

# Living the Community



We aspire to Live the Community by getting involved in the causes and needs that the communities around us are interested in addressing and resolving—joining in their development plans for a shared future and forging strategic partnerships with authorities, cooperating entities, and civil society organizations for the common good.

We promote dialogue and participation to encourage community advancement, pri-

oritizing skill building and strengthening for social organizations, empowering communities to work for sustainable development, and promoting shared solutions.

We are aware of the increasingly exacting expectations of social performance and the social complexity of the regions where we operate and develop our projects, and we are committed to continuously improving our social performance practices.

## Governance

The ESG Committee governance mechanism (see section *ESG Governance*) oversees social performance issues. The Committee will monitor social performance results and progress against strategic plan goals (see *Strategy section of the Annual Report*). We also operate a Community Relations Best Practices Committee, which establishes performance standards and social management system procedures for our activities in Mexico, Peru, and Chile. This committee supports the exchange of best practices and partnerships with civil society, cooperating organizations, and authorities.

### Social Performance Standard

Our standard establishes the criteria and success factors for responsibly managing social impacts and risks, so we can earn the communities' trust in our operations and projects and execute our business strategy.

## Strategy

Social license to operate is consistently among the five main risks and opportunities in the mining-metallurgy industry.<sup>1</sup>

### Strategic implications of social performance

#### Managing social impacts and risks

Responsibly managing socio-environmental impacts and risks is crucial for earning and retaining community support for our activities, including human rights implications. When impacts are not properly managed, they become social risks, with negative implications for operating continuity and our ability to execute our business strategy. To ensure success, we must responsibly manage impacts and promptly manage social risks by engaging and dialoguing with communities.

#### Community engagement

Community engagement is essential to incorporating their expectations and concerns into our operating, tactical, and strategic decisions. When a com-

munity is actively involved in the issues that matter to them, we enjoy broader social support for our activities and create opportunities for social development. Community expectations regarding a company's social performance evolve over time, and the success of an engagement strategy lies in that company's capacity to adapt to this reality.

#### Indigenous peoples

Some of our operations and projects are located in communities and territories that are home to indigenous groups. In such cases, we are required to obtain and maintain the communities' Prior, Free and Informed Consent (PFIC). Mexico, Peru and Chile have both signed the ILO Convention 169, and it is incorporated in one way or another into local law. Having a robust social process for engagement, managing possible impacts, and obtaining this PFIC are key factors for the success of our business.

<sup>1</sup> Ernst & Young Global Limited (EYG). *Top 10 business risks and opportunities for mining and metals in 2023*. Retrieved from: [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_gl/topics/mining-metals/mining-metals-pdfs/ey-top-10-business-risks-and-opportunities-for-mining-and-metals-in-2023.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/mining-metals/mining-metals-pdfs/ey-top-10-business-risks-and-opportunities-for-mining-and-metals-in-2023.pdf)

### Adapting to changing regulatory frameworks and international expectations of social performance

The rules of social performance are constantly changing—in terms of both national and local laws and international frameworks. Our system of social management must be flexible and agile enough to adapt to these changes, and our people's skills must evolve in tandem.

### Strategic alignment

The organization's strategic plan now includes an action line devoted to social performance, which encompasses these goals:

#### Strategic

- Having a framework for managing and engaging with communities and governments
- Providing training and space for reflection on how our behaviors impact communities and governments
- Introducing mechanisms for intelligence, monitoring, and communication to prevent and mitigate situations that are adverse to businesses
- Having a verifiable Community Management System

#### Social performance mindset

- Build awareness within the company about the importance of our conduct in the communities where we operate and with the authorities
- Developing our strengths of empathy and proactivity to be a positive and legitimate influence with our communities and authorities.

#### Material community concerns

- Through community engagement, we identify and address the issues that are most important to our communities, which makes them strategic for social management:

##### Issues material to our communities

- Access to land
- Air quality
- Behavior of our people
- Commitments and agreements
- Communication and transparency
- Equality in social support
- Industrial health and safety
- Jobs and labor relations
- Management of TSF
- Mechanisms for attending to the community
- Soil conservation
- Vibrations
- Water stewardship

Note: Issues are presented in alphabetical order.

### Social performance maturity

The International Council on Mining and Metals (ICMM) proposes measuring social performance maturity through four dimensions: leadership and social awareness, management system, people, and metrics. We have adapted this convention to guide our capacity-building efforts.



