



Sustainable Development

Social Performance Guideline

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| Target | To ensure excellent social performance by managing organizational capabilities, operating under a Social Management system, integrating best practices and enhancing organizational involvement. |
| Scope | Applies to all exploration, projects, operating units and closures of operations of Industrias Peñoles and subsidiaries. |
| Regulatory framework | <ul style="list-style-type: none">• Sustainability Policy and applicable internal regulations.• Regulatory framework of the countries where we operate, related to social performance, as well as best practices in this area.• Peru, Chile and Mexico have ratified ILO Convention 169 and the Escazú Agreement. |
| Applicable risks | <ul style="list-style-type: none">• Deterioration of social license to operate• Loss of social license to operate• Non-compliance with the regulations of the countries where we operate. |

Standards, principles and general guidelines

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| Roles and responsibilities | It is the responsibility of the Community Relations, and EHS Departments to carry out the necessary activities to comply with the Social Performance guideline in explorations, projects, operations and closures of our operations. |
| General | Our industry faces challenges with increasing social complexity and greater demands in social performance by the communities. We aspire to "Live The Community" by getting involved in the causes and needs that the communities are interested in addressing and solving, adding ourselves to their development plans for a shared future and promoting strategic alliances with authorities, cooperating entities and civil society organizations, for the common good. By "Living the community", we generate and maintain trust with stakeholders through social management and the responsible handling of social risks and impacts. |
| Management of positive and negative impacts | <ul style="list-style-type: none">• Prepare stakeholder maps and keep them updated based on relevant events and/or when there is a change of representatives, authorities, formal and informal leadership of grassroots organizations.• Conduct social impact studies for exploration, when there is any economic feasibility, development projects, operations and closure of mining units, with baselines, following a territorial approach and respect for human rights.• Develop and implement social management plans for the management of positive and negative impacts resulting from Social Impact Studies.• Integrate into social management plans inclusive and intercultural attention mechanisms, with measures for the adequate management of impacts on vulnerable groups.• Provide each business unit with the necessary budget for the execution of multi-year social management plans to ensure the implementation of social impact management measures during the life cycle. |
| Community and territorial development | <ul style="list-style-type: none">• Promote a space for dialogue and participation for community and territorial development.• Integrate community and territorial development actions into the social management plan.• To substantiate community development actions considering the positive impact on the social baseline and adopting participatory and inclusive approaches with the community.• Prioritize capacity building and strengthening of social organizations, empowering communities in the search for the common good and sustainable development, so that they are part of the solution, mitigation and protagonists of their own development.• Make strategic alliances with governments, cooperating entities and civil society organizations on relevant issues of interest to the community, such as public services, productive projects and infrastructure projects. |
| Contribution to the local economy | <ul style="list-style-type: none">• Prioritize local labor, promoting the economic development of families.• Diversify economic activities through capacity building programs and local entrepreneurship with stakeholders. |

- Integrate into the social management plan actions that develop capacities in the communities to access employment and local sourcing opportunities generated by our value chain.

Follow-up on commitments and attention to suggestions, concerns and complaints.

- Register and follow up on compliance with commitments made to community stakeholders.
- To have an effective and culturally appropriate "Grievance Mechanism" to address claims and concerns related to our activities.
- Communicate the grievance mechanism to the communities, considering the community's feedback for its continuous improvement.

Land acquisition and resettlement

- After a situational diagnosis, a social strategy should be formulated to support the land negotiation, according to the stage of development of the company's activities.
- Study alternatives to avoid the physical relocation of families and communities, which should be contemplated in the land acquisition process for the development of mining projects.
- When there are no alternatives to physical relocation, a resettlement action plan must be developed, with measures to manage social impacts and restore livelihoods, considering cultural and community living aspects, considering international standards and the country's regulatory framework.
- Integrate livelihood restoration actions into the land access process when there is an impact on economic activities.
- Consider both landowners and possessors in the evaluation and management of social impacts for land acquisition and resettlement.
- For land acquisition, the behavior of the local market and the history of previous negotiations should be considered.
- Establish a formal mechanism to follow up on the commitments resulting from the social participation agreements associated with the purchase of land.
- In the negotiation of social participation agreements for land purchase, agreements must be reached with the communities to promote community development and capacity building measures.
- Social participation agreements must be accompanied by the necessary evidence to demonstrate that they were reached in a transparent manner, with the participation of the community and using culturally appropriate mechanisms.

