Social Performance Guideline

Target

Ensure excellence in social and environmental performance by managing organizational capabilities and operating under an Integrated Management System that assesses and mitigates risks while enhancing sustainability throughout the lifecycle, from exploration to social transition.

Scope

Applies to all exploration activities, projects, operating units, and mine closure operations of Industrias Peñoles, Fresnillo plc, and their subsidiaries.

Regulatory framework

- Sustainability Policy and applicable internal regulations: Compliance with internal standards and local regulations.
- Relevant international regulations and standards:
  - International Finance Corporation (IFC) Performance Standards.
  - World Bank (WB) Environmental and Social Safeguards.
  - Inter-American Development Bank (IDB) Safeguards.
  - Compliance with international agreements, such as ILO Convention 169 and the Escazú Agreement.
  - United Nations Guiding Principles on Business and Human Rights (UNGPs).

Orientación Guidance

Community Relations Management

Risks

- Increase in social and environmental risks.
- Loss of the social license to operate.
- Non-compliance with the regulations of international organizations and the countries where we operate.
- Loss of financing opportunities.

Controls

- Social Management System audits.
- Regulatory compliance audits.
- Social studies.
- Oversight, inspections, and enforcement activities conducted by the competent authority.
- Social participation agreements (land acquisition and resettlement).
- Benefit-sharing agreements (Free, Prior and Informed Consent - FPIC)

Normas operativas Operational Standards

Roles and responsaibilities

- Each company employee and contractor is responsible for understanding and complying with the social, environmental, and governance standards established under the company's Social and Environmental Management System.
- Community Relations/Stakeholder Engagement and Environmental Management teams and field personnel are responsible for leading the actions necessary to comply with the guidelines of the company's Social and Environmental Management System.

General

Social performance that incorporates international safeguards and best practices enables us to responsibly manage the impacts of our activities and reduce risks in the surrounding environment, thereby creating the conditions to build relationships based on trust and respect with the communities neighboring our projects, promote their sustainability, strengthen transparency, and contribute to the well-being of the regions where we operate.

Social and Environmental Impact Management

Management of positive and negative impacts

- Stakeholder Mapping: Develop and maintain up-to-date stakeholder maps based on relevant developments and whenever there are changes in representatives, authorities, or formal and informal leaders of grassroots organizations.
- Commitment Compliance: Clearly identify social commitments and their implementation schedules, and monitor them on an ongoing basis to ensure they are fulfilled within the agreed timeframes.
- Community Consultation: Conduct consultation processes with local communities on matters that directly affect them. The scope and level of participation required in the consultation process must be proportionate to the project's risks and adverse impacts, as well as to the concerns expressed by affected communities.
- Impact Assessments: Conduct social and environmental impact assessments (ESIA) at each stage of the project lifecycle, including exploration, development, operations, and mine closure. These

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	assessments must take into account human rights, local cultures, and the environmental conditions of the affected areas. • Social and Environmental Management Plans: Develop plans to manage impacts, with particular attention to vulnerable groups (women, Indigenous Peoples, and low-income populations). These plans should adopt an integrated approach, recognizing that the issues to be addressed are often multifaceted and interdependent, and should foster synergies with communities, authorities, civil society organizations, and businesses. • Community Grievance Mechanisms: Incorporate inclusive and intercultural community grievance mechanisms into social management plans, including measures to adequately address impacts on vulnerable groups, such as women and persons with disabilities. • Resources: Allocate the necessary budget to each business unit for the implementation of multi-year social management plans, ensuring the execution of social impact management measures throughout the project lifecycle. • Monitoring: Regularly evaluate social management plans, which requires establishing baseline conditions and relevant performance indicators to achieve meaningful objectives in impact management. • Citizen Participation Mechanism: Citizens actively participate in the development of mining activities through applicable citizen participation mechanisms and voluntary participatory processes promoted by the company. • Social Performance Capacity Building: Provide continuous training and development for the company's key social management personnel to strengthen their competencies and effectiveness in social performance management. • Social Performance Assessment: Implement an annual assessment of the company's social performance, conducted by an independent third party, to identify opportunities for improvement and enhance the effectiveness of our activities.
Community and territorial development	• Inclusive and Participatory Approach: Prioritize local capacity building and the development of synergies, and promote dialogue and strategic partnerships with community stakeholders, government authorities, NGOs, and the private sector on relevant issues of shared interest, particularly those identified as priorities by the community, such as public services, productive projects, and infrastructure development initiatives. • Sustainable Development Initiatives: Integrate community and territorial development actions into the social management plan. Implement projects that contribute to social and economic development, such as educational programs, healthcare initiatives, access to safe drinking water, reforestation efforts, sustainable livelihood and productive projects, among others. • Positive Impact: Base community development actions on their potential to generate a positive impact on the social baseline and contribute to sustainable improvements in community well-being. • Organizational Capacity Development: Prioritize building and strengthening the self-management capabilities of social organizations, empowering communities to pursue the common good and sustainable development, with the objective of enabling them to become the leading agents of their own development.
Contribution to the local economy	• Local Employment Promotion: Prioritize the hiring of local workforce and the integration of local suppliers into the value chain. • Support for Entrepreneurship: Develop training programs to foster local entrepreneurship and diversify the economy in mining communities. • Value Chain Participation: Integrate into the social management plan actions aimed at developing community capabilities to access local employment and supplier opportunities within our value chain.
Monitoring and Reporting Mechanisms	• Internal and external audits to verify regulatory compliance. • Periodic social studies to measure social and environmental impacts on neighboring communities. • Monitoring of social indicators using both quantitative and qualitative metrics. • Periodic reports on stakeholder concerns and commitments arising from consultation processes • Periodic reports on Community Grievance, Concern, and Suggestion Mechanisms.
Mechanisms for Receiving and Addressing Grievances, Concerns and Suggestions	• A permanent, effective, accessible, culturally appropriate, and gender-sensitive mechanism must be established to enable local communities and employees to submit suggestions, express concerns, or raise grievances. • This mechanism must allow concerns or grievances to be raised anonymously and provide appropriate safeguards and assurances to protect confidentiality and prevent retaliation.