Source: International Council on Mining and Metals (ICMM) Social Performance Maturity Matrix



## Social impact and risk management

### Life cycle engagement

Our community engagement strategy is tailored to community expectations and potential impacts at each stage of the mining and metals life cycle. Communities expect the company to give them an opportunity to be heard and to participate in development. That is why we get involved early in the project life cycle:

- **Exploration:** Our teams establish contact with the communities to introduce us as a company, socialize our activities, and negotiate land access permits for exploration. During this stage, we identify their issues of interest, needs, expectations, and concerns; we address concerns and complaints related to our activities and become positively involved—generating opportunities for temporary employment, supply, and social investment. In advanced exploration stages, we conduct baseline studies to gain a better understanding of the communities. We conduct due diligence of indigenous peoples in company concessions to identify in advance the need to take steps to establish respectful relations with indigenous communities.

- **Projects:** We promote engagement with exploration and operation teams through a social management continuity plan that includes management evaluation, commitment tracking, and strengthening of project community relations teams to provide them with a working vision throughout the business life cycle.

Our teams expand on baseline social studies and impact assessments to design a social management plan. We make our social programs more ambitious by involving communities and civil society organizations. We conduct awareness activities for engineering and mining teams on key community aspects and consider social aspects in TSF site analyses. Additionally, we train our contractor partners on social issues. We increase our presence through meetings with communities and their authorities, as well as field visits to address their concerns and complaints, which helps to build trust. We work closely with land acquisition teams to address community expectations and concerns and connect them with local job and supply opportu-

nities with the projects. In projects located in indigenous territories, we work with the authorities to prepare and organize the Free Prior and Informed Consent processes. All of this is carried out through a comprehensive risk management plan, in coordination with technical and administrative areas.

- **Mining, metallurgical, and chemical operations:** Our community relations teams create social management plans to benefit causes of interest to communities. These plans include relationship-building activities and dialogue with communities and local authorities on topics relevant to them and the company. Institutional social investment programs are deployed during operations, and mechanisms for addressing concerns and grievances are maintained. To identify performance gaps and opportunities in our social strategy, we conduct social studies annually or biannually to incorporate viewpoints, expectations, and concerns. During the operational phase, longer-term employment and local sourcing opportunities are developed.

### Case study – Forum and interactive workshops with the community

In keeping with our commitment to transparency with the communities surrounding the Rodeo project, we shared with them how the company manages environmental, social, and innovation issues in mining processes through a series of forums and informative workshops for ejido residents and the community at large. The purpose was to talk about the good practices in place at our units and to have a chance to listen to questions and concerns from the general public.



103 people work in community relations.



### Tailing storage facilities

Together with communities, we identify and manage impacts and social risks during the various phases of the TSF life cycle. This includes:

- Involvement of the community through infrastructure (TSF) socialization processes
- Concrete and transparent communication with the community
- Design of emergency response plans
- Audits with community participation.

### Land acquisition and resettlement

When we acquire land for our activities, we also carry out a process of community engagement to support the negotiations. From the project design phase, we are committed to studying alternatives to avoid any physical relocation of families and communities. When this is not possible, the resettlement must be backed by impact studies and action plans, with communities' involvement in identifying measures to mitigate impacts and restore the means of subsistence.

### Social studies

Every year, we conduct social diagnostics in our operations, consulting communities about their concerns and expectations and learning about how they perceive our social and environmental commitment—as an employer and as a neighbor—and how they see our institutional image. This process helps us to identify risks and opportunities for improving our social performance. The studies include social impact assessments and due diligence with a focus on human rights.

### Social management plans

We develop social management plans to address the positive and negative impacts that we find in the social impact assessments, and incorporate mechanisms for addressing these appropriately. We also form strategic partnerships on relevant issues with governments, other businesses, and civil society organizations.

### 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.



\*Statistics on grievances are reported in the Metrics section.

### Artisanal mining

We identify and characterize any ongoing artisanal mining activities in the company's zones of interest starting in the exploration phase, in order to assess the inherent risks and opportunities. We include attending to groups of artisanal miners in our social management plans, according to the context and local laws.

