

Communities

We recognize the increasingly high expectations surrounding social performance, as well as the complex social dynamics of the regions where we operate and develop our projects. In response, we are firmly committed to continuously improving our social performance practices.

Our aspiration to *Live the Community* means actively engaging with the priorities and concerns of our neighboring communities—aligning with their development plans to build a shared future. We forge strategic partnerships with local authorities, civil society organizations, and cooperating entities to work collectively for the common good.

We foster open dialogue and encourage community participation, with a strong emphasis on capacity-building and the empowerment of local organizations. Our aim is to enable communities to lead their own sustainable development efforts and to promote collaborative, long-term solutions.

Governance

Our ESG Steering Committee ([see ESG Committee section](#)), provides governance and oversight of social performance matters, while the Steering Committee also monitors results and tracks progress against our strategic plan goals ([see Strategy Section of the Annual Report](#)). In addition, our Community Relations Best Practices Committee plays a key role in standardizing performance expecta-

tions and implementing social management system procedures across our operations in Mexico, Peru, and Chile. This committee also facilitates the exchange of best practices and fosters partnerships with civil society organizations, cooperating agencies, and public authorities.

Social Performance Standard

Our Social Performance Standard defines the criteria and success factors required to responsibly manage social risks and impacts—aiming to earn and maintain community trust while supporting the execution of our business strategy.

As part of our ongoing improvements to the social management system, we strengthened and updated a series of key documents, including guidelines, procedures, and manuals:

- Social Performance Guidelines
- Procedure for Designing and Planning Participatory Processes with the Community
- Procedure for Community Contribution Requests
- Guide for Developing Social Management Plans
- Procedure for Conducting Social Studies
- Procedure for Community Grievances
- Social Transition Procedure for Mine Closure



Strategy

Social license to operate is consistently among the five main risks and opportunities in the mining and metallurgy industry.⁷

Strategic implications of social performance

> Managing social impacts and risks

Responsibly managing social and environmental impacts—including human rights considerations—is essential to earning and sustaining community support for our operations. When these impacts are not adequately addressed, they can escalate into social risks, threatening operational continuity and our ability to execute our business strategy. To mitigate these risks, we prioritize proactive engagement and open dialogue with communities to responsibly manage impacts and respond swiftly to emerging concerns.

> Community engagement

Engaging with communities is critical to incorporating their concerns and expectations into our operational, tactical, and strategic decisions. When communities are actively involved in matters that affect them, we gain stronger social support and open pathways for shared development. Because community expectations around social performance evolve over time, the effectiveness of our engagement strategy depends on our ability to adapt to these shifts.

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

Social performance requirements continue to evolve, shaped by changes in both national and local laws as well as international frameworks. Our social management system must remain flexible and responsive to these dynamics, and our teams must continuously build the skills needed to meet new expectations.

Strategic alignment

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

- 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
- Having a verifiable Community Management System

Material community concerns

Through direct engagement, we identify and address the issues that matter most to our communities, playing a strategic role in effective social management.

Issues that matter 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 tailings dams
- Mechanisms of community engagement
- Soil conversation
- Vibrations
- Water stewardship

Issues are presented in alphabetical order.

⁷ Ernst & Young Global Limited (EYG). Top 10 business risks and opportunities for mining and metals in 2024. Retrieved from: https://www.ey.com/en_kz/insights/energy-resources/risks-opportunities

Social performance maturity

The International Council on Mining and Metals (ICMM) recommends assessing social performance maturity across four dimensions: leadership and social awareness, management systems, people, and metrics. We have adapted this framework to guide our capacity-building efforts.



Social impact and risk management

Life cycle engagement

Our community engagement strategy is tailored to match both community expectations and the potential impacts at each stage of the mining and metals life cycle. Communities expect to be heard and included in development processes, which is why we initiate engagement early in the project life cycle:

- Exploration:** Our teams engage with communities to introduce the company, explain our activities, and negotiate land access for exploration. At this stage, we identify local issues, needs, expectations, and concerns. We respond to questions and complaints related to our activities, while seeking to build goodwill through opportunities for temporary employment, local procurement, and social investment. In later stages of exploration, we conduct baseline studies to better understand the communities. We perform Indigenous peoples due diligence within company concessions to identify the needed steps to establish respectful relations with these communities.

