

Environmental and Social Review Summary (ESRS)

POLESA - Increasing the Production Capacity of Transmission Poles in Mexico

Original language of the document: Spanish
Issuance date: October 2025

1. General Information of the Project and Scope of IDB Invest's Review

This transaction (the Project) involves a secured senior loan for the Mexican company Exportadora de Postes GDL, S.A. de C.V.¹ (the Client, the Company, or Polesa) intended to fund capital expenditures for construction works² as well as machinery and equipment acquisition and installation (the Project) to increase its production capacity.

The environmental and social due diligence (ESDD) process involved interviews and meetings with Polesa's employees and those in charge of environmental, health and safety (EHS) matters, as well as a review of environmental and social (E&S) and occupational health and safety (OHS) information made available by the Client, such as: i) special waste management procedure; ii) annual training program; iii) Polesa's contractor protocol; iv) awareness and training management policy; v) recruitment, selection and hiring policy; vi) EHS protocol; vii) Polesa's sustainability policy; viii) environmental and social questionnaire; ix) safety protocol for working at heights; x) and emergency response plan.

In order to make sure the Project is committed to respecting and safeguarding human rights, it bears no tolerance to retaliatory actions, and provides for and guarantees a safe environment for the affected parties to express their concerns with no fear of retaliation, the ESDD also included a review of the Client's anonymous grievance mechanism and code of ethics.

2. Environmental and Social Categorization and Rationale

In conformity with IDB Invest's Environmental and Social Sustainability Policy, the Project has been classified as a Category B transaction because it may generate, among others, the following risks and impacts: i) noise and vibration generation; ii) worker health and safety risks; iii) hazardous and non-hazardous solid waste generation; iv) potential conflicts with neighboring communities; v) energy consumption; vi) CO₂ emissions; vii) air pollution; viii) metallic waste generation; and ix) occupational risks derived from the use of heavy machines, exposure to high noise levels and handling of sharp objects. These impacts and risks are expected to be of medium to low intensity.

¹ Part of the Polesa Group, a Mexican company that manufactures lighting poles and steel hardware for the electrical industry.

² Expansion of the 192-square-meter industrial facility to be located in Ixtlahuacan de los Membrillos, Jalisco.

The Performance Standards (PSs) triggered by the Project are: (i) PS 1: Assessment and Management of Environmental and Social Risks and Impacts; ii) PS 2: Labor and Working Conditions; iii) PS 3: Resource Efficiency and Pollution Prevention; and iv) PS 4: Community Health, Safety, and Security.

3. Environmental and Social Context

3.1 General Characteristics of the Project's Site

The Project involves the construction and operation of an 80,000-square meter industrial facility that will house a metalworking service center in Ixtlahuacan de los Membrillos, state of Jalisco, Mexico. Specialized equipment, steel coil levelers, and laser and plasma cutters—will be installed at the center to process and supply materials to industrial clients. The site where the Project will be located is a plot of land, clear of all vegetation.

3.2 Contextual Risks

Public safety concerns in Mexico, particularly in the state of Jalisco, may jeopardize the development of the Project. In 2023, 29.1% of households in Jalisco were prey to some form of crime and 60.9% of the adult population considers that insecurity is the most serious local issue³. The Guadalajara metropolitan area reports the highest crime incidence in the state, posing a risk to construction and industrial operations. Additionally, water scarcity in the region may affect water-intensive industrial processes.

4. Environmental Risks and Impacts, and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

4.1.a Social and Environmental Management System

Polesa's sustainability strategy aligns with its commitment to developing initiatives that address the country's social, economic, and environmental needs. In this regard, the Company has taken actions to meet legal requirements and reduce the environmental impact of its operations. Key efforts include: i) reducing the carbon footprint, ii) reducing greenhouse gas emissions, iii) efficient waste management, iv) rational use of resources, and v) environmental impact mitigation.

The Company is ISO 9000 certified⁴ and has standardized several health, safety, and environmental procedures. In spite of this, it will develop an environmental and social management system (ESMS) that includes: i) a policy; ii) the identification of risks, impacts and mitigation measures; iii) E&S management programs and procedures; iv) required organizational capacity and competency (including training); v) emergency preparedness and response procedures; vi) solid and liquid waste management procedures; vii) noise monitoring protocols; viii) community health and safety

³ National Victimization and Perception on Public Security Survey (ENVIPE, in Spanish) 2024.