### Social transition for closure of operations

Contributing to the means of subsistence in communities during the mining life cycle is fundamental. For this reason, we identify social impacts and opportunities starting from the exploration phase and continuing through the final closure of operations. We design a management plan, setting targets for social transition and taking meaningful action for the community through monitoring and assurance during post-closure (see the Closure section).

No resettlements were necessary for developing our activities during 2023.



The following is a list of our community consultations on social performance perceptions in 2023.

### Units with perception surveys

Tizapa	*
Sabinas	*
Milpillas	*
Velardeña	*
Capela	*
Met-Mex	*
Bermejillo	*
Química del Rey	*
Fuerza Eólica del Istmo	*
Penmont	*
Ciénega	*
San Julián	*
Fresnillo	*
Saucito	*
Juanicipio	*

### Indigenous peoples

We conduct due diligence to identify whether there are indigenous groups present in the areas of interest surrounding our projects, so we can take the necessary steps for community engagement. Through social impact studies, we identify the potential impacts and mitigation measures to respect indigenous rights and take their interests and expectations into account.

We work together with the competent authorities, whenever possible, to obtain the required PFIC. We have a specific action protocol for conducting the PFIC process (*see the section on Human rights - Indigenous peoples*).

### Community engagement

Understanding our communities' expectations and concerns is a priority for us. All units and projects have engagement plans that include permanent attention to and dialogue with communities. We also go through a formal process of asking them how they see our performance as an employer and good neighbor, our institutionalism, and our environmental and social performance. This is done through focus groups, interviews with the population at large, and in-depth interviews.

### Jobs and local sourcing

We try to diversify local economies through skill-building and local entre-

preneurship programs with stakeholders—prioritizing local labor and supporting families' economic development. Our social management plan also includes actions to develop capacities in the community, so people can access local jobs and sourcing opportunities in our value chain.

### Social investment and shared value

Our social investment portfolio—which is aligned with the SDGs—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.

## Case study - Water stewardship committees

Together with the community, we created committees to track our activities in managing and caring for water and the actions taken to maintain our supply system. This encourages social participation by offering to contribute organizational tools that the community can appropriate in its own processes in the future.





## Education



We want to promote social unity through education, culture, art, cultural heritage preservation, science, technology, and educational infrastructure. We promote quality technical, professional, and higher education—including university level classes—so people can get decent jobs or start their own businesses. We also support 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.
- Our **Picando Letras program**—where kids can pick out books to read and discuss their ideas with others—resumed activity at “Bunkos” at Cienega and Caborca.
- INNOVEC supported our launch of a **Climate Education Program**—in an alliance with the UNESCO Office for Climate Education—to encourage understanding of climate change among children in neighboring communities.
- Our **Metals Museum** encourages interest in science and showcases mining and metals as opportunities for development. The museum supports academic performance through a focus on science, technology, and human development, offering content and resources for community learning.
- We work together with the educational community and local authorities to develop civil protection programs that contribute to the safety of the school community through **School Civil Protection Fairs**.

25 teams

830 youth (42% women)

180 mentors/volunteers

## Case study – Educational Quality Council

To respond to detected challenges—like school dropout, addiction, and bullying in schools and among community youth—we formed an alliance between leaders of each of the educational institutions in neighboring communities, local authorities, and company employees, to create an Educational Quality Council.

This practice contributes to SDG 3, Health and Well-being, through target:

