

Environmental and Social Review Summary (ESRS) NASE México – MEXICO

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1 General Information of the Project and Overview of Scope of IDB Invest’s Review

This transaction (the “Project”) consists in a loan to Negocio Agrícola San Enrique S.A. de C.V. (“NASE” or the “Company”) to finance capital expenses and working capital needs in order to increase its production¹, mainly exports, as well as its productivity².

This would be the second transaction between IDB Invest and NASE; the first one, committed in February 2019 and repaid in May 2024, was used to promote the Company’s growth.

The environmental and social due diligence process (ESDD) included onsite³ technical visits, interviews and meetings with Company managers and senior management, as well as reviewing the environmental and social (E&S), and occupational health and safety (OHS) information provided by NASE, such as: (i) its business strategy; (ii) its E&S management policies and procedures; (iii) its OHS programs; (iv) its human resources (HR) policy; (v) its supplier management procedures; (vi) its solid waste and effluent management processes (including hazardous, non-hazardous and special management wastes); and (vii) its emergency preparedness and response plans of the different production fields.

2 Environmental and Social Classification, and Rationale

The Project has been classified as a Category B operation as per IDB Invest’s Environmental and Social Sustainability Policy, since it will likely generate, among others, the following E&S impacts and risks: (i) increase in OHS risks; (ii) generation of noise and air pollutant emissions; (iii) solid (hazardous and non-hazardous) and liquid (mainly domestic and industrial wastewater) waste generation; and (iv) use of the resources, mainly water and energy. These impacts and risks are expected to be of low-medium intensity.

The Project triggers the following Performance Standards (PS) of the International Finance Corporation (IFC): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety and Security.

¹ The financial proceeds of this transaction to be used to improve the Company’s production will be deployed in its own land already used in their normal course of business, considering its productive cycles and the existing capacity of the ancillary facilities.

² For example, on green investments like the acquisition of more efficient equipment and climate-smart agricultural practices.

³ Visits were paid to NASE corporate offices in Hermosillo, Sonora, as well as its production fields in Persquería and Tastiota, Sonora; and in Melitón, Baja California Sur.

3 Environmental and Social Context

3.1 General characteristics of the Project's site

Located in the northwest of Mexico, NASE is a company with over 25 years' experience in the horticultural sector, focused on the production of organic and non-organic tomatoes, peppers, table grapes, nuts (Pecan), strawberries and blackberries, and farmed shrimp for export (90% of its production is sold abroad).

NASE operates in the following five regions or business units: (i) Hermosillo area, with about 2,569 ha in agricultural fields along the Hermosillo coastline, Pesqueira and Caborca, in the State of Sonora; (ii) Tastiota, with about 1,980 ha in shrimp farms, in the State of Sonora; (iii) Boca Cegada, with 1,000 ha in shrimp farms, in the State of Nayarit; (iv) Melitón, with about 283 ha in agricultural fields (~63% covered in shade nets), in the State of Baja California Sur (BCS); and (v) Vizcaíno, with 806 ha in agricultural fields (~80% with shade netting), in the State of BCS.

Agricultural products are made all year round, alternating crop varieties and areas within the production fields (through land rotation); the same happens with the production of shrimp, which happens all year round, alternating production across ponds.

Each business unit offers temporary accommodation for the workers, which are very much like small communities (Community Centers), as they provide housing and basic utilities (drinking water, electricity and gas for cooking) as well as sanitary and laundry facilities, sports fields with night lighting, grocery stores, dining area, healthcare services and education centers.

In compliance with Mexican environmental legislation⁴, all existing Project activities (all agricultural and aquacultural production sites) have their environmental impact authorization issued by the related environmental authority⁵. Each business unit also has a sanitary record and a business operation certificate issued by the Office of Agro-food, Aquaculture and Fisheries Safety (DGIAAP, in Spanish), under the National Service of Agro-food Health, Safety and Quality (SENASICA, in Spanish), under the Ministry of Agriculture and Rural Development; as well as a sowing single permit granted by the rural development district in each location, based on the National Waters Law, the internal rules of the related irrigation district and Federal Plant Health Law.

