

1. Overview of Scope of IIC E&S Review: The IIC made a field visit to the offices of EFD and Nemark in Monterrey on December 1-3, 2015. The mission reviewed the approach of EFD and Nemark to environmental, social and workplace safety and health issues to assess any gaps between it and the IIC's Environmental and Social Sustainability Policy. The project is expected to be designed and executed in accordance with the objectives of this policy. 2. Environmental and Social Categorization and Rationale: According to the IIC Environmental and Social Sustainability Policy, this is a Category B project, as its risks and impacts are expected to be limited, reversible, and can be mitigated via measures that are readily available in the context of the operation. 3. Environmental Risks and Impacts and Proposed Mitigation Measures: Potential environmental and social impacts and risks related to the project could include: i) generation of solid and liquid waste and atmospheric emissions resulting from industrial operations; ii) leaks and spills of hazardous materials; iii) significant water and energy consumption; vi) occupational safety and health risks at the workplace; and vii) supply chain impacts. 3.1 Assessment and Management of Environmental and Social Risks and Impacts Nemark has developed a health, safety, and environmental management system for its operations in Mexico and has been ISO 14001-certified since in 2002. Likewise, it joined the federal government's voluntary environmental self-regulation program and has, since 2003, held the Clean Industry certification granted by the Office of the Federal Prosecutor for Environmental Protection. To maintain this certification, Nemark must deliver regular reports to the Department of the Environment and Natural Resources and the National Water Commission on its compliance with applicable environmental regulations with regard to its facilities in the country. Nemark actively participates in social responsibility initiatives, mainly in the areas of education, nutrition, and the environment. 3.2 Labor and Working Conditions Nemark complies with national labor regulations, satisfying the requirements of performance standard 2. Nemark's procurement practices use the supplier selection criteria of the Automotive Industry Action Group (AIAG), which mainly focuses on quality and product characteristics. Nemark has a global sustainability code for suppliers <http://www.nemark.com/#aboutus> that is based on the principles and standards defined in the OECD guidelines for multinational enterprises, the United Nations Global Compact and Universal Declaration of Human Rights, and the conventions of the International Labour Organization. In order to be part of this program, Nemark asks suppliers to conduct a self-evaluation to identify strengths and opportunities for improvement. A visit is then arranged to jointly review the self-evaluation results with the supplier. Once the opportunities for improvement are identified, the supplier develops an action plan for strengthening the areas identified. The information collected from this self-assessment includes analysis of compliance with local legislation on environmental, social, health, safety, and labor issues; compliance with the IFC's list of excluded activities; training of personnel; and the existence an environmental policy and environmental management systems. As a result of the analysis of its suppliers' self-evaluations, Nemark categorizes them as A, B, C, or D depending on the information it collects. The results are also received and filtered by E-Factor to discard suppliers who have been categorized as D. Suppliers who have complied with the performance standards (categorized as A and B) are submitted for IIC approval. If the categorization is C, depending on the shortcomings, the supplier could be approved with monitoring and given time to improve. Suppliers categorized as C or D could be eligible to receive technical support services from the IIC until an A or B categorization is obtained and they can join the network of suppliers. Nemark has in-house and external suppliers that it audits sporadically. It has a complaint mechanism for reporting failures to comply with the global sustainability code for suppliers. Nemark will continue to evaluate and follow up on all its suppliers to ensure environmental, social, health, safety, and labor issues are managed correctly. It will also examine the program's efficiency and, where there are opportunities for improvement, contact the IIC to coordinate. 3.3 Resource Efficiency and Pollution Prevention Nemark is developing a sustainability program called "Juntos creando valor" (creating value together) based on three pillars: Eco-efficiency, social commitment, and competitiveness. The program is in line with corporate policies. Nemark applies eco-efficiency to its manufacturing process and its value chain. Nemark is committed to measuring, controlling, and

reducing energy consumption (natural gas and electricity); to improving its manufacturing process in order to optimize operations and work conditions (production, maintenance, lighting, and noise); to efficient use of natural resources and the search for new sources or alternatives (reforestation, water, sand, and aluminum); and to controlling and reducing waste. With regard to its value chain, Nemak promotes eco-efficient projects and measures, controls, and reduces CO2 emissions generated by its production chain. Some of the initiatives are implemented through the ALFA group's foundation. Nemak has an aluminum recycling initiative that purchases around 22 million pounds of scrap aluminum per month for its North American operations.