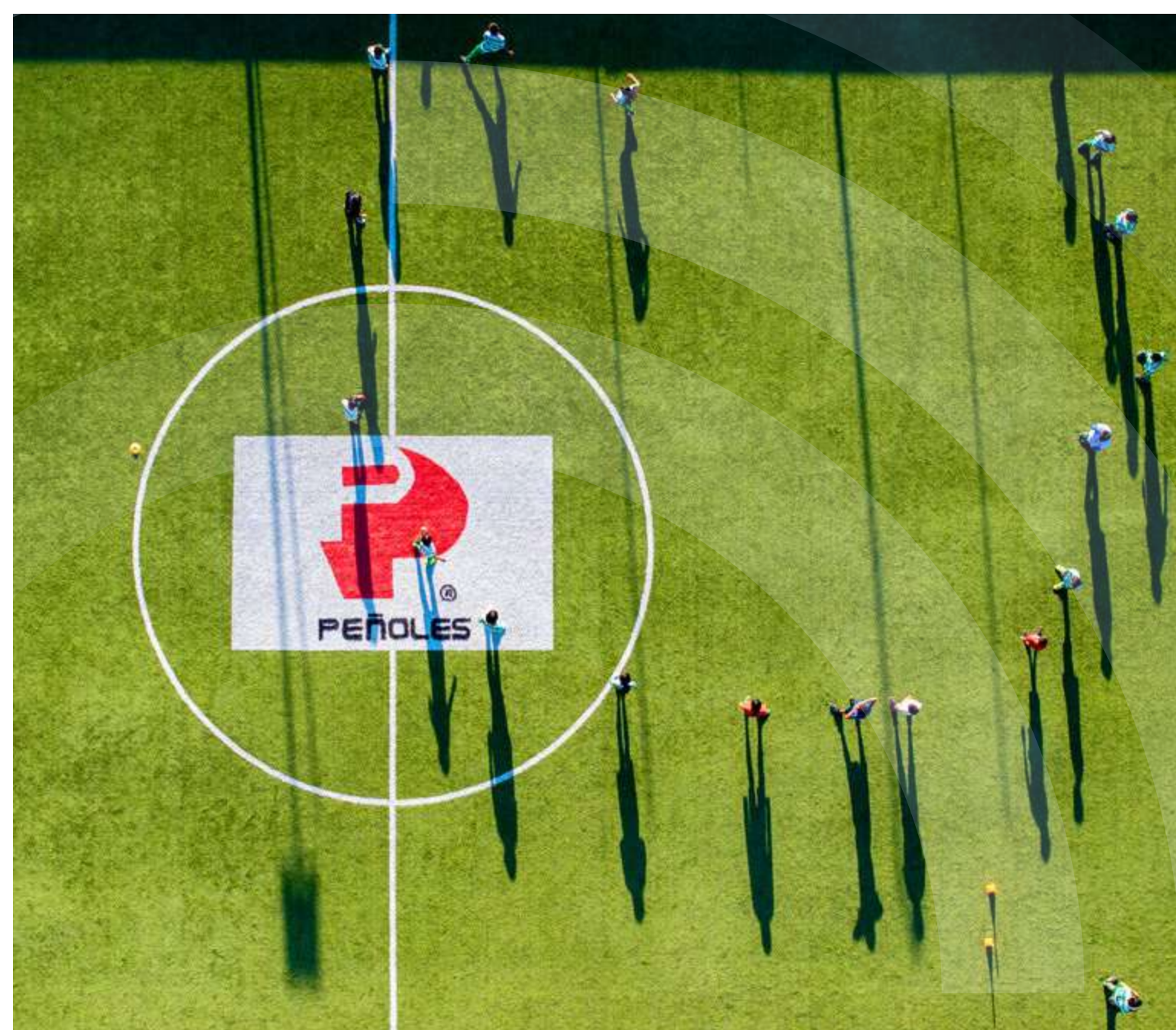
✓ **3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol**

This activity’s approach is to strengthen practices and contents of state educational systems to improve competencies for community youth from a comprehensive, interdisciplinary perspective.

- In alliance with the Instituto Mexicano para la Excelencia Educativa A.C., **we promote tools and methodologies** that help teachers perform their jobs better, while creating a community of teachers who are enriched by exchanging experiences and best practices. We have trained more than **196 administrators** and **teachers**.
- Among our actions aimed at promoting **adult education**, we continued our literacy program in Durango, Zacatecas, and Guerrero.
- Through **volunteer work**—in partnership with the United Way Mexico—we contributed equipment and infrastructure to schools in our neighbor communities.
- In coordination with the authorities, civil society organizations, teachers, and the community at large, we participated in a **program on co-management of educational infrastructure**.



## Health and sports



Our goal is to encourage our communities' healthy lifestyles and well-being. 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

- Together with Fundación UNAM and the health authorities, we continued our program of **Health Days**, offering medical checkups and specialized care for vulnerable people from our communities. In 2023, we provided more than **7,700 doctors' visits**.
- Through our **11 Santos-Peñoles & Fresnillo plc. soccer academies**, we instilled values among more than **1,200 boys and girls**, transforming their lives and boosting their skills.
- We also organized other **sports tournaments** to promote family togetherness and restore public spaces.

We support better health systems, hygiene, and nutritional habits, while promoting preventive health and sports programs.



