

Living the Community

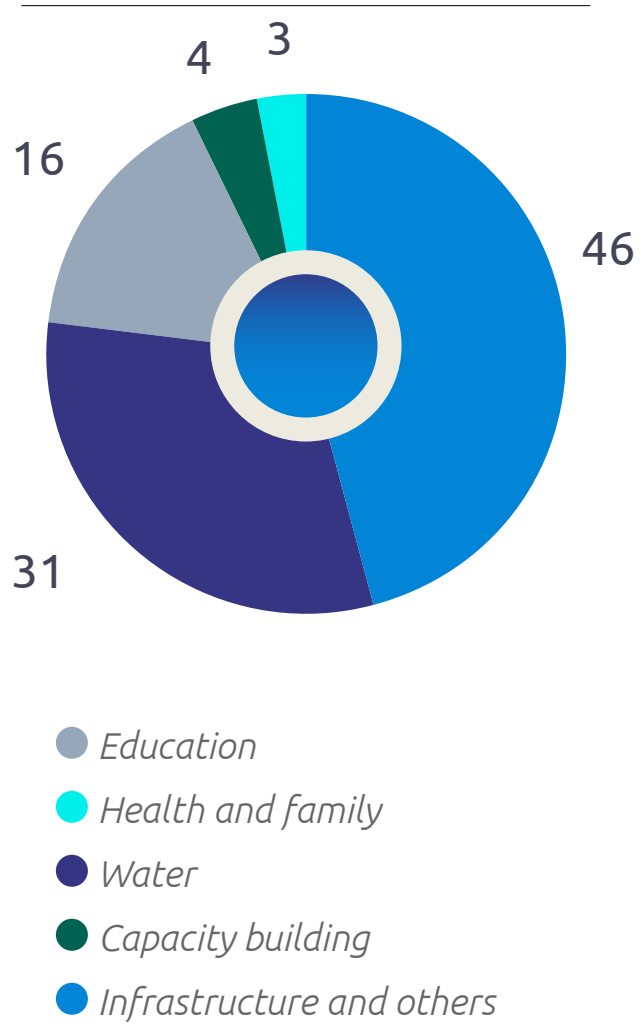
The COVID-19 pandemic brought about social changes, among which stand out increasing expectations from our communities regarding our more active involvement in the causes they are interested in and are relevant to them. At the same time, phenomena like inequality, inflation, the breakdown of the social fabric, polarization and human rights activism have transformed the social landscape across which mining and metallurgical activities take place. Aware of these risks and opportunities, in 2021 we launched a strategy called Living the Community, seeking to go beyond the social license to operate by helping to co-create a shared future with our communities.

US\$ 6.64 M social investment
67% local employment
58% local procurement

The social license to operate is consistently among the five main risks and opportunities in the mining and metallurgical industry, whose activities can have positive impacts such as local employment and procurement, capacity-building, social development and local taxes. But if they are improperly managed, they can also have negative impacts on communities and the environment. Aware of the importance of enhancing positive impacts and mitigating the negative ones, we remain committed to adopting best socio-environmental performance practices.



Community investment
by strategic lever
(%)



Social Management System

Our Social Management System is supported by manuals, guidelines and procedures that keep our team informed of best practices and our expectations regarding the social performance of Peñoles’ projects and operations. Each year, we conduct social research to update our analysis of social risks and identify gaps so that we can modify our social management plans accordingly. We also regularly monitor major social trends to evaluate and adapt our social strategy.

Identification of real or potential risks and impacts

Our operations conduct social diagnostics each year, in which we ask our communities about their concerns and expectations as well as their perceptions of Peñoles’ commitment to the society and the environment, as an employer and neighbor, and its institutional image. These diagnostics help us identify risks and opportunities to improve our social performance. Through workshops and materialization exercises, the operations and projects leadership teams go over our social management initiatives and plans. In our projects and operations, we regularly conduct baseline and social impact studies from a focus on human rights, with the aim of addressing the real or potential impacts through those initiatives and plans.