⁴ General Environmental Balance and Protection Law (*Ley General del Equilibrio Ecológico y la Protección al Ambiente, LGEEPA*), published in the DOF (Official Bulletin of the Federation), 01-28-1988; latest amendment published: DOF, 01-24-2017.

⁵ Environmental impact resolution or authorization, or comprehensive environmental impact license, issued by the Department of Environment and Natural Resources (SEMARNAT, in Spanish) or the Sustainable Development and Ecology Commission (CEDES) from the State of Sonora or by the Department of Economic Development, Environment and Natural Resources of the State of Baja California Sur

Most of the NASE business units are certified in one or more of the following: (i) California Certified Organic Farmers (CCOF)⁶; (ii) Primus GFS⁷; (iii) Non-GMO Project⁸; and (iv) Fair Trade USA⁹.

3.2 Contextual Risks

One of the biggest challenges faced by the states of Sonora and BCS is its water security, aggravated by the increasing demand for water, population growth, scarcity of rains, overexploitation of aquifers and climate change. The Company's production fields are located in basins and aquifers facing overexploitation and production deficit¹⁰. This has led to Sonora being declared a Type II restricted area, limiting the exploitation of new wells and current extractions for domestic use; BCS is a Type III restricted area, with the same restrictions as Sonora's but with larger extractions for industrial use, irrigation, etc.¹¹.

In Sonora, the population of 18-year-olds and over perceive insecurity, price increase and drug trafficking as the most important problems; in BCS insecurity, water shortage and price increase are considered as their major issues¹². In both states, extortion, car theft, verbal threats as well as robberies at home, in the street or on public transport are the most common criminal acts. The crime rate in Sonora rose by 31.5% in 2023, while it grew by 13% in BCS, both over the national rate of 15.9%; the perception on public security dropped in both states: in BCS by 9.9% and in Sonora by 6.2%, both over the national rate of 1.3%.

Given all the above, property robbery, theft or damage, and personal injuries are the main risks both workers and the Project's physical facilities and assets are facing. Additionally, both states show signs of risk in terms of economic prosperity and productivity. However, the Project can positively contribute to these aspects with employment generation and technological innovation in agriculture.

The Project is also under natural threats, like earthquakes, storms, droughts and strong winds. Nevertheless, they represent a moderate-to-low risk for the damages they could cause on the physical infrastructure of the production fields and the packing plants, and on the personnel and suppliers.

⁶ It certifies that NASE's products (plant-based production) and activities (agricultural product processing) in Melitón comply with the following provisions and procedures as indicated in the agreement stating the guidelines for the organic operation of agricultural activities

⁷ PrimusGFS is an audit scheme approved and fully recognized by the Global Food Safety Initiative covering both Good Agricultural Practices and Good Manufacturing Practices, as well as the Food Safety Management System.

⁸ Compliance with the Non-GMO Project guarantees the use of best practices to avoid genetically modified organisms (GMOs) and may involve testing high risk ingredients in the product formulae.

⁹ Fair Trade Certified is an awarded, rigorous and globally recognized sustainable supply model that improves livelihoods, protects the environment and builds transparent, resilient supply chains.

¹⁰ In Sonora is basin Sonora River #3 with -1.39 hm³/year available, and the aquifer Costa de Hermosillo, with -74.25 hm³/year. The Vizcaíno and Melitón Albañez basins with 28.37 hm³/year and 18.71 hm³/year available, respectively, and the Vizcaíno and El Carrizal aquifers with -0.5 hm³/year and 0.71 hm³/year, respectively are located in Baja California Sur (<https://sinav30.conagua.gob.mx:8080/SINA/?opcion=acuíferos>).

¹¹ <https://sigagis.conagua.gob.mx/dvedas/>

¹² National Victimization and Perception on Public Security Survey (ENVIPE, in Spanish) 2024; INEGI (<https://www.inegi.org.mx/programas/envipe/2024/#documentacion>).

4 Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and management of E&S risks and impacts

4.1.a E&S Management System

In 2020, NASE developed an E&S Management System (ESMS) for its operations in its business units (Melitón and Vizcaíno were the first ones to implement it), which reinforces the Company's commitment to quality, safety, food safety and the environment and will help manage the Project's E&S and OHS risks and impacts. Nonetheless, the Company will periodically review¹³ the ESMS to strengthen it or update its components as per the applicable E&S and OHS requirements.

