGUSA, through the Specific Procedure for Responding to Environmental Accidents and Emergencies and the Accident Prevention Program, has guidelines for attending to and responding to environmental accidents and emergencies, as well as for preventing and mitigating the impacts that these situations could generate. It also conducts drills and continuously revises its procedures based on the results achieved in these exercises.

The Accident Prevention Program and the Contingency Plan for the Project's plants also comply with the requirements of the internal civil protection program of the Secretariat of Labor and Social Welfare (STPS, for its initials in Spanish) and federal and local civil protection legislation.¹² These instruments set out preventive mitigation and relief actions to safeguard the physical integrity of employees, visitors, suppliers and people or customers of each facility; contain measures to address the most likely risk scenarios threatening property and continuous production; and establish mechanisms for communicating and coordinating with the community to handle any emergency situations that may arise at the Company.

The Internal Unit for Accident Prevention ("IUAP") is in charge of establishing the annual training program for the emergency brigades, reviewing the frequency of such training, and implementing the following training courses: (i) first aid; (ii) firefighting system; (iii) search and rescue; (iv) HAZ-MAT;¹³ (v) evacuation; (vi) care, use, and handling of fire extinguishers; (vii) practice in ambulance and motor pump handling; (viii) advanced first aid; (ix) legal aspects such as STPS regulations, Civil Protection Law, etc.; (x) basic industrial safety course; and (xi) safety in hazardous jobs, such as work at heights, in confined spaces, working with energy, lifting loads, etc.

¹² General Civil Protection Law and its Regulations; and Comprehensive Risk Management and Civil Protection Law for the State of Coahuila.

¹³ The term "HAZ-MAT" is a common abbreviation for hazardous materials.

4.1.g Monitoring and Review

INMAGUSA has a Specific Procedure to Identify, Determine, Control, Measure, and Follow-up on Present, Potential and Significant Environmental Aspects, where it monitors, records, and evaluates its environmental performance. This monitoring includes that required by applicable environmental legislation.

The Company also has a Specific Procedure for Updating Regulations on Environmental Legislation and Other Requirements, Evaluating Compliance and Determining Legal Requirements for New Projects and Expansions. Hence, as part of its Management System, it plans and conducts environmental legal compliance audits. If the audit process identifies nonconformities, the Company implements corrective or preventive actions and follows up on them to resolve them within the established deadlines.

INMAGUSA will prepare a consolidated annual report on the compliance status with all E&S and OHS policies and measures applicable to the Project, including the progress of Integrated System actions with respect to established key performance indicators (KPIs); as well as the compliance status with IDB Invest's Environmental and Social Sustainability Policy. With the results of these internal or external audits, the Company will define specific measures to reduce impacts and improve efficiency, and document and report progress and new procedures, as well as other certifications, depending on the country where the facility is located.

4.1.h Stakeholder Engagement

INMAGUSA has identified all stakeholders, including local authorities, interested in its operations and maintains an open and ongoing dialogue with them. As part of the relationship with these stakeholders, the Company has implemented (i) an Internal and External Communication Procedure; (ii) a mechanism for answering queries, claims and grievances; and (iii) a digital platform (Web page, mainly) to provide information on its environmental and social performance as regards its operations.

4.1.i External Communication and Grievance Mechanisms

4.1.i.i External Communication

INMAGUSA recognizes its responsibility to provide truthful, complete, updated, and accurate information. It has therefore designed a media interaction protocol that requires disclosure of information to be made only by authorized personnel.

Within the Integrated System there is a Specific Internal and External Communication Procedure that establishes how all requests for information from external stakeholders are received and the procedure for logging them. Communication with stakeholders is done through the Human Resources Department, which coordinates with the Quality Department for quality and environmental issues.