Cultural Heritage

- Identify cultural heritage and implement measures for its preservation in collaboration with communities and local authorities, considering existing secondary information.

Indigenous peoples

- Identify the impact on collective rights, interests, aspirations, ancestral aspects, culture and livelihoods, linked to the natural resources of Indigenous Peoples, in the planning, development, operation and closure of our operations, applying the impact mitigation hierarchy¹.
- To cooperate with the competent authorities to obtain the Free, Prior and Informed Consent of Indigenous Peoples².
- In the negotiation of benefit-sharing agreements in a Free Prior Informed Consent process, there should be dialogue with the communities to promote community development and capacity building measures.
- Benefit-sharing agreements must be accompanied by the necessary evidence to demonstrate that they were reached in a transparent manner, with community participation and using culturally appropriate mechanisms.
- Prior to exploration, construction and operation activities, consider the Due Diligence catalog of concessions in indigenous areas administered by the Environmental Legal Department.

Social Closure

- Identify the social impacts of closing an operation and implement a management plan.
- Establish social transition objectives.
- Identify closure activities that require or benefit from community input and support.
- Measurement of social impacts 5 years after closure as post-closure assurance.
- Social closure planning prior to mine development.

Artisanal Mining

- Identify and characterize artisanal mining activities in areas of interest to the Company from the exploration stages, in order to assess risks and opportunities.
- Establish objectives and define strategies for the responsible management of artisanal mining groups, in accordance with the local context and legislation.

Security Forces

- Identify potential risks of human rights impacts on communities and implement preventive measures.

Controls

Social Management System Audits
Regulatory compliance audits
Social Studies
Control by the competent authority
Social participation agreements (land acquisition and resettlement)
Benefit-sharing agreements (Free, prior and informed consent)

Process orientation

Sustainability and Community Relations Departments

Definitions

Social Performance

Social performance is the result of a company's involvement in activities and commitments that may directly and indirectly affect stakeholders or the quality of its relationships with them. To achieve excellence in social performance, it is necessary to demonstrate strong leadership, have integrated management systems in place, and build the capacity and knowledge to identify, address and report social risks and impacts.

Social impact studies (EVIS)

Technical-methodological tool through which it is determined in a predictive manner and considering the context, how a project could modify the environment of the communities near the area where activities are intended to be carried out. It predicts and assesses at all stages of the project the impacts that may occur throughout the life of the project: construction, operation, abandonment, and closure. The impact assessment is a tool that contributes to decision-making and accountability.

Vulnerable groups

Groups of people who suffer from a series of disadvantages derived from a set of social factors and legal, personal, and cultural characteristics.

¹ Mexico, Peru and Chile are signatories to Convention 169 of the International Labor Organization (ILO). The authorities are responsible for the Free, Prior and Informed Consultation (FPIC) with indigenous peoples, and the companies are coadjutants. To learn more about this topic in Mexico, go to the Guide for the preparation of the Indigenous Consultation.

² To learn more about the subject in Mexico, go to the Guide for the preparation of the Indigenous Consultation. For the Peruvian case, you can visit the Ministry of Culture's website related to the prior consultation: <https://consultaprevia.cultura.gob.pe/>
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Free, Prior and Informed Consent (FPIC)

Consultation is a dialogue between the State and indigenous peoples; it is an instrument designed to overcome discriminatory practices that affect these peoples and enable them to participate in the adoption of decisions that impact their lives. It is based on ILO Convention 169 on respect for the cultures and ways of life of indigenous peoples and recognizes their rights over land and natural resources, as well as their right to decide their own priorities regarding the development process.

Cultural Heritage

A set of tangible and intangible assets that constitute the heritage of a human group, that emotionally reinforce its sense of community with its own identity and that are perceived by others as characteristic.

Artisanal Mining

Refers to informal mining activities carried out using manual tools, little technology and machinery, practiced by individuals, groups or communities, usually informally and/or illegally. (Informal miner is considered to be a person who carries out mining activities without complying with all obligations, but who is within the formalization process and illegal miner is a person who carries out mining activities without any rights and is outside the mining formalization process).

Community Development

Generation of self-management and collective action capabilities in the communities and the promotion of their participation in public life through the creation of a community and institutional environment conducive to the development of quality of life.

Mitigation hierarchy

Sequence in which the different types of social impact management actions are applied, starting with actions to avoid them and ending with measures to compensate them.

Process flows

Formats

Annexes

- [NA](#)

- [NA](#)

Information to update document

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