To ensure efficient coordination and the exchange of best practices, Peñoles created a best practices committee that brings together the team leaders of community engagement from exploration, projects, and operations in Peru and Mexico. We continue to focus on maturing our management system, compiling best practices in the organization and identifying knowledgeable partners that can help us continue developing our capacities. This included a series of forums for dialogue and the creation of a cutting-edge training program for our community engagement team, with the support of the Pontificia Universidad Católica in Peru.

Issues that interest the community	Business unit/project	Location	Engagement activities
Water	Racaycocha	Áncash, Peru	• Engagement with authorities and community on issues of water infrastructure.
	Química del Rey	Coahuila	• Cooperation with authorities to support distribution of water for livestock and seasonal crops.
	Metalúrgica Met-Mex	Coahuila	• Co-management with authorities for distribution of treated water to public parks.
Education and culture	Bermejillo	Durango	• Academy for completing school diplomas.
	Fuerza Eólica del Istmo	Oaxaca	• FIRST Robotics program and Lego League for community youth.
	Metalúrgica Met-Mex	Coahuila	• Metals Museum program with the educational community of La Laguna.
	Racaycocha	Áncash, Peru	• Community cultural appreciation plan.
	Velardeña	Durango	• FIRST Robotics project and mentoring of children and young people.
Community health	Tizapa	State of Mexico	• Co-management of medical service in partnership with FUNAM.
	Velardeña	Durango	• Physical and psychological wellness workshops in coordination with FUNAM, University of the State of Durango and local authorities.
	Química del Rey	Coahuila	• Synergies with authorities and community committees for community healthcare and prevention.
	Bermejillo	Durango	• Co-management of the Youth Integration Center to train social promoters.
	Fuerza Eólica del Istmo	Oaxaca	• Santos Peñoles Soccer Academy.
	Orisyvo	Chihuahua	• School breakfast program in coordination with the educational community and authorities.
Capacity building	Tizapa	State of Mexico	• Advice from zootechnical veterinarian and agribusiness consultants for local producers.
	Velardeña	Durango	• Ongoing workshops in the community center.
	Sabinas	Zacatecas	• Project to produce nopal cactus as cattle feed.
	Milpillas	Sonora	• Community center workshops for women’s group to develop productive projects, in an alliance with Asociación para la Formación Integral Educativa y Desarrollo Cultural (FIEDC, A.C.).
	Bermejillo	Durango	• Training and professional capacity-building for seamstresses, beauty technicians and carpenters.
	Metalúrgica Met-Mex	Coahuila	• Training, capacity-building and entrepreneurship for women.
	Racaycocha	Áncash, Peru	• Capacity-building at the community center and entrepreneurship training.
			• Development of local suppliers.
Infrastructure	Capela	Guerrero	• Co-management of social infrastructure in coordination with authorities and the community.
	Metalúrgica Met-Mex	Coahuila	• Renewal of public spaces through neighborhood committees.



Engagement in the lifecycle of an operation

Our community engagement strategy adapts to the expectations of communities and the potential impacts of each phase in the mining and metals lifecycle.

Exploration: In this phase, our teams contact local communities to introduce ourselves as a company, socialize our activities and negotiate permits for access to land for exploration. This is when we identify their issues of interest, their needs, expectations and concerns; we address questions and claims regarding our activities, and actively involve ourselves in generating temporary employment, procurement and social investment opportunities. In advanced exploration phases, we prepare baseline studies to learn more about the communities. We carry out due diligence with indigenous peoples regarding the company’s concessions in order to identify in advance whether additional measures are needed to establish respectful relations with indigenous communities.



Projects: We encourage engagement with the exploration and operating teams through a social management continuity plan that includes an evaluation of management, tracking commitments and strengthening the community relations team of each project with the vision of working throughout the business life cycle.