- Projects:** We foster continuity between exploration and operations by implementing a social management continuity plan. This includes evaluating management efforts, tracking commitments, and strengthening community relations teams with a long-term, business-life cycle perspective.

Our teams expand baseline studies and impact assessments to inform a tailored social management plan. We increase the scope of our social programs by involving communities and civil society organizations. Engineering and mining teams are trained on community-specific issues, and social factors are integrated into technical decisions—such as tailings dam site analyses. We also train contractor partners on social expectations. Our presence in the field is reinforced through regular meetings with communities and authorities, as well as



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



visits to listen to and resolve concerns—helping to build trust. Community and land acquisition teams work closely to align community expectations with job creation and supply opportunities. In Indigenous territories, we collaborate with authorities to implement Free, Prior, and Informed Consent (FPIC) processes. All activities are aligned under an integrated risk management plan, coordinated with technical and administrative areas.

- Mining, metallurgical, and chemical operations:** Our community relations teams develop social management plans aligned with the interests and priorities of local communities. These plans include regular engagement and dialogue with community members and local authorities on mutually relevant issues. During this phase, institutional social investment programs are implemented, and grievance mechanisms 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.

Social studies

Each year, we conduct social studies across our operations to understand community concerns, expectations, and perceptions of our social and environmental performance—as both an employer and a neighbor. These studies help us identify risks and opportunities to enhance our social performance and institutional reputation. They include Social Impact Assessments (SIAs) and Human Rights Due Diligence.

[\(See table of consultative processes and/or social studies\).](#)

Social management plans

We design Social Management Plans (SMPs) to respond to the positive and negative impacts identified in the Social Impact Assessments. These plans integrate mechanisms to address impacts appropriately in our operations. In addition, we pursue strategic partnerships with government entities, businesses, and civil society organizations on shared priority issues.

SMPs include an engagement and relationship-building component, comprising regular meetings, informational workshops, and open forums that foster transparent dialogue and create spaces where communities feel safe and confident expressing their views.

100% of our operations and projects are supported by social management plans.

[\(See table of consultative processes and/or social studies\)](#)

Tailing Storage Facilities

We work with communities to identify and manage impacts and social risks throughout the Tailings Storage Facility (TSF) life cycle. This process includes:

- Socialization of tailings infrastructure
- Concrete and transparent communication on responsible TSF management
- Community-informed Emergency Response Plans
- Audits that consider community engagement.

Land acquisition and resettlement

When land must be acquired for our activities, we engage communities early in the process to support fair and informed negotiations. From the project design phase, we are committed to exploring alternatives that avoid the physical relocation of families or communities. When relocation is unavoidable, we base the process on comprehensive impact studies and action plans developed with community participation to identify measures to mitigate impacts, restore or improve livelihoods. Resettlement measures include clear information sharing, participatory feedback processes, and strategies to mitigate impacts and restore livelihoods. These processes must also provide access to grievance mechanisms.

Artisanal mining

We identify and characterize any ongoing artisanal mining activities in the company’s areas of interest beginning in the exploration phase, in order to assess associated risks and opportunities. Our social management plans include measures for engaging with artisanal mining groups, tailored to the local context and in accordance with applicable laws.



Statistics on grievances are reported in the metrics section.

Mechanism for addressing concerns and grievances

All of our operations, projects, and exploration sites have formal mechanisms for receiving and responding to community concerns and grievances. These mechanisms help us understand both real and perceived impacts of our activities and ensure that grievances—defined as concerns requiring company response or action—are addressed in a timely and effective manner. Our grievance mechanism is complemented by the [Línea Correcta](#) ethical reporting channel.

Social transition for closure of operations

Supporting community livelihoods throughout the mining life cycle is essential. We therefore identify social impacts and opportunities from the exploration phase through to final closure of operations. We develop management plans with defined social transition targets and implement meaningful actions for the community, including post-closure monitoring and assurance. Peñoles plans initiatives to support alternative livelihoods and diversify local economies—helping communities build the capacity to engage in productive activities beyond mining and fostering entrepreneurship.