4.1.i.ii Grievance Mechanisms for Affected Communities

INMAGUSA has a formal mechanism for receiving queries, complaints, or grievances through the Whistleblower Channel on its website (<https://hotline.iochpe.com.br/>). The information logged through this channel is received and managed independently by IOCHPE's Internal Audit Department, which has

the necessary expertise to handle information related to misconduct, fraud, diversion of resources, or violations of applicable laws and regulations, guaranteeing anonymity and confidentiality. A dedicated phone line and e-mail are also available in addition to this channel.

The Company has a Specific Procedure for Attending to Customer Complaints, which establishes parameters for non-compliance with one or more quality characteristics required of the product or for deviations in the commercial conditions defined initially, all in order to meet customer expectations and gauge their satisfaction.

4.1.j Ongoing Reporting to Affected Communities

INMAGUSA, through its website (<http://www.maxionsc.com/inmagusa/>), provides information on the Company's environmental and social performance, as well its Social Responsibility efforts, through the Inmagusa Institute (Instituto Inmagusa).

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

The IOCHPE Code of Conduct, mandatory for all INMAGUSA employees, administrators, service providers and suppliers, dictates: (i) the Company's general principles, mission, vision, and corporate values; (ii) environmental and social responsibility in all the communities where it operates; (iii) zero tolerance for any type of harassment and other abusive conditions, such as intimidation or humiliation, physical or psychological; (iv) the prohibition of child labor, any type of slave or forced labor, abusive or discriminatory conduct and unethical or illegal situations; (v) the relationship with unions and political-partisan activities; (vi) how to proceed in situations of conflict of interest; (vii) the obligation of suppliers, service providers, and customers not to allow or use child or forced labor; (ix) the fight against corruption and money laundering; (x) the relationship with the media; (xi) confidentiality and information security; (xii) use of information technology resources and privacy; (xiii) whistleblowing, the whistleblowing channel, and non-retaliation; (xiv) disciplinary measures; and (xv) terms of receipt and commitment.

Additionally, in compliance with the Federal Labor Law in Mexico, the Company has its own Internal Labor Regulations (ILR) which contain the rules and conditions related to: the nature of the work; employee employment, suspension, and dismissal; the length of the workday, breaks, and paid annual leave; punctuality, paid and unpaid leaves of absence, and absenteeism; salary; tools, materials, and equipment; training and education; safety measures, hygiene, and work environment; occupational hazards; obligations and prohibitions for the Company; workers' rights and obligations; prohibitions for the Company; workers' rights and obligations; prohibitions for workers; absenteeism, attendance, and leave; penalties; and in general, compliance with federal and state 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 Conduct and the ILR regulate the manner and conditions for personnel recruitment and hiring; working days and hours, and their breaks; paid annual leave; 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 pledge to abide by the Code of Conduct and to report any actual, potential, or apparent deviations from the Code.

INMAGUSA recruits, selects, and hires talent through transparent, objective, confidential, and rigorous processes that guarantee respect for the principles of equality and non-discrimination. Furthermore, within the Code of Conduct, the Company declares that the recruitment, hiring, remuneration, evaluation, or promotion of its employees is based on competencies, academic training, professional experience, performance, behavior and attitude, and how well candidates match the Company's values.

4.2.a.iii Workers' Organizations

INMAGUSA, by undertaking to comply with applicable local legislation, recognizes the rights of workers to form labor organizations and to be part of them, and respects and assumes all responsibilities derived from such legislation, including international conventions and treaties that countries have signed with the International Labor Organization (ILO).¹⁴ In addition, the Code of Conduct recognizes the right to freedom of association and the right to negotiate collective bargaining agreements.

In compliance with the Federal Labor Law, INMAGUSA and the National Union of Automotive Industry Workers of the Mexican Republic¹⁵ submitted the Company's ILR for approval by the competent authority in the State of Coahuila.