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- Transparent Communication: Provide regular feedback to communities regarding the commitments undertaken and the progress of implemented measures
- Disseminate the grievance, concern, and suggestion mechanism within communities, taking community feedback into account to support its continuous improvement.
- Consider community feedback regarding the operation of the mechanism to ensure its continuous improvement.

Specific Policies for Vulnerable Groups

Cultural Heritage

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

Protection of Indigenous Peoples

- Identify impacts on the collective rights, interests, aspirations, ancestral values, culture, and livelihoods of Indigenous Peoples that are linked to natural resources throughout the planning, development, operation, and closure of our activities, applying the mitigation hierarchy to avoid, minimize, restore, and compensate for adverse impacts[1].
- Implement consultation and informed participation plans in accordance with international best practices.
- Develop a consultation and informed participation plan, and document the consultation and engagement process.
- Free, Prior, and Informed Consent (FPIC): Support the competent authorities, where applicable, in the fulfillment of this right, ensuring that all actions affecting Indigenous communities are properly consulted on and agreed upon.
- When negotiating benefit-sharing agreements, engagement with communities shall be undertaken to promote community development measures and capacity-building initiatives.
- Benefit-sharing agreements must be supported by appropriate evidence demonstrating that they were reached through a transparent process, with broad community participation and the use of culturally appropriate engagement mechanisms.
- Prior to conducting exploration, construction, and operational activities, the Due Diligence Registry for concessions located in Indigenous territories, maintained by the Environmental Legal Management Department, must be reviewed and taken into consideration.

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.

Land acquisition and resettlement

- Avoid the displacement or resettlement of individuals, families, and communities. Where avoidance is not possible, minimize such impacts by exploring alternative project designs.
- Exclude forced eviction as a means of land acquisition.
- Following a prior situational assessment, a social strategy shall be developed to support land acquisition negotiations, taking into account the stage of development of the Company's activities.
- Where there are no viable alternatives to physical relocation, a Resettlement Plan shall be developed, including measures to manage social impacts and to restore and improve livelihoods, while taking into account cultural considerations and community life. The plan must comply with international standards and the applicable regulatory framework of the country, with particular attention given to vulnerable individuals, including women.
- Establish a negotiation team directly linked to the Social Performance or Community Relations team, recognizing that successful land acquisition is built upon the trust established between the Company and the Community.
- Integrate livelihood restoration measures into the land acquisition process whenever economic activities are adversely affected.
- Consider both landowners and land occupants in the assessment and management of social impacts related to land acquisition and resettlement processes.

[1] Mexico, Peru, and Chile are signatories to the International Labour Organization (ILO) Convention 169. Government authorities are responsible for conducting Free, Prior, and Informed Consultation (FPIC) processes with Indigenous Peoples, while companies play a supporting role. For guidance on this topic in Mexico, refer to the Indigenous Consultation Preparation Guide.