4.1.b Policies

The Company has in place an Environmental Protection Policy stating its commitment to the applicable legal requirements, the ongoing improvement of effectiveness and efficiency, and the optimization of the use of natural resources to minimize environmental impact and prevent pollution. Also, the ESMS includes a Safety Policy and an Occupational Health and Safety Policy.

4.1.c Identification of risk and impacts

4.1.c.i Direct and indirect impacts and risks

NASE uses a risk matrix to identify E&S aspects, which helps to assess the significant risks and impacts on the quality of the products, the environment, the workers' health and safety, and the affected communities, based on the rules and regulations applicable to the processes and activities of each field, plant and storage facility. This information helps define the operational controls or corrective actions, as well as the measurement and monitoring mechanisms (including indicators) required to manage each risk.

The Company promotes good practices focused on proper waste management, decreased emissions, water and energy saving, and awareness among employees and suppliers about the optimal use of resources, so as to minimize the environmental impact and prevent pollution.

4.1.c.ii Analysis of alternatives

Since the Project will be carried out in existing facilities and on the Company's own land, no alternatives other than space distribution and evaluation of several technology options based on their economy and efficiencies (in terms of resources like electricity and water, and accessibility) were considered.

4.1.c.iii Cumulative impact analysis

Given the characteristics of the Project, the cumulative impact of those generated by present, past and future projects will be minor. Therefore, a plan to mitigate the cumulative impact is not required.

¹³ Applying the Environmental and Social Management System, Implementation Manual - General; IFC; version 2.1; November 2015. Environmental and Social Management System Toolkit - General; IFC; version 1.2; November 2015.

4.1.c.iv Gender risks

Even though in Mexico there are laws¹⁴ and agencies¹⁵ fighting to protect women, in terms of gender violence and sexual crimes, the states of Sonora and BCS ranked 8 and 29, respectively, among the Mexican states with the highest rates of violence against women aged 15 and over throughout their lives (out of the 32 Mexican states)¹⁶. Between January and August 2024, Sonora ranked 9th nationwide with 19 alleged femicides, whereas BCS ranked 24th with only 7 cases; moreover, in terms of alleged family violence acts, Sonora ranked 14th across the nation with 5,226 cases, while BCS was 25th with 2,213 cases¹⁷.

Nevertheless, given the type of business (agriculture and aquaculture), together with the fact that the Project has perimeter security and surveillance, gender risk is estimated to be low and can be mitigated by applying the principles in the Social Responsibility Policy and the Harassment and Abuse Policy, as well as the equity and equality practices of the Company.

4.1.c.v Gender programs

The Project will not generate any significant differential impacts between men and women, or promote gender violence or pandering activities. NASE promotes non-discrimination and equal opportunity when seeking and promoting human talent. In this sense, it is expected to generate equitable employment opportunities.

NASE has incorporated provisions to assure its female workers are fairly treated in terms of (i) provision of personal protection equipment (PPE) adapted for women; (ii) separate locker rooms by work area and gender; (iii) provision of work environments that are adequate for pregnant women; (iv) adoption of zero tolerance policies in the event of gender violence in its Social Responsibility Policy and Harassment and Abuse Policy; and (v) compliance with local legislation and international practices related to the non-discrimination and equal opportunity for its personnel regardless of their gender. Any behavior contrary to the guidelines in its policies is investigated and analyzed by the Company, and it is subject to corrective and disciplinary measures if applicable.

4.1.c.vi Climate change exposure

In general, the Project infrastructure is moderately exposed to physical risks and hazards derived from climate change as follows: (i) based on a global climate model, both in Sonora and BCS, it is highly exposed

¹⁴ Federal Discrimination Prevention and Eradication Law; Men-Women Equality Law (2006); Women's Access to a Violence-Free Life Law (February 2007) and Regulation of the Women's Access to a Violence-Free Life Law (March 2008).

¹⁵ Instituto Nacional de las Mujeres (Inmujeres); Comisión Nacional para Prevenir y Erradicar la Violencia contra las Mujeres (CONAVIM); Consejo Nacional para Prevenir la Discriminación (CONAPRED); Comisión Nacional de los Derechos Humanos (CNDH); among others.