4.2.a.iv Non-discrimination and Equal Opportunity

Mexico is a signatory to several ILO conventions and international treaties related to workers' rights, including Convention No. 100 on Equal Remuneration and Convention No. 111 on Discrimination (Employment and Occupation). The Company, in addition to complying with these provisions and with the Federal Labor Law and its regulations, establishes, within its Code of Conduct, respect for individual diversity and equity, acting with fairness, equality and impartiality, seeking a positive and inclusive social impact. The Code of Conduct also establishes a zero-tolerance stance on discrimination, harassment, abuse, and workplace harassment, and reaffirms the Company's commitment to promote an environment in which no applicant, employee, service provider, or contractor is excluded or discriminated against in any external or internal selection process on the basis of race, color, age, gender, gender identity, sexual orientation, marital status, ancestry, ethnic or national origin, religion, disability, union affiliation or political conviction, or any other type of discrimination.

¹⁴ Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize and Convention No. 98 on the Right to Organize and Collective Bargaining.

¹⁵ Member of the National Federation of Independent Trade Unions.

4.2.a.v Grievance Mechanism

The means to make complaints or claims about any inappropriate conduct, ethically questionable actions, applicable laws, and regulations, IOCHPE's internal rules and INMAGUSA's Code of Conduct, is through the Whistleblower Channel. This instrument includes various means of communication, ranging from direct reporting to the complainant's direct supervisor (director), to the Human Resources Department of the complainant's unit or, as a last resort, to the Coordinator of the IOCHPE Statutory Audit Committee; to indirect or anonymous reporting, using any of the permanently available digital options (Whistleblower Channel web page, e-mail, or dedicated telephone line). The Code of Ethics states that all reports are confidential and prohibits any form of retaliation against those who report suspected violations or cooperate in the investigation of a suspicious act.

The hotline is managed impartially and independently by IOCHPE's Internal Audit Department, which receives reports of alleged violations and complaints, collects the necessary information to record the case and coordinates investigative procedures, which may be carried out internally or externally with the help of specialized firms. All reports of alleged violations and complaints shall be reported at regular intervals to the IOCHPE Ethics Committee, whose purpose, among others, is to support the Internal Audit Department in those matters involving possible misconduct and, once the appropriate investigation procedures have been completed, to evaluate and determine the disciplinary measures applicable to each specific case, without prejudice to any administrative, civil, or criminal liability, depending on the case.

4.2.b Workforce Protection

INMAGUSA, in compliance with legal labor obligations in Mexico, respects the rights and obligations of employees and employers, promoting equality and equity in human, civil, political, economic, social, and cultural rights between men and women.

The Code of Conduct and the ILR require employees, directors and officers of the Company, and contractors and suppliers, to comply with all Mexican laws and regulations in order to ensure transparency and accountability in business, community interaction, and environmental responsibility.

4.2.c Occupational Health and Safety

INMAGUSA, in compliance with the Federal Labor Law and the Federal Regulation of Safety and Health at Work, has an Accident Prevention Program that contains the guidelines and behaviors to be adopted in order to protect the physical integrity of its employees and prevent injuries and harm to their health, through the implementation and execution of the emergency response procedures that are part of the Integrated System. Furthermore, the Company has a Specific Procedure for Hazardous Work in place for all hazardous work identified in the Work Safety Analysis (WSA), which establishes the minimum safety requirements for performing such work.

The Company also has a root cause analysis procedure entitled "8 Disciplines Report", where a multidisciplinary team analyzes the solution to problems, incidents, or accidents, proposes corrective actions, and validates them after their implementation.

In the wake of the COVID-19 pandemic, INMAGUSA has developed a series of biosecurity protocols, including: (i) identification and classification of the vulnerable population; (ii) placement of filters at access

points; (iii) classification of cases, such as those for positive, suspect, and positive case contact; (iv) medical discharge and work reintegration procedures for recovered COVID patients; (v) paid annual leave and work reintegration; (vi) procedures for visitors, high-risk or foreign visitors, and providers; and (vii) internal COVID disability procedures.