We apply a structured framework to plan and manage the social transition of integrated mine closure. This includes setting social transition objectives, taking relevant community actions, monitoring and ensuring effective post-closure follow-up ([see the Closure section](#)).

Indigenous peoples

We conduct due diligence to identify the presence of Indigenous groups in areas of interest surrounding our projects and take the necessary steps to ensure respectful engagement. Through social impact assessments, we identify potential impacts and corresponding mitigation measures that uphold Indigenous rights and reflect their interests and expectations.

When applicable, we collaborate with the relevant authorities to obtain the required Prior,

Free, and Informed Consent (PFIC). ([see the sections Human rights and Indigenous Peoples](#)).

Community engagement

Understanding and addressing community expectations and concerns is a top priority. All of our units and projects have engagement plans that ensure ongoing communication and dialogue with local communities. In addition, we conduct structured feedback processes to understand how we are perceived—as an employer, neighbor, and institutional actor—and how our social and environmental performance is viewed. These consultations include focus groups, general population surveys, and in-depth interviews.

A list of operations and projects, along with the number and percentage of consultative processes and/or social studies, is presented below:

| Consultative Processes and/or Social Studies | Operations/ Projects | |
|--|----------------------|-----|
| | Number | % |
| Operations with social impact assessments | 15 | 100 |
| Operations with Social Management Plans | 15 | 100 |
| Operations with social studies and other consultative mechanisms | 15 | 100 |
| Projects with Social Impact Assessments | 2 | 100 |
| Projects with Social Management Plans | 2 | 100 |
| Projects with social studies and other consultative mechanisms | 2 | 100 |

List of relevant operations in terms of their need for social management plans, including the following units: Tizapa, Sabinas, Milpillas, Velardeña, Capela, Met-Mex, Bermejillo, Química del Rey, Fuerza Eólica del Istmo, Penmont, Ciénega, San Julián, Fresnillo, Saucito, and Juanicipio. In the case of projects, we have two relevant projects in terms of social management: Rodeo Project and Orisyvo Project.

Local employment and sourcing

We aim to diversify local economies by developing skills and fostering entrepreneurship in collaboration with stakeholders. Our social management plans prioritize local hiring and family economic development, including initiatives to build community capacity so local residents can access employment and procurement opportunities within our value chain.

Our Code of Ethics and Conduct recognizes the development of local suppliers and contractors as a meaningful contribution to the communities where we operate. We prioritize local hiring in accordance with regulatory requirements and the company's health, safety, and environmental standards.

Across our projects and operations, we create opportunities for employment and capacity-building, with a strong emphasis on training local youth. Through our *Centro de Estudios Técnicos Laguna del Rey* (CETLAR), we offer specialized training in instrumentation, mechanics, and electricity, preparing graduates to join our operational workforce upon completion of their studies.