¹⁶ 2021 National Survey on Household Relationships (ENDIREH) <https://www.inegi.org.mx/programas/endireh/2021/>.

¹⁷ According to Mexico's Executive Office of the National Public Security System, for January-April 2024 (<https://www.gob.mx/sesnsp/articulos/informacion-sobre-violencia-contra-las-mujeres-incidencia-delictiva-y-llamadas-de-emergencia-9-1-1-febrero-2019?idiom=es>).

to water shortage and hurricanes, and moderately exposed to droughts, and (ii) a moderate upward trend in an RCP 8.5 climate change scenario.¹⁸.

However, climate change exposure risk is expected to be handled with the measures proposed in the design of the Project greenhouses in the agricultural fields and the packing plants, as well as in the Emergency Response Plan, which is annually reviewed.

4.1.d Management program

As per the E&S risk and impact matrix, all NASE fields and packing plants have implemented management measures (mainly, mitigation) and emergency plans to handle natural disasters. Some of the measures necessary to eliminate or mitigate each of the impacts or risks detected include: (i) preventive measures aimed at eliminating or decreasing the frequency or severity of negative impacts or risks, supported by (a) preventive and predictive equipment and machinery maintenance programs, and (b) ongoing employee training programs and scheduled drills; and (ii) technical and operational recommendations based on the compliance with national regulations, specifically in NOM-002-STPS-2010¹⁹, establishing fire procedures and equipment.

4.1.e Organizational capacity and competency

NASE has an organization engaged in E&S and OHS issues. There is an ESMS Committee at each business unit, which is in charge of (i) making sure the environmental standards are met; (ii) managing the ESMS; (iii) promoting a sustainable and environmentally-friendly business model; (iv) identifying opportunities for improvement of the energy performance; (v) preventing pollution; and (vi) advising the plant managers on the implementation of environmental emergency preparedness and response procedures.

Additionally, each NASE business unit has a team in charge of its occupational health and safety issues; and health and safety committees, in compliance with Federal Work Law and its administrative order¹⁶. Likewise, it has appointed a professional to be responsible for certifications and regulations for each business unit.

4.1.f Emergency preparedness and response

The Company has emergency response plans (ERPs) in place for each business unit with Community Centers and its packaging plants, which comply with the requirements of the internal civil protection program required by the Department of Work and Social Services (STPS, in Spanish) and federal and local civil protection legislation²⁰. Each ERP establishes the mitigation and emergency preventive actions at a site to safeguard the physical integrity of workers, visitors, suppliers, other people or customers within

¹⁸ A Representative Concentration Pathway (RCP) is a greenhouse gas (GHG) (not emissions) concentration pathway adopted by the IPCC. The pathways describe the different future climate scenarios, all of which are deemed possible depending on the volume of GHG emitted in the coming years. RCPs, originally RCP 2.6, RCP 4.5, RCP 6 and RCP 8.5, are labeled based on a potential range of radiative forcing values in 2100 (2.6, 4.5, 6 and 8.5 W/m², respectively).

¹⁹ Mexican Official Standard NOM-002-STPS-2010, establishing safety conditions: fire protection and prevention at the work sites.

²⁰ Civil Protection Law and its administrative order; and the Comprehensive Civil Protection and Risk Management Law for the State of Nuevo León.

the facilities, as well as to address a wide range of emergencies threatening property and uninterrupted production.

The plant manager and the industrial safety coordinator are in charge of establishing the annual training program to implement environmental contingency programs and drills, as well as reviewing the frequency of such training sessions.

4.1.g Monitoring and evaluation

Some of Company's goals include monitoring the compliance with all environmental legal provisions. Therefore, as part of its environmental commitment and in order to avoid being penalized, it plans and prepares statutory environmental audits through a systematic and objective review based on international standards (ISO-14001²¹), ensuring compliance with any applicable legal requirements at each business unit.

The Company has an ESMS compliance matrix for its monitoring and review, which helps check the progress and achievement of key performance indicators (KPIs) like: (i) resource efficiency (mainly water and energy); (ii) prevention of pollution caused by effluent or solid waste handling; (iii) use of phytosanitary products; (iv) wastewater treatment and reutilization; (v) occupational health conditions (use of PPE, and incidents and accidents); and (vi) training.