Similarly, and in compliance with the recommendations and guidelines of State and National Authorities (such as the STPS, Ministry of Health, and the Mexican Social Security Institute or IMSS, for its acronym in Spanish), and international authorities such as the World Health Organization (WHO), the Company has promoted awareness among its workers to avoid contagion, reduced the number of people in each work space, installed sanitary enclosures, maintained social distancing, suspended travel, and implemented remote work, support for vulnerable groups, and disinfection routines. As a result, INMAGUSA has been authorized by the STPS to continue operating.

4.2.d Workers Engaged by Third Parties

In accordance with the Code of Conduct and the ILR, all the Company's internal rules, policies and procedures apply, without exception, to all employees, directors, officers, service providers, and contractors. Employee tenure, both in-house and contracted by third parties, depends on compliance with the provisions of the Code of Conduct, as well as with applicable local and national labor laws and regulations. These measures have been reinforced through contractual clauses that have been incorporated into labor and service contracts, as well as compliance with the On-Site Regulations for Suppliers, Contractors, and Service Providers.

4.2.e Supply Chain

The Code of Conduct reaffirms the unrestricted respect of the Company, its contractors, and suppliers for internationally recognized human rights in its operations. In this regard, it requires INMAGUSA to ensure compliance with applicable legal provisions and the labor agreements ratified by Mexico, including those related to child¹⁶ and forced labor.¹⁷ Similarly, the Specific Purchasing Procedure establishes the need to comply at all times with applicable legislation, and that the products or services provided or generated by the Company do not cause adverse environmental impact or pose any risks to worker health or safety.

The Specific Procedure for the Evaluation and Selection of Suppliers, in addition to requiring compliance with all applicable Mexican laws and INMAGUSA's Code of Conduct, requires that potential suppliers comply with an evaluation process prior to their authorization and performance reviews once authorized. It also contemplates the need to carry out audits to verify work methods and implement the necessary controls to ensure product quality. This procedure is supported by: (i) the Supplier Quality Manual, which contains the methodology for supplier approval, evaluation, and performance reviews; as well as the required quality requirements; (ii) the Supplier Initial Evaluation Questionnaire; and (iii) the Supplier Quality Survey (when applicable and IATF 16949 certified).

In the case of selecting labor providers, which perform activities in INMAGUSA's operating processes, the Training Department verifies the implementation of the General Training, Competency, and Awareness Procedure, which establishes the need to comply with the Code of Conduct and the Company's internal

¹⁶ ILO Conventions No. 138 on minimum age and No. 182 on the worst forms of child labor.

¹⁷ ILO Conventions No. 29 on Forced Labor and No. 105 on the Abolition of Forced Labor.

regulations, as well as to promote the conservation and care of the environment, compliance with labor rights, and respect for human rights.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

4.3.a.i Greenhouse Gases

As required by each plant's AOC, the Project annually submits greenhouse gas (GHG) emissions records, both direct emissions from fuel consumption (Scope 1) and indirect emissions from electricity consumption (Scope 2).

INMAGUSA also has a Specific Procedure for the Control of Air Emissions, which establishes the guidelines to be followed for the operational control, monitoring, and reporting of emissions from fixed sources, in accordance with applicable Mexican regulations.¹⁸ Thus, each Project plant has emission control systems and equipment to keep gas and particle discharges into the atmosphere under control, comply with applicable and current regulations, and adhere to the Annual Environmental and Labor Monitoring Program in Operational Areas.

4.3.a.ii Water Consumption

During its O&M phase, the water consumption of the Project's plants will remain 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 licensed by the competent authority.

As part of the Integrated System and ISO 14001:2015 certification, the Company has proposed a 3% year-over-year reduction in water consumption, as well as the optimization of the use of this resource in its operations, specifically in the irrigation of green areas, by replacing potable water from the municipal network with treated wastewater that was previously a considered a discharge. Other measures have been implemented, such as: (i) replacing obsolete or faulty devices with state-of-the-art technology to reduce consumption; (ii) implementing leak detection programs; and (ii) carrying out water use awareness campaigns.