⁴ An international standard published by the International Organization for Standardization that describes the requirements for a quality management system.

procedures; ix) details on the stakeholder engagement process; and x) social communication protocols (including consultation during Project development, construction and operations).

4.1.b Policy

Polesa has employee training, awareness, recruitment, selection and hiring policies in place as well as a code of conduct⁵. Notwithstanding this, it will develop an environmental policy.

4.1.c Identification of Risks and Impacts

As part of the environmental impact statement (MIA, in Spanish)⁶ required by Mexican legislation, Polesa has identified the impacts associated with constructing the service center. The ESMS will contain operational risk and impact identification protocols.

4.1.c.i Direct and Indirect Impacts and Risks

The following impacts and risks could arise during the Construction phase: i) topsoil and subsoil pollution, ii) air and water quality degradation, iii) increased environmental noise, iv) disruption of vehicle and pedestrian access during material transportation, v) occupational health and safety risks, vi) hazardous and non-hazardous solid waste pollution, vii) possible conflicts with neighboring communities, and viii) visual impacts. However, the environmental management plan (EMP) in the MIA outlines the preventive, mitigation and compensation measures required to address these impacts and risks.

The following risks and impacts have been identified during the Operation phase: i) CO₂ emissions, ii) air pollution, iii) metallic waste generation, iv) energy consumption, v) noise and vibration generation, and vi) occupational risks resulting from the use of heavy machines, exposure to high noise levels and handling of sharp objects. These risks and impacts will be managed through the EMP.

4.1.c.ii Gender Risks

Polesa currently employs 2,162 people⁷, 380 out of whom are women⁸ (17%). The Company has gender equality and equity practices in place, including employing women in non-traditional roles such as welding, forklift operation, and production supervision. The code of conduct sets clear guidelines against discrimination and sexual harassment.

⁵ Under approval.

⁶ The MIA in Mexico is a technical study that identifies and assesses the environmental risks and impacts that could result from the construction works and proposes an environmental and social management plan with prevention, mitigation, and compensation measures.

⁷ May 2025 data.

⁸ In 2020, the Company had ninety-five female workers.

4.1.c.iii Gender Programs

The Company provides equal opportunities to all female workers by promoting initiatives to increase women's participation in the metalworking industry. It will also design a gender program that includes: i) a gender equality policy, ii) guidelines to ensure equal participation in recruitment, iii) inclusive training and career development paths, iv) mentoring programs, v) awareness and education activities, vi) gender indicators, vii) a mechanism to receive and process grievances, and viii) an outline of monitoring and evaluation activities.

4.1.c.iv Climate Change Exposure

As a result of climate change, dry hydro-meteorological hazards are likely to intensify in the Project area, along with flood risks due to proximity to the Santiago River (approximately 3 km away). This could result in prolonged droughts and water shortages, increasing costs or affecting water-intensive processes.

4.1.d Management Programs

The MIA for the service center includes an environmental and social management plan (ESMP) outlining the prevention, mitigation, and compensation measures to manage the Project's adverse effects.

4.1.e Organizational Capacity and Competency

The Company will appoint a dedicated resource to make sure the Project is environmentally and socially compliant. Its current organizational structure includes an EHS manager, who oversees all related matters, and a human resources department in charge of social and labor issues.

4.1.f Emergency Preparedness and Response

Polesa's emergency plan outlines risk, vulnerability, and threat identification practices as well as detailed procedures, resource allocation, training programs, and drills.

For the Project Construction phase, the Company will put together an emergency preparedness and response plan that: i) identifies accident-prone work fronts, locations and situations; ii) includes prevention or response procedures for each identified situation, allocating all necessary human, technical, logistic and financial resources; iii) assigns management, execution, response and control responsibilities, ensuring that every activity that can potentially lead to an emergency situation has a designated supervisor; iv) designs, adopts and implements a communication plan; v) offers regular training sessions for all Project workers; vi) contains coordination protocols with local and national government agencies and community groups involved in emergency prevention and response to identify common areas and create synergies for effective emergency response; and vii) outlines how and how often regular drills and simulations should be conducted to test the system and use the outcomes for continuous improvement.