## Case study - Tú Psique me Importas

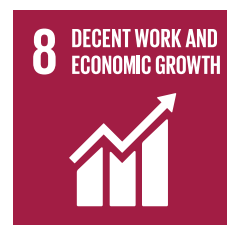
The Tú Psique me Importas psychosocial wellness program aims to guide the families of Velardeña towards greater awareness and a culture based on healthy living habits in collaboration with local organizations and the educational community. The practice follows five lines of action: mental health, children's health, sexual health, chronic diseases, and healthy environments.

This practice contributes to SDG 3, Health and Well-being, through targets 3.4 and 3.5:

- ✓ **3.4 By 2030, reduce premature mortality from noncommunicable diseases by one-third through prevention and treatment, and promote mental health and well-being**
- ✓ **3.5 Strengthen prevention and treatment of substance abuse, including substance abuse and harmful use of alcohol**

The program provides tools and builds awareness to prevent and resolve health challenges, and is compatible with community interests because communities value physical and emotional health.





## Skill building



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

### Key activities

- In an alliance with **Fundación ProEmpleo A.C.**, we promote entrepreneurship and better local businesses through training in business skills, consulting, work grants, and development of local sourcing.
- We develop social capacities through **productive projects**, focusing on economic development. (see *Case study*).
- Our **community centers** provide a space where we can help develop capacities and support talent in our communities. The objective is to strengthen the relationship between the company and the communities by providing a space that facilitates the integration of training activities for life and work, skills development, culture promotion, sports and talent encouragement, harmonizing stakeholders gathering.
- 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.

Our community centers are a space where we develop the capabilities and talent in our communities.

## Case study – Productive workshops: food processing

To strengthen skills in our neighboring communities and help improve families' quality of life through economic development and women's skills in Valdecañas and Saucito del Poleo, Zacatecas, we offered programs in processed food production.

This practice contributes to SDG 5, Gender Equality and SDG 8, Decent Work and Economic Growth, through targets 5.5 and 8.5:

- ✓ **5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life**
- ✓ **8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value**

This program helps build skills in partnership with the community's Rural Development Education Brigade no. 46.







## 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, so we consume less fresh water.
- We developed a water well diagnosis project for the communities in Penmont.
- We conducted **recycling, cleanup, and environmental awareness campaigns** and promoted water stewardship through publications, round tables, and contests in collaboration with authorities, communities, and educational centers.
- We organized visits for school children from neighboring communities to our **wildlife management units and plant nurseries** to raise awareness about the environment and preservation of flora and fauna.



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

## Case study – Climate Education Program

The purpose of this program is to provide tools and knowledge to teachers and students in the region and to induce the behavioral changes needed to understand and adapt to climate change by promoting high-quality climate change education for primary and secondary school students. This program was developed in collaboration with the government of the State of Zacatecas through the Ministry of Education and the Zacatecas Council for Science, Technology and Innovation, INNOVEC, AC and UNESCO's OCE.