Our teams expand on the baseline social studies and impact assessment to design a social management plan. We develop increasingly ambitious social programs involving the communities and civil society organizations. We carry out awareness-raising activities with our engineering and mining teams regarding key aspects of the communities and we incorporate social aspects into our site analysis of tailings storage facilities, training our contractor partners in social issues. We maintain a visible presence through meetings with communities and authorities as well as onsite visits to address concerns and grievances, helping to build trust. We work closely with the land acquisition teams to address communities’ expectations and concerns and seek to connect them with local employment and procurement opportunities relating to the projects. In those located in indigenous territory, we work alongside authorities to prepare and organize the process of prior free and informed consent (PFIC). All of this is done through comprehensive risk management, and in coordination with the technical and administrative areas.

Mining, metallurgical and chemical operations: Our community relations teams create social management plans to ensure a positive impact on causes that interest the communities. These plans include engagement activities and dialogue with these groups and local authorities concerning issues that are relevant to them and to the company. In operations, we deploy institutional social investment programs and maintain open mechanisms for receiving questions and grievances. The social studies are applied every year or every two years to identify performance gaps and opportunities in our social strategy, incorporating the viewpoints, expectations and concerns on a participative basis. Through our operations, we develop more lasting local employment and procurement opportunities.

Mechanism for addressing concerns and grievances



Mechanism for addressing concerns and grievances

Our operations, projects and explorations all have feedback mechanisms by which we can understand the real or perceived impacts of our activities and take action to address them. A grievance is a concern that requires a response or action from the company.

Category	2022	Business unit	Addressed	In process
Grievances received	15	Met-Mex	2	0
Grievances resolved	15	Química del Rey	2	0
Total grievances	15	Fuerza Eólica del Itsmo	0	0
		Bermejillo	0	0
		Tizapa	1	0
		Capela	3	0
		Sabinas	2	0
		Velardeña	3	0
		Milpillas	2	0
		Naica	0	0
		Explorations	0	0
		Projects	0	0
		Total	15	0



In 2022, we managed and resolved 15 grievances from local communities.

Success story – Talking about our environment: Presentation of social studies carried out in neighboring communities

We work together to strengthen understanding of social, economic, environmental and cultural aspects, by involving the community in workshops where we present the results of social studies regarding our Orisyvo project.

These spaces make possible an open a dialogue with various social actors, who share with us their experiences and knowledge, welcoming the opportunity to express their opinion regarding issues in the surrounding environment.

“I think it’s a very important activity because of the issues dealt with. We’ve found that the biggest difficulty in communities is consistent organization and participation by the inhabitants.” Ericka Salvador, member of Redes Sociales para el Desarrollo A.C.

“These exercises are necessary as a way to learn the opinion of all community members; they help us learn about local problems and recognize how each one of the parties, such as the company, municipality, community and civil associations, can contribute within their possibilities.” Rosa Emma Lucero, Director of Indigenous Affairs of the Municipal Council of Uruachi.

These actions are a valuable opportunity to invite social participation and reflection on issues that are relevant to the entire community.

Resettlement

Mining activities take place where mineral deposits are located. At times, the development of a mining project or expansion of mining operations requires a community’s consent to perform a resettlement and restoration of livelihoods.

Our approach to resettlement involves:

- First, avoiding resettlement whenever possible, exploring alternatives in the design of our projects and location of the infrastructure.
- When resettlement is inevitable, we work together with families, communities and governments to identify and address adverse impacts, restoring or improving livelihoods and living conditions.
- Implementing best practices to responsibly manage resettlement, like baseline studies, a framework for compensation and programs to restore livelihoods, along with evaluation and follow-up programs.

In 2022, there were no resettlements or mobilization of communities caused by our projects and operations.

Social investment and shared value

Our social investment portfolio, which is aligned with the SDG, fosters mutual understanding and a harmonious relationship with communities, stronger relations of trust and shared responsibility, development of local capacities, and productive alliances with civil society organizations, all for the purpose of creating social well-being.

1,446 social development activities
101 communities served
123 people working in community relations



Creating long-term value in the communities where we operate Social investment portfolio



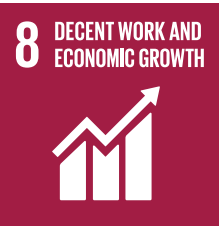
Education:

Build social unity through education, art, science, technology and the preservation of cultural heritage.