The Company will prepare²² a consolidated annual report on the state of compliance with all its E&S and OHS policies and measures that are applicable to the Project, based on the KPIs. Through these internal or external assessments, the Company will define specific measures to reduce its impacts, improve efficiency and document and report progress and new procedures, as well as other certifications, depending on which State the facility and storehouse are located in.

4.1.h Stakeholder engagement

NASE has identified all the relevant stakeholders (including local authorities and parties involved in its operations) and has open and permanent communications with them. In this sense, it has implemented a comprehensive stakeholder engagement plan, which shows the Company commitment to: (i) encouraging the engagement of the local communities where it operates by means of a strategy of dialog and sustainable value creation; (ii) keeping responding to the social groups with which it interacts; (iii) building trust for long-standing, stable, robust relationships with the community; and (iv) preserving the corporate reputation across the businesses and countries where it operates.

4.1.i External communication and grievance mechanism

4.1.i.i External communication

NASE's communication practices follow guidelines and criteria to distribute official communications of common interest to internal and external stakeholder groups clearly and consistently.

²¹ Standard certifying the Environmental and Social Management System.

²² Whether internally (internal audit) or through an independent external E&S expert (external audit).

4.1.i.ii Community grievance mechanism

The Company has in place a Procedure for Claims, Grievances, Conflict Resolution and Response Hotlines with guidelines to guarantee that all the grievances received are timely dealt with and investigated, creating and keeping an adequate control environment based on the Company's values and principles. These guidelines also include the roles of each functional area to be involved, as well as the stage in the process and the way they should get involved (reception, classification, review, analysis, investigation, preparation of an action plan with the person reported, monitoring, result management and submission).

Grievances or claims can be filed in the following ways: (i) via the website²³, or a written communication left directly in the boxes at the Company's facilities; or otherwise (ii) orally, on the phone or in person before the Social Responsibility team. These means are available for workers and external staff, and can capture and process anonymous reports, making sure they are treated with no risk of discrimination against the person filing them. This mechanism seeks to make the Company's business management practices transparent; keep open, honest relationships; and promote values of integrity, honesty, transparency and respect.

4.1.j Reporting to affected communities

An overview of NASE, as well as its sustainability practices and related certifications it holds can be found at its website²³.

4.2 Labor and Working Conditions

4.2.a Working conditions and management of worker relationships

4.2.a.i Human resources policies and procedures

NASE has certain instruments to manage its human resources and set the framework for the employer-employee relationship, some of which are: (i) the Labor Social Responsibility Policy with the principles and standards related to the working and OHS conditions and performance, as well as all the necessary resources to build a work environment based on respect, fair treatment, relationships, opportunities for development and communication among employees; (ii) the Internal Work Rulebook (IWR), in compliance with the requirements of the Federal Labor Law²⁴ of Mexico²⁵, and other provisions about: work places and schedules, payment days and places, breaks and vacations, the Company's and the employees' obligations, occupational health, prohibitions and disciplinary measures, and sanctions.

The IWR contains the provisions to comply with the labor laws in Mexico and set the fair treatment and working conditions as well as the terms of employment and the right to be notified in case of termination and to receive compensation.

²³ <http://nase.com.mx>

²⁴ Latest amendment published in the Federation's Official Bulletin (DOF) on November 30, 2012.

²⁵ Including the regulations and principles established by the International Labor Organization (ILO) and other organizations ruling over work.

Additionally, NASE has prepared the following policies that strengthen and complement its Work Policy: some of them are: (i) Workers' Fundamental Rights Policy; (ii) Non-Discrimination Policy; (iii) Sexual Harassment and Abuse Policy; (iv) No Forced Labor Policy; (v) Child Care and Protection Policy; (vi) Minority and Disadvantaged Groups Development Policy; (vii) Freedom of Association Policy; (viii) Appeal Policy; and (ix) Hiring Policy and its procedure (jointly, the "Labor Policies").

All these aspects related to work and working conditions are managed by the Human Resources Manager, supported by the Social Work Department.