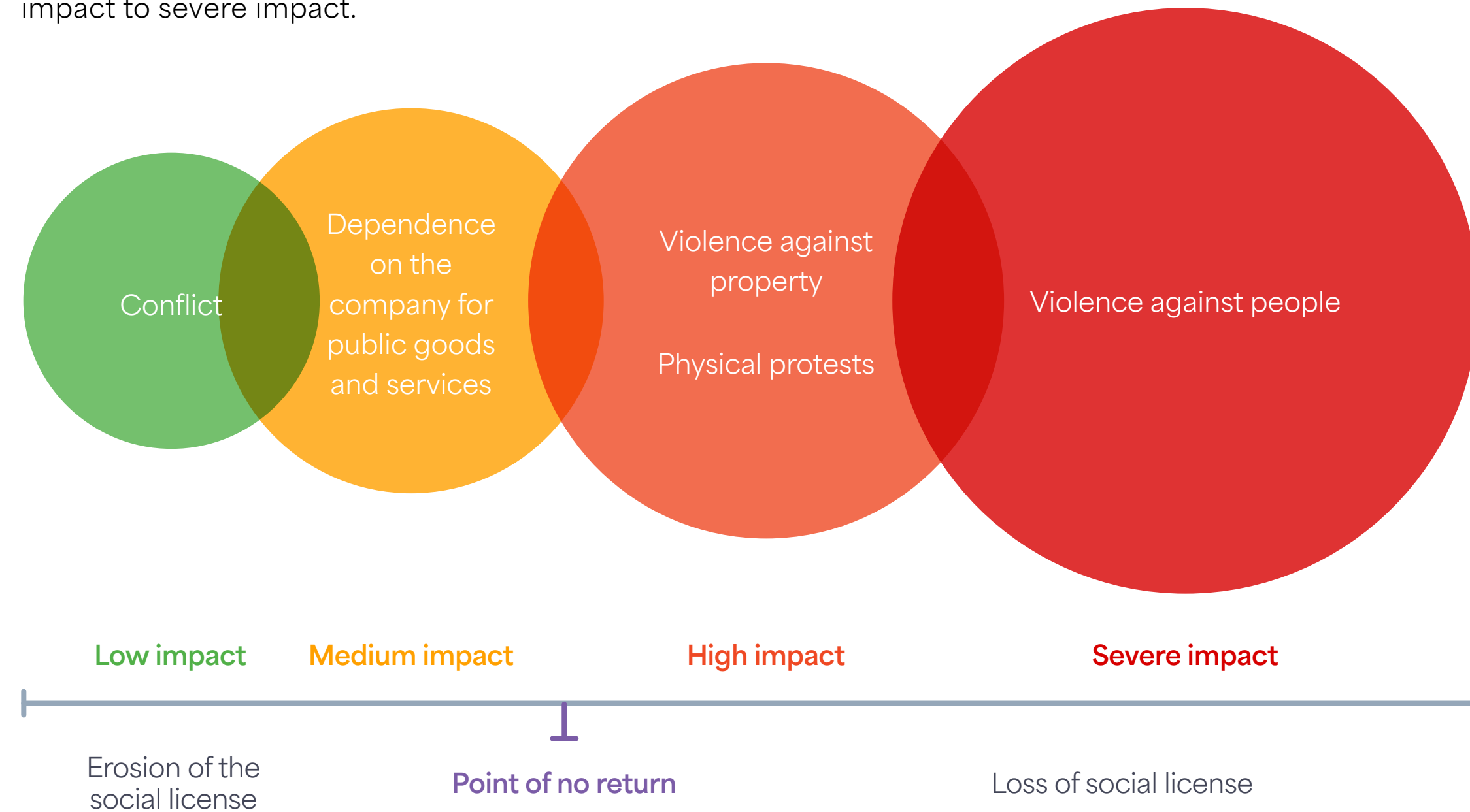
This practice contributes to SDG number 13, Climate Action, through target:

✓ **13.3 Improve education, awareness and human and institutional capacity on climate change mitigation, adaptation, mitigation and early warning.**

With this practice, we provide tools for strengthening individual and collective awareness regarding the protection of natural resources, youth participation, and the call for community action on one of the main global risks: climate change.

## Social risk management

Through the organization's enterprise risk framework, we assess social risks with the objective of strengthening operational continuity. The corporate social risk assessment matrix considers two main risks in four phases, from low impact to severe impact.