4.1.g Monitoring and Review

In line with its ISO 9000 certification, the Client conducts various monitoring, measurement, analysis, and continuous improvement activities. Additionally, the ESMS will outline a system to track and assess environmental and social issues.

4.1.h Stakeholder Engagement

Polesa is strongly committed to local communities, its clients, suppliers, workers, and their families, promoting education, scholarships, health campaigns, professional development, and voluntary work initiatives.

4.1.h.i Disclosure of Information

The Company discloses information through its website⁹ and social media.

4.1.i External Communication and Grievance Mechanisms

Polesa has a Facebook page, called Grupo Polesa, to engage with the public and share a WhatsApp number for talent recruitment. However, it does not have a channel to receive queries or a formal mechanism to capture and manage community complaints or grievances. That's why, it will endeavor to create them for both the Construction and Operation phases.

4.2 Labor and Working Conditions

4.2.a Working Conditions and Management of Worker Relationships

Currently, the Company employs approximately 2,162 people. The contractor will provide the necessary workers for the Construction phase.

4.2.a.i Human Resources Policies and Procedures

Polesa has a recruitment, selection and hiring policy to ensure a high-quality and efficient hiring process. In addition, it offers professional development opportunities, along with education and health benefits for workers and their families.

4.2.a.ii Working Conditions and Terms of Employment

In line with its code of conduct, Polesa selects and hires personnel based on their skills, professional experience, and alignment with company values, while respecting the country's cultural and legal context.

To promote a healthy, productive work environment, the Company has prioritized: i) complying with labor laws and regulations; ii) respecting and encouraging differences and diverse opinions; iii)

⁹ www.grupopolesa.com.mx

prohibiting all forms of harassment and discrimination; iv) protecting people and facilities through safety equipment, devices, systems and procedures; v) protecting the workers' occupational health and the work environment; and vi) defining, communicating and enforcing internal policies and regulations.

4.2.a.iii Worker Organizations

With a workforce that has been unionized for 67 years, the Company handles all labor issues through the relevant union. The federal labor law in Mexico safeguards the right to form unions and associations.

4.2.a.iv Non-discrimination and Equal Opportunity

Polesa has a recruitment, selection and hiring policy that seeks to avoid all forms of discrimination, promoting equal opportunities and an inclusive environment where people are evaluated solely on the basis of their skills and merits, regardless of race, gender, age, sexual orientation, religion, disability or other characteristics.

4.2.a.v Grievance Mechanism

At present, Polesa has an anonymous internal reporting channel called "Humand"¹⁰, as well as an oral or written in-person grievance mechanism which will be extended to employees during the Construction phase.

4.2.b Protecting the Workforce

Polesa is compliant with Mexican OHS regulations and monitors its workers' exposure to occupational risks.

4.2.b.i Child and Forced Labor

Even though the federal labor law dictates that children under the age of 15 cannot be hired, teenagers aged 15-17 can work under certain conditions¹¹. The Department of Labor issues guidelines to prevent child labor and protect teenage workers. Polesa abides by the law and prohibits child and forced labor.

¹⁰ An application that connects and unifies the entire organization onto a single platform, enabling a private digital community to handle internal communications and human resources management tasks from their smartphones.

¹¹ The conditions are established by the Federal Labor Law and other complementary regulations: having completed primary education; having a written authorization from parents, guardians, or the union; producing a medical fit-to-work certificate; being registered with the IMSS (Mexican Social Security Institute) by the employer, who must provide all relevant employment benefits.

4.2.c Occupational Health and Safety

Polesa adheres to Mexican labor and OHS legislation¹², under which the Company sets targeted guidelines and behaviors for workers and contractors. Through its contractor protocol, the Company establishes workplace health and safety standards.

4.2.d Provisions for Individuals with Disabilities

In line with current laws, Polesa's code of conduct prohibits all forms of discrimination based on origin, race, marital status, age, political opinion, gender, religion, association, union affiliation, social or economic class, family status, pregnancy, language, sexual orientation, disability, illness, nationality or immigration status.