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- Conduct a cadastral assessment to determine the existence of any improvements, identify whether the land is for communal use or occupied by an individual community member, carry out the corresponding valuation of such improvements, and define the boundaries associated with each land occupant.
- Where land occupants are present, determine whether the affected land constitutes their sole possession or property and, based on this assessment, develop viable proposals that safeguard the well-being and livelihoods of the community member.
- For land acquisition, due consideration shall be given to local market conditions, replacement cost, and the outcomes and precedents of previous negotiations.
- Establish a formal mechanism to monitor and track commitments arising from social participation agreements associated with land acquisition processes.
- During the negotiation of social participation agreements related to land acquisition, the Company shall seek to reach agreements with communities that promote community development and capacity-building measures.
- Social participation agreements must be accompanied by sufficient evidence demonstrating that they were reached transparently, with meaningful community participation and through culturally appropriate engagement mechanisms.

Social Transition

- Identify the social and environmental impacts associated with the closure of a mining operation and develop a Social and Environmental Transition Plan with specific objectives aimed at promoting the long-term well-being of communities.
- Identify closure-related activities that require or would benefit from community participation in order to strengthen the closure vision and the Social Transition Plan.
- Monitor and evaluate the effectiveness of the social transition process.

General Human Rights Safeguard Provisions.

- Respect and promote human rights in alignment with the United Nations Guiding Principles on Business and Human Rights. Provide decent working conditions, promote gender equality and non-discrimination, and prohibit child labor and forced labor across all operations.
- Apply the mitigation hierarchy to preserve equitable access to essential resources such as water and land. Inclusive participation shall be ensured throughout consultation processes, with particular attention given to vulnerable groups, including women and Indigenous communities.
- Maintain accessible and confidential reporting channels for the submission of human rights concerns and violations, and ensure transparent remediation processes are in place.
- Provide ongoing training to personnel on respect for human rights and the promotion of a respectful, inclusive, and discrimination-free workplace.

Security Forces and Risks of Violence

- Identify and monitor potential risks of human rights impacts on communities, and implement preventive measures to mitigate such risks while promoting the strengthening of the rule of law, peace, and justice.
- Provide a grievance mechanism that enables communities, employees, and contractors to raise concerns regarding security arrangements and the actions of security personnel.

Definiciones

Social Transition

When a mining operation comes to an end, it is important to manage the effects that closure may have on surrounding communities. Social closure involves planning and implementing measures to ensure that people's quality of life is not adversely affected following the end of operations. This includes engaging with communities, understanding their concerns, and providing support throughout the transition period.

The social closure of a project requires the identification and assessment of social impacts associated with the cessation of operations, as well as the implementation of a Social Transition Plan designed to safeguard the well-being and quality of life of neighboring communities after closure. The Social Closure Plan shall be developed in consultation with relevant stakeholders and shall include monitoring, support, and follow-up measures throughout the post-closure period.

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Free, Prior and Informed Consent (FPIC)

Free, Prior and Informed Consent (FPIC) is a process designed to engage communities in dialogue before initiating any activity that may affect them. This dialogue shall be conducted in a transparent and respectful manner and in a language that communities can understand. It shall also ensure that consultations are inclusive, free from pressure, coercion, or manipulation, and that the views of all stakeholders, particularly vulnerable groups, are heard, considered, and appropriately documented.

An effective consultation process shall:

- Be initiated at an early stage of the social risk and impact identification process and continue as new risks and impacts emerge.
- Be based on the prior disclosure and dissemination of relevant, transparent, objective, and meaningful information, provided in one or more local languages and in a format that is culturally appropriate and understandable to the Affected Communities.
- Focus on the inclusive participation of directly affected groups and individuals, including women, rather than those who are not directly affected.
- Be free from manipulation, interference, coercion, intimidation, or undue external influence.
- Enable meaningful participation of affected stakeholders, where appropriate.
- Be properly documented, including the consultation process, concerns raised, commitments made, agreements reached, and follow-up actions.

Replacement Cost

Replacement Cost is the amount required to replace assets or property lost as a result of the Company's activities. This approach ensures that affected individuals receive fair compensation sufficient to acquire assets of equivalent value, without taking into account depreciation or the prior condition of the lost assets. Replacement cost shall be determined as the market value of the affected assets plus any associated transaction costs. When applying this valuation method, depreciation of structures, improvements, or other assets shall not be considered. Market value is defined as the amount necessary for affected individuals and communities to replace lost assets with comparable assets of similar value and utility. The methodology used to determine replacement cost shall be documented and incorporated into the applicable Resettlement Plans and Livelihood Restoration Plans.

Human Rights Due Diligence

Human Rights Due Diligence is a process through which the Company identifies and prevents any actual or potential adverse impacts on human rights. It involves the continuous review of operations, activities, and business relationships, as well as the implementation of measures to avoid infringing upon the rights of individuals and communities. The process also includes monitoring the effectiveness of these measures and demonstrating accountability through transparent reporting on actions taken to respect, protect, and promote human rights.