4.3.a.iii Energy

During its O&M phase, the Project's plants will not significantly increase historical average energy consumption. The latter will be provided through the public network and under a service contract with the authorized distributor.

As part of the Integrated System and ISO 14001:2015 certification, the Company has aimed to reduce electricity consumption by 225 kWh per ton produced. To this end, in addition to establishing a plant-by-plant measurement system, it is carrying out the following: (i) gradual installation of LED lighting;¹⁹ (ii)

¹⁸ NOM-043-SEMARNAT-1993 and NOM-085-SEMARNAT-2008, respectively.

¹⁹ LED stands for Light Emitting Diode.

installation and replacement with energy-efficient equipment; (iii) shutdown of unused equipment; (iv) installation of automatic or semi-automatic controls for high-consumption equipment; (v) preventive maintenance of equipment to increase its performance; (vi) shutdown of warehouse lighting; (viii) use of natural light in as many areas as possible; and (ix) employee training on energy saving.

4.3.b Pollution Prevention

4.3.b.i Waste

INMAGUSA, in compliance with environmental legislation, reports the volume of non-hazardous solid waste and special handling waste, as well as wastewater discharges to the municipal sewer system.

The Integrated System and ISO 14001:2015 certification also ensure and assess compliance with legal requirements, monitoring of environmental controls, monthly environmental parameter inspection audits and compliance with maximum wastewater discharge concentrations. In this regard, INMAGUSA is authorized to dispose of special handling waste, is registered as a generator of such waste, and has a specific handling plan that fulfils applicable regulations.²⁰

In accordance with the Waste Separation and Segregation Instructions, the Company separates, classifies, 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.

4.3.b.ii Hazardous Materials Management

INMAGUSA, as required by environmental legislation, reports the generation, storage, and handling of the hazardous waste it generates, as well as its transfer and the records of the companies providing waste handling services.

The Company has an Environmental Program to Minimize and Mitigate the Impacts of Hazardous Solid Waste Generation, which, in addition to establishing the environmental KPI for the generation of this waste, sets out the activities, resources, responsible parties, estimated compliance date and status for the management of such hazardous waste. It also has a Specific Procedure for the Handling and Storage of Hazardous Materials, which establishes guidelines for (i) identifying, controlling, minimizing, valuing and comprehensively managing hazardous waste; (ii) promoting a culture of minimization, based on phasing out the use of this type of waste or its substitution by non-hazardous products; (iii) determining the measures for internal collection and transportation to a temporary storage space for each type of hazardous waste; and (iv) the safe storage of hazardous materials, which in accordance with the regulations, hazardous waste data sheets, and official security procedures and rules, contains a compliance checklist for each hazardous substance, according to its characteristics.

²⁰ General Law for the Prevention and Integral Management of Waste and the Environmental Law of the State of Coahuila and its Regulations.

4.4 Community Health, Safety and Security

4.4.a Community Health and Safety

INMAGUSA runs the Project's properties and plants using applicable environmental and OHS best practices. The Company's Accident Prevention Program includes a specific section for dealing with any emergency or accident that exceeds its response limits with the support of “external emergency bodies.” According to the Emergency Communication and Alarm Procedure, the UIPA, together with the Property Security Department, oversees the start of the response process for this type of event.

As part of its Corporate Responsibility Program, the Company supports the local Civil Protection Department and the Local Mutual Aid Committee (CLAM, for its acronym in Spanish), formed by members of the civil community, by providing emergency equipment (stretchers, fire extinguishers, motor pumps, ambulances, etc.). Via monthly meetings, the Company keeps CLAM informed of the potential risks at its plants, the response and combat devices, alarm and communication systems, evacuation routes, and the internal drill program.

INMAGUSA has a Multiple Business Insurance Policy which covers all types of loss of property, real and personal, within its premises, including third-party property under its custody and control. INMAGUSA has a policy that covers damages to neighboring properties, environmental and/or social damages external to its properties.