Health and sports

Help improve health systems and promote good hygienic, nutritional and physical habits in our communities.



Capacity-building:

Develop capacities and promote entrepreneurship to diversify the local economy.



Access to water:

Work with communities and authorities to improve safe access to water and to raise awareness about environmental aspects.



Education

We want to promote social unity through education, culture, art, the preservation of cultural heritage, science, technology and educational infrastructure. We promote quality technical, professional and higher education, including university level classes, so that people can get decent jobs or start their own businesses. We also promote literacy programs.

Key activities:



- With the **FIRST Robotics** program, we encourage young people to pursue careers in science, technology, engineering and mathematics (STEM). Students compete for scholarships to study at **Universidad LaSalle**, with which we have an agreement, at its Laguna and Hermosillo campuses.

23 teams of the FIRST Robotics program
586 young people
150 mentors

- Our **Picando Letras** program resumed activity at our “bunkos” at Ciénega and Caborca, where kids can pick out books to read and discuss their ideas with others. Also, with the support of Larousse, we donated books to children and youth in our communities.
- **INNOVEC** supported our launch of two pilot projects to encourage understanding of climate change among children in neighboring communities.



Metals Museum:
154 workshops
6,449 school visits
188 productions for social media

- Our **Metals Museum** encourages interest in science and showcases mining and metals as opportunities for development.
- As part of our continuing education program for teachers, administrators, parents and students from schools neighboring our operations, and in alliance with the **Instituto Mexicano para la Excelencia Educativa A.C.**, we have trained more than 280 administrators and teachers in our workshops “Caring for the emotional well-being of our students” and “Leadership and innovation: planning and strategies for online learning.”
- Among our actions aimed at promoting adult education, we continued our **literacy program** in Durango, Zacatecas and Guerrero.
- Through volunteer work, and in partnership with **The United Way Mexico**, we contributed equipment and infrastructure to schools in our communities.
- In coordination with the authorities, civil society organizations, teachers and the community at large, we participated in the program Co-Management of Educational Infrastructure.

Success story – School for parents

Pucajirca project
Peñoles Peru

In coordination with educational institutions in peasant communities of Pedro Pablo Atusparia Tarica, San Antonio de Urcón and Alfonso Ugarte de Huichanga, and in an alliance with the Ministry for Women and Vulnerable Populations of the province of Corongo, we introduced the **School for Parents** project, which provides parents with guidance on child raising and children’s education, with the aim of forming new generations with a social conscience.

School for Parents is a learning space for talking about important issues like school dropout, recommendations on child raising, emotional communication, discipline at home, family violence, and values.





Health and sports

Our goal is to encourage healthy lifestyles and well-being in our communities. We support health systems, good hygienic and nutritional habits, and access to safe vaccines; we promote preventive health and sports programs, family togetherness, and emergency response.

Key activities:

- We participated in the **Zinc Saves Lives, Mexico project**, in partnership with UNICEF and IZA, whose purpose is to accumulate scientific evidence to support a change in Mexican regulations regarding the use of zinc to treat acute diarrhea in children under five.
- Working together with **FUNAM** and health authorities, we continued our program of Health Days, offering medical checkups and specialized care for vulnerable people from our communities. In 2022, we provided more than 9,000 medical consultations. (See success story).
- Through our 11 **Santos–Peñoles & Fresnillo plc** soccer academies, we promoted values among more than 800 boys and girls, transforming their lives and boosting their skills. We also organized other **sports tournaments** to promote family togetherness and restore public spaces.
- **285,846** vaccines applied since the pandemic began.
- As allies of the **National Vaccination Strategy** of the **Mexican Ministry of Health**, we contributed our facilities at Torreón and San Julián to be used as vaccination centers.

285,846 vaccines applied since the pandemic began.



Success story – Health weeks

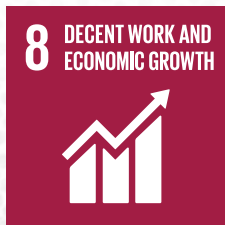
Peñoles Mines

We encourage a culture of preventive health care through healthy lifestyles and free services, specialized care and general checkups for children, youth and vulnerable adults in communities neighboring our operations.