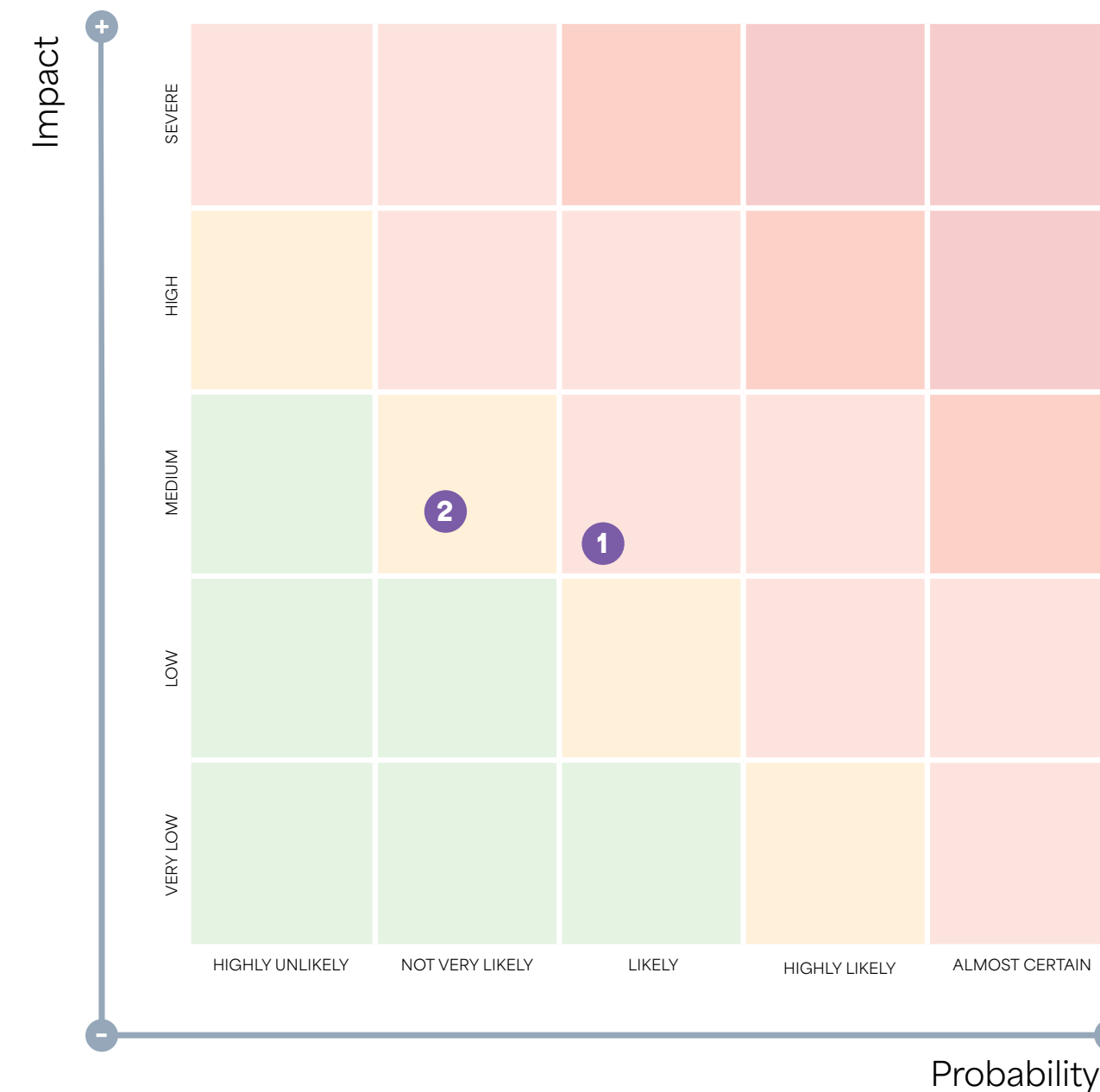
Reference:  
Davis, Rachel and Daniel M. Franks. 2014. "Costs of Company-Community Conflict in the Extractive Sector." Corporate Social Responsibility Initiative Report No. 66. Cambridge, MA: Harvard Kennedy School.

We assess social risks to strengthen our business continuity.

### Risks and consequences

Risks	Consequences	Management instruments
1. Erosion of social license through conflicts with the company and/or dependence on public services	1. Community grievances and claims 2. Disputes and lawsuits over various issues	1. Leadership and social awareness
2. Loss of social license through physical protests, violence against property and/or against people	1. Refusal to negotiate access to land 2. Increase in community demands and conditions 3. Blocked access to public infrastructure or operating works	2. Management System 3. People 4. Metrics

### Identification of ERM risks - Communities



**Number and total duration (in days) of site closures or project delays due to significant conflict with the community, occurred during the reporting period.**

**Site closures or delays**

Year	Closure or delay	Duration (days)
2022	0	0
<b>2023</b>	<b>0</b>	<b>0</b>

**Social investment by strategic lever**



**Social performance indicators**

**Grievances**

Category	2022	2023
Pending from prior years	11	10
New grievances in the period	26	26
<b>Total grievances</b>	<b>37</b>	<b>36</b>
Grievances closed during the period	27	29
Grievances pending at end of period	10	7

\*Starting in 2023, grievances reported to our subsidiary Fresnillo plc are included.



**Social investment, local jobs, and local sourcing**

Period	Social investment	Local suppliers	Local sourcing (payments to local suppliers/total supplier payments)	Local employment
2022	US\$6.64 M	58%	-	67%
<b>2023</b>	<b>US\$6.00 M</b>	<b>58%</b>	<b>47.81%*</b>	<b>73%</b>

\* This was the first year the calculation was made.