4.2.e Workers Engaged by Third Parties

Polesa's contractor protocol contains provisions for selecting, hiring, and managing contractors working on the premises. The protocol will be updated to include: i) E&S guidelines, ii) ESMS-related training requirements, iii) sexual harassment prevention rules, and iv) the rules of engagement between contractors and the communities, especially for the personnel involved in transportation and construction duties.

4.2.f Supply Chain

Even though the Company has a general supplier policy in place, it will be updated to include: i) goods and services procurement guidelines aimed at identifying potential child or forced labor risks, and ii) procedures and measures to ensure that key suppliers prevent and address situations that could endanger workers' lives.

4.3 Resource Efficiency and Pollution Prevention

4.3.a Resource Efficiency

Polesa is committed to sustainability by reducing its carbon footprint and greenhouse gas emissions, managing waste, using resources efficiently, managing the environmental impacts and preventing pollution.

The Company will implement initiatives to optimize resource utilization, focusing on energy consumption. Along these lines, environmental aspects will be considered into the new service center design to improve resource efficiency.

Polesa has a special waste management procedure to manage resources across their lifecycle—from generation to disposal.

¹² Article 123 in the Constitution, the Federal Labor Law (LFT, in Spanish), the Federal Occupational Safety and Health Regulations (RFSST, in Spanish), and the Official Mexican Standards (NOMs, in Spanish), among other legal provisions.

4.3.a.i Greenhouse Gases

The steel industry is one of the largest CO₂eq emitters worldwide, with an average of about 1.91 tons of CO₂eq emitted per ton of steel produced¹³. It should be noted, however, that these emissions occur during primary steel production, with significantly lower emissions when turned into the end products, as is the case with Polesa.

Polesa will prepare an inventory of scopes 1, 2 and 3 greenhouse gases.

4.3.a.ii Water Consumption

Primarily, the Company uses water for domestic use. With 2,162 workers and the expected new hires during the Construction phase, procedures will be integrated into the ESMS to measure and manage water use in both the Construction and Operation phases.

4.3.b Pollution Prevention

Wastewater resulting from the operations is ordinary and biologically treated. At the Construction phase, the Company will have the construction company submit a solid waste management plan, a drinking water consumption monitoring plan, and a wastewater management plan.

4.3.b.i Waste

Polesa adheres to Mexican solid waste management legislation, placing special focus on hazardous waste. It will create a solid waste management plan for the Project's Construction phase.

4.4 Community Health, Safety and Security

4.4.a Community Health, Safety and Security

As part of the EMP, Polesa will develop a community health and safety plan, including traffic management, internal and external communication, signage, perimeter enclosure, noise monitoring, and labor management protocols. A Project-specific code of conduct will also be developed.

4.4.a.i Infrastructure and Equipment Design and Safety

The Company has a stringent infrastructure and equipment maintenance plan.

4.4.a.ii Ecosystem Services

The Project will not generate any significant impact on the ecosystem services.

¹³ <https://worldsteel.org/sustainability/sustainability-indicators-2023-report/>

4.4.a.iii Community Exposure to Disease

The Company will incorporate a disease prevention and care protocol for workers, contractors, and the community within the EMP, including awareness programs and continuous monitoring and control measures to prevent the spread of infectious diseases.

4.4.a.iv Emergency Preparedness and Response

Polesa has an emergency preparedness and response plan (EPRP) in place for the operation phase. A targeted EPRP will be developed and implemented for the Construction phase to address associated risks.

4.4.b Security Personnel

Polesa is responsible for assessing, preventing, and managing security risks, including risk monitoring and mapping. To do so, the Company hires unarmed security personnel.

4.5 Land Acquisition and Involuntary Resettlement

The Project does not require land acquisition, nor will it cause any physical or economic displacement of the population nearby.

4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Project is not located within or near protected areas, key biodiversity areas, important bird areas, or alliance for zero extinction sites.

4.7 Indigenous Peoples

The Project will not interfere with Indigenous communities or cause any impacts on them.

4.8 Cultural Heritage

The Project will not interfere with cultural heritage areas.

5. Local Access of Project Documentation

The documentation related to the project may be accessed using the following link: [Mexico | IDB Invest](https://mexico.idb.org.mx/Invest), for further information, visit: <https://grupopolesa.com.mx/>