

Environmental and Labor Issues:

This is a category III project according to the IIC's environmental and labor review procedure because it could produce certain effects that may be avoided or mitigated by following generally recognized performance standards, guidelines, or design criteria. The main considerations related to the project are quality, environmental, and occupational health and safety management systems; project environmental impact assessment; and labor practices and social issues.

Management Systems and Third-party Certification: CICASA has an integrated management system to ensure compliance with Mexico's domestic and local regulations for its operations and those of its controlled entities, in order to prevent and mitigate any negative impact at different stages of its projects. CICASA's integrated management system includes business plans and procedures for managing quality, environmental, and occupational health and safety issues. It also provides for process controls, testing, and inspection, and includes an emergency response plan. CICASA's integrated management system is ISO 9001 and ISO 14001 certified, for quality and environmental management, respectively. CICASA's occupational health and safety system is in line with OHSAS 18001 guidelines.

It is company policy to train all employees on environmental protection and occupational health and safety; provide them with the requisite personal protection equipment; and supervise its use. At the corporate level, there is a risk committee in charge of ensuring that CICASA and all of its controlled entities continuously follow best practices regarding environmental, occupational health and safety, and corporate social responsibility issues. The IIC shall require that this project comply with IIC environmental and labor guidelines and International Finance Corporation performance standards on social and environmental sustainability.

Project Environmental Impact Assessment: Prior to project implementation, CICASA identifies potential environmental and social risks and impacts and assesses their relevance. CICASA determines whether the project complies with the relevant domestic, state, and municipal environmental and occupational health and safety regulations, and carries out a full environmental impact assessment, as needed, and submits it to the relevant authorities for approval. Based on the results of the environmental impact assessment process, an environmental and occupational health and safety management plan is prepared for each project. The management plan includes a breakdown of the activities to be carried out during project execution to ensure compliance with applicable regulations and procedures and processes that follow best practices. Management plan activities focus on implementing measures to prevent, control, and mitigate environmental pollution and social impacts related to air emissions, solid and hazardous waste management, effluent treatment and discharge, flora and fauna protection, soil conservation and reforestation, mitigation of impacts at campsites during the project construction phase, environmental education and training, and cultural heritage and archaeological protection, among other issues. Each project has a management plan for these issues that includes an organizational structure, assigns responsibilities during project execution, and establishes emergency response measures. Monthly internal progress reports are prepared for each project to monitor compliance with the environmental and occupational health and safety management plans. Internal compliance audits are also carried out to keep the company's senior management informed about these issues. To comply with project permitting and licensing requirements, CICASA submits progress reports to the relevant authorities, who disclose them to the public, as appropriate.

CICASA's corporate quality, occupational health and safety, and environmental department is responsible for ensuring that the management plans are prepared and implemented to comply with the objectives of its integrated management system. Each project has an environmental, health, and

safety manager, who prepares the relevant reports to submit to CICASA's project management team. The manager is responsible for ensuring that the environmental, health, and safety management plan is implemented based on the resources allocated by CICASA's project management team. For each project, CICASA has environmental, health, and safety committees that monitor compliance with work schedules and environmental, health, and safety issues on a weekly basis. In the event of noncompliance, relevant corrective actions are taken. In addition, all of CICASA's projects periodically undergo internal inspections and audits.

Labor Practices and Social Issues: It is CICASA policy to comply with Mexico's labor laws. The company's human resources policy is reflected in employment contracts, which include working conditions, term, salary, and employee benefits. CICASA complies with the core labor standards of the International Labour Organization, such as nondiscrimination, equal opportunity, freedom of association, the right to collective bargaining, and the prohibition of forced labor. There is a union that workers may join if they wish. The minimum working age at CICASA is 18 years of age. All of the employees at CICASA and controlled entities must comply with the code of ethics and conduct, available on the company's intranet.

CICASA's relationship with the communities in the areas of influence of its projects is twofold: a) consultation and disclosure on the environmental and social assessment of projects is carried out in line with Mexican regulations established by the Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT). Environmental impact studies are disclosed to affected communities through the relevant government authorities; b) CICASA's integrated management system has a procedure in place to communicate with external stakeholders, including a procedure to address grievances. CICASA also has a corporate social responsibility program with measures for the project implementation phase.

Monitoring and Compliance: Throughout the life of the loan, CICASA will continue to implement its integrated management system for quality, environmental, and occupational health and safety issues associated with Los Portales. CICASA will report yearly to the IIC on its environmental, labor, and social performance. During the life of the loan, the IIC will monitor compliance with its own environmental and labor review guidelines. The IIC will evaluate the monitoring reports that the company will submit each year and will conduct periodic visits to the facilities as part of the loan supervision process.