Community Development

It is a collaborative effort between the company and the communities to improve their quality of life. This includes creating opportunities, strengthening local skills, and ensuring the active participation of individuals in initiatives aimed at the well-being of all. This is achieved through strategic partnerships—building synergies with authorities, social organizations, the private sector, and, most importantly, the communities themselves—as well as by integrating community development plans into the company's social management strategies and fostering social cohesion for a shared future.

Social Performance

Social performance refers to how a company manages its relationship with the communities and individuals in its surroundings. Good social performance entails being a good neighbor, understanding local needs, and responsibly managing negative impacts. This is achieved through clear leadership and systems that enable the prompt identification and resolution of issues. Social performance is the outcome of a company's activities and commitments—actions that may directly or indirectly affect stakeholders or the quality of the company's relationships with them. Achieving excellence in social performance requires demonstrating strong leadership, implementing integrated management systems, and building the capacity and expertise to identify, address, and report on social risks and impacts.

Social Impact Assessments (ESIA)

Social Impact Assessment (EVIS) is a tool that helps the Company understand how its projects may affect the lives of nearby communities. This assessment considers all key phases of a project, from development and construction through operation, closure, and post-closure, with the objective of anticipating potential impacts and supporting informed and responsible decision-making. It is a technical and methodological tool used to predict, within a specific social context, how a project may alter the environment of communities located within its area of influence. The assessment considers factors such as community dynamics, cultural heritage, human rights, and potential disruptions to livelihoods and local economic activities. The

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	EVIS identifies, predicts, and evaluates the impacts that may occur throughout all stages of a project, including construction, operation, closure, and abandonment, and serves as the basis for developing measures to avoid, minimize, mitigate, restore, or compensate for adverse impacts while enhancing positive outcomes. As a decision-making and accountability tool, the Social Impact Assessment supports the Company's social risk management processes and contributes to the effective management of relationships with stakeholders and affected communities.
Vulnerable Groups	Vulnerable Groups are individuals or groups who may face greater challenges due to circumstances such as age, gender, ethnicity, disability, poverty, or other social, economic, cultural, or physical factors. The Company shall pay particular attention to protecting the rights of these groups and ensuring that their voices are heard and considered in decisions that may affect them. The identification and consideration of vulnerable groups shall be integrated into stakeholder engagement, consultation, impact assessment, and social management processes to ensure their meaningful participation and equitable treatment throughout the lifecycle of the Company's activities and projects.
Mitigation Hierarchy	Is a structured approach used by the Company to manage the adverse impacts of its activities. Under this approach, the Company first seeks to avoid impacts wherever possible. Where avoidance is not feasible, it will take measures to minimize impacts. If residual impacts remain, actions will be implemented to mitigate, restore, or rehabilitate affected conditions. As a last resort, the Company will compensate for any remaining adverse impacts. The mitigation hierarchy shall be applied throughout the lifecycle of projects and activities to reduce risks and adverse effects on communities, human rights, livelihoods, cultural heritage, and the environment.
Social License to Operate (SLO)	This means that the company has the acceptance and support of the communities to carry out its activities. This is achieved by being transparent, respecting people, and collaborating with them to ensure that operations are beneficial for everyone.
Remediation Mechanisms	These are processes established by the company to address problems or complaints from communities regarding violations of their rights. The intention is for anyone to be able to submit a complaint easily and safely, and for the company to respond in a fair and transparent manner
Livelihoods	These encompass all the ways in which people earn a living and support their families, such as through employment, agriculture, fishing, or trade. To maintain a positive relationship with its social environment, a company must ensure that its activities do not negatively impact these ways of life and, where necessary, should assist communities in sustaining or improving their livelihoods.
Artisanal Mining	Artisanal mining is carried out by individuals or small groups using manual tools and simple techniques. Often, these activities do not comply with all legal requirements. The company should work with artisanal miners to help them formalize their operations and adopt good practice
Cultural Heritage	These are objects, traditions, and places that hold special value for communities and their identity. The company must respect and protect these elements so that they continue to be an important part of people's lives. They constitute the heritage of a human group, emotionally reinforce its sense of community, provide a distinct identity, and are perceived as characteristic.
Transparency and Impact Reporting	These are documents in which a company provides clear and open information about how its activities affect communities and the environment. The company must publish reports on a regular basis and maintain ongoing communication with all stakeholders.

Anexos

Procedure Flows	Forms / Matrices
• NA	• NA

Información del documento

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Date of issue / Current Date	Next Review	Version	Reviewed	Aproved
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