As part of its response to the COVID-19 pandemic, the Company developed a biosafety protocol where it established its hygiene and safety measures, and it implemented practices and processes based on the recommendations and guidelines of State and national authorities (such as the Ministry of Health and the IMSS) and international authorities such as the World Health Organization (WHO), to adapt its facilities and operating processes to guarantee a clean and safe environment for its employees and suppliers.

4.4.a.i Infrastructure and Equipment Design and Safety

At its plants, INMAGUSA has leak and spill detection and containment equipment, fire alarm and firefighting systems, and emergency communication mechanisms that comply with domestic regulations.²¹ The Accident Prevention Program includes an inventory of fixed (foam and water sprinkler systems, hydrants, CO₂ and FM-20 suppression systems, pump rooms, firefighting water storage tanks or cisterns, etc.) and mobile (fire extinguishers) firefighting equipment, as well as the maintenance activities to be carried out on the fire detection and alarm systems and the identification and duties of the firefighting brigades.

As part of its audit and certification process, the Company engages external consulting companies²² to inspect the firefighting infrastructure and systems, determine risk levels and evaluate loss expectancies. In addition, and in accordance with the international standards of the National Fire Protection Association (NFPA), inspections, tests and maintenance are performed annually or monthly by accredited companies on the control panels of the alarm and detection systems and the hydrant systems.

²¹ Mexican Official Rule NOM-002-STPS-2010, Safety conditions - Fire safety and prevention in workplaces.

²² The last audit was performed by the consulting firm TÜV SÜD Global Risk Consultants, on May 6, 2021.

4.4.b Security Personnel

INMAGUSA has a security and surveillance service provided by a specialized security company, duly registered with the Secretariat of Public Security of the State of Coahuila. The Company ensures that all security personnel working in its facilities and plants have the appropriate registration and certification to perform their duties, issued by the competent authority,²³ and that they comply with the Specific Procedure for Security Personnel Operations, which details the procedures, activities, and actions that must be carried out to preserve security within INMAGUSA. The Company also provides training for all its security personnel in the implementation of its Code of Alerts and Drills for property security, which includes the analysis of security scenarios ranging from an extortion call or intrusion by a suspicious person, to a bomb threat or suspicious package.

The Company ensures that the security company's personnel train their staff on topics such as: (i) security concepts, describing the requirements for performing the duties of a private security guard and conduct and moral ethics issues; (ii) property security, describing access controls and service instructions; (iii) surveillance and patrol techniques, including the identification of risks and unsafe acts, patrols and rounds, and action protocols; and (iv) report writing, describing the actions to be taken to notify the authorities of events, the types of reports, and the use of radio communication equipment.

4.5 Land Acquisition and Involuntary Resettlement

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

4.6 Biodiversity Conservation and Natural Habitats

Since the Project does not contemplate new properties or the development of new works or infrastructure, there are no expected significant impacts to vegetation or disturbance to biodiversity.

In terms of the purchase of materials within its supply chain, however, INMAGUSA makes reasonable efforts to ensure that the raw materials for its products are produced in a responsible manner. The Company also has a Specific Purchasing Procedure that describes how externally supplied products are controlled, in order to ensure that they: (i) are environmentally friendly; (ii) do not generate negative environmental impacts; (iii) comply with applicable legal requirements; and (iv) do not pose risks to workers' health or safety, or that such risks can be controlled. In this regard, the Company requires safety data sheets, environmental certifications (as applicable), and specific permits for transportation, handling, etc. from its suppliers.

4.7 Indigenous Peoples

The Project, which is located in established industrial zones, does not involve any new property development. Therefore, no impacts to Indigenous peoples' lands or resources are foreseen.

²³ General Directorate of Private Security of the Ministry of the Interior.

4.8 Cultural Heritage

The Project Will not generate any cultural heritage impacts.

5 Local Access of Project Documentation

INMAGUSA provides additional information on sustainability on its website:
<http://www.maxionsc.com/inmagusa/meio-ambiente/>