We formed nine brigades for pilot programs on physiotherapy and social work, as well as community reflection workshops, with a special focus on vulnerable people, with the purpose of developing life skills. In 2022, **1,855 checkups** were given, benefiting **2,130 people** in the communities, along with **7,211 medical consultations** organized with the support of students from the UNAM school of medicine, and in coordination with the public health authorities.

Accordingly, we reiterate our commitment to the well-being of Mexican families and our interest in being a responsible, supportive neighbor who works in cooperation with authorities and communities.



Capacity-building

Our goal is to develop capacities and promote entrepreneurship in order to diversify local economies and build resilient communities.

Key activities:

- In alliance with **Fundación ProEmpleo A.C.**, we promote entrepreneurship and improvement of local businesses through training in business skills, consulting, work grants and development of local procurement.
- We develop social capacities through **productive projects**, with a focus on economic development (see success story).
- Our **community centers** provide a space where we can help develop capacities and support talent in our communities (see success story).
- The **Centro de Estudios Técnicos Laguna del Rey (CETLAR)** offers full scholarships to young people from communities near our operations, who receive training as highly qualified technicians. We also participate in the Youth Building the Future program, a joint effort between business, government and communities.



Success story – Now or never

Community centers

Our community centers strengthen our relationship with our neighbors by providing spaces for training and educational activities. There, we build life and work skills, promote culture and sports, and support talent. In 2022, we held **35 workshops** attended by more than **1,200 people**.



We present the testimonial from Fabiola Isidro about how the community center workshops helped her earn income for her family:

"I found out about the Peñoles community center from a neighbor who took pastry courses, and what she said about the teachers and the facilities was very encouraging. That motivated me to sign up. I was only going to take a pastry course, but I like cooking a lot, and bread baking seemed like a wonderful opportunity. I was a little worried about my age, I thought I might be too old to get into this, but in the end I said, "it's now or never," and it was very useful to me. I found out that age doesn't matter, it's never too late to learn new things and improve in all aspects."

Success story – Productive projects



Cactus for cattle feed

This **productive project** is for people interested in cultivating the prickly pear cactus, both commercially and to feed their livestock. As part of our strategy for addressing the social risks relating to the presence of local livestock, this alternative economic development program avoids displacement and encourages the revival of primary activities in zones neighboring our operations.

Wood recycling

The sustainable carpentry workshop is part of a program for using waste wood, in which participants learn to make benches, doors, bookshelves, fences, furniture and various articles for local schools and institutions. The carpentry workshop is an initiative by Zacatecas community members, a business model in which wood used by local companies for packing is upcycled, creating a model of economic development parallel to mining.

As of 2022, Peñoles has donated **9 metric tons of recycled wood for reuse**.

The project is a collaborative effort between the company and the community, which encourages capacity-building and economic growth, as well as environmental care.



Access to water

We intend to reduce our water footprint and work with communities and authorities to improve safe access to water, while building awareness about environmental aspects.

Key activities:

- We treat **municipal wastewater** and use it in our processes, to reduce fresh water consumption.
- We monitored **300 rainwater collection systems** in San Julián, which benefit more than 1,000 people from the Sierra Tarahumara. We carried out this project in alliance with civil society and the government.
- We developed a water well diagnosis project for the communities around Penmont.
- We worked hand in hand with the federal government on the **Sembrando Vida** program to plant fruit trees and species grown in our plant nurseries in our neighboring communities.
- We conducted **recycling, cleaning and environmental awareness campaigns** and promote water stewardship through publications, round tables and contests in collaboration with authorities, communities and educational centers.
- We organized visits for school children from communities to our **wildlife management units and plant nurseries**, to raise awareness about the environment and preservation of flora and fauna.

Our plant nursery at Metalúrgica Met-Mex, in Torreón, reproduces and plants the endangered **Noa cactus species** in its natural environment.