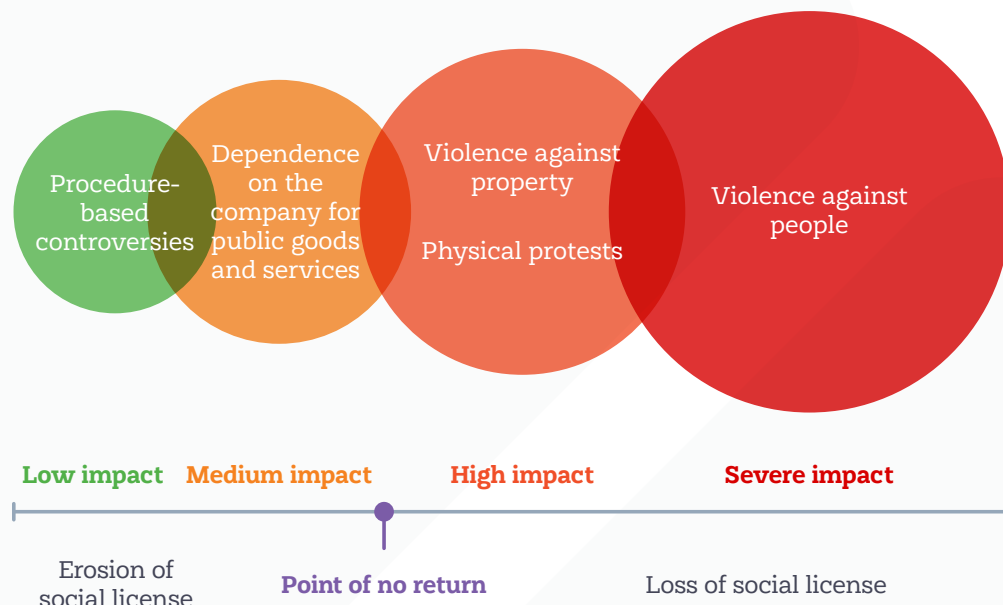
Social investment and shared value

Our social investment portfolio—aligned with the UN Sustainable Development Goals—fosters mutual understanding and a harmonious relationship with communities, stronger relations of trust and shared responsibility, strengthen local capacities and support productive alliances with civil society organizations.

([see Metrics section](#)).

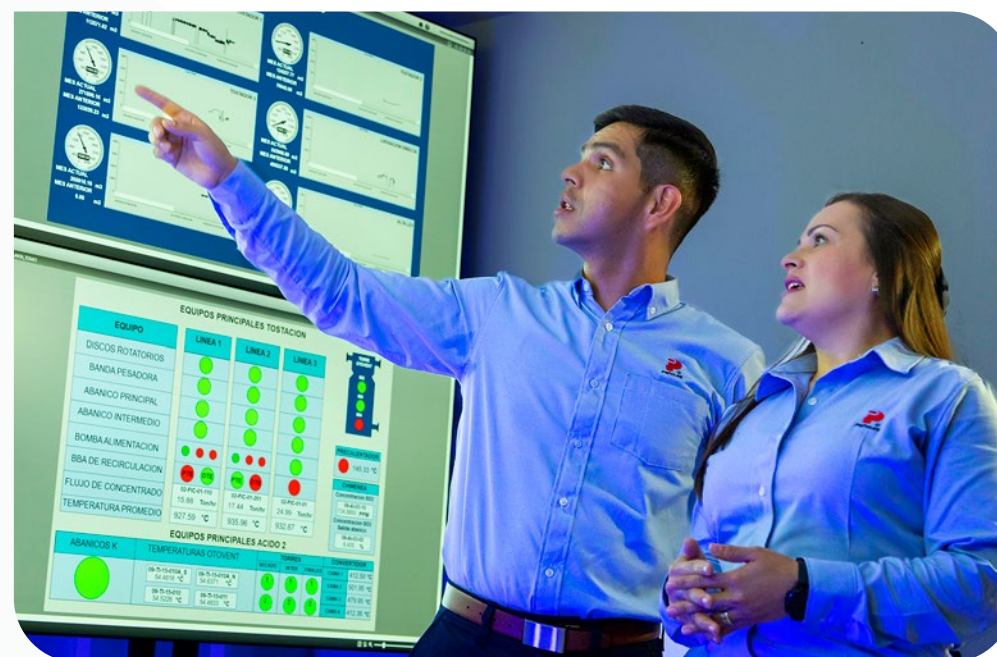
Social risk management

We assess social risks with the objective of strengthening operational continuity based on our enterprise risk framework. The corporate social risk assessment matrix considers two main risks in four phases, from low impact to severe impact.



Risks and consequences

| Risks | Consequences | Management instruments |
|---|--|---|
| Erosion of social license through conflicts with the company and/or dependence on public services | <ol style="list-style-type: none"> 1. Community grievances and claims 2. Disputes and lawsuits over various issues. | <ol style="list-style-type: none"> 1. Leadership and social awareness 2. Management system 3. People 4. Metrics |
| Loss of social license through physical protests, violence against property and/or against people | <ol style="list-style-type: none"> 1. Refusal to negotiate access to land 2. Increase in community demands and conditions 3. Blocked access to public infrastructure or operating works | |



Source: 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.