4.2.a.ii Working conditions and terms of employment

The provisions in the Social Responsibility Policy, and the IWR meet both Mexican legislation and OHS regulations, as well as the best international practices. These provisions govern personnel recruiting and hiring ways and conditions; workdays and times, days off work; annual leave; other leaves; flexible work schemes to promote collaboration and productivity; salaries and benefits; employer and employee rights and obligations; conduct and disciplinary measures; safety of assets; prevention of risks, and the way disabled workers are hired and treated, among others. In order to reinforce the people's knowledge of these working conditions, the Company requires that each worker commit to observe the IWR and report any real, potential or seemingly noncompliant situation.

NASE recruits, selects and hires talent following transparent, confidential, objective, stringent processes that guarantee that the principles of equality and non-discrimination are respected. In addition, within the models and procedures of its Hiring Policy and its Procedure, the Company states that the personnel are selected and hired based on their skills, abilities, professional experience and how closely the candidates relate with the Company's values.

NASE holds the "Child Labor Free Agriculture Company" seal, granted by the General Office of Labor Inclusion and Child Labor, under the Ministry of Labor and Social Security for the Rancho San Francisco plant.

4.2.a.iii Workers' organizations

Upon committing to complying with the applicable local legislation, NASE recognizes the workers' rights to form labor associations and to be part of them, and it observes and assumes all the responsibilities arising from the legislation, including international treaties and conventions executed by the countries with the ILO²⁶. In its Freedom of Association Policy, it also establishes the need to comply with Federal Labor Law, as regards the obligations and prohibitions of employers concerning respect for union protection and non-interference in the establishment and operation of unions²⁷.

²⁶ Convention 87 provides for the protection of the right to create and participate freely in trade unions; Convention 98 refers to the right to freedom of association and reaching collective bargaining agreements.

²⁷ Sections 132, 133, 154 and Chapters II, III and IV of Title Seven, Working Collective Relations.

4.2.a.iv Non-discrimination and equal opportunity

Mexico is signatory to several ILO international treaties and conventions regarding workers' rights, including Convention 100 on equal remuneration and Convention 111 on discrimination (employment and occupation). Apart from complying with these provisions, the Company establishes, within its Non-discrimination Policy, the respect for individual diversity and equity by acting justly, equally and impartially and looking for an inclusive, positive and social impact. In addition, its Labor Policies and associated policies state the Companies' zero tolerance in the event of discrimination, harassment or abuse at the workplace and ratify the Company's commitment to promote an environment in which no candidate, employee, supplier or contractor of services may be excluded or discriminated against in an external or internal selection process based on ethnical or national origin, gender, age, disability, social status, health condition, religion, immigration status, opinion, sex preference, civil status or any other type against human dignity.

4.2.a.v Retrenchment

NASE does not anticipate any retrenchment in the future. However, if this happened, the Internal Work Rulebook establishes the need to meet the provisions in Federal Labor Law²⁸, regarding the suspension and termination of work relations collectively.

4.2.a.vi Grievance mechanism

NASE promotes an atmosphere of openness and communication in its work environments. The Company has a guide to handle grievances and conflict resolution that includes a specific policy, as well as formal and informal procedures to deal with them, with the related forms to receive them, whether anonymously or not, and to respond.

Also, the Company has in place a Procedure for Claims, Grievances, Conflict Resolution and Response Hotlines, describing how to manage grievances, claims and possible conflicts received from third parties in order to respond adequately, reach satisfactory agreements and inform the primary responders' telephone lines. A specific section is devoted to grievances linked to sexual harassment; also there is a special mention that all grievances or claims are treated confidentially, and all forms of retaliation against those reporting suspicion of violations or cooperating with the investigation of a suspicious act are forbidden.

Supervisors encourage day laborers' groups to speak up when they identify deficiencies or have grievances by using the forms or boxes distributed in the Community Centers at the production fields and packing plants, or via email; as well as in person or over the phone with the Social Responsibility team.

4.2.b Protecting the workforce

In compliance with all labor obligations in Mexico, NASE enters into labor relationships enforcing the rights and obligations of employees and employers. In this regard, it promotes human, civil, political, economic, social and cultural rights equality and equity between men and women.

²⁸ Sections 53 and 434.

Likewise, the IWR states that the Company's employees, managers and executives, as well as its contractors and suppliers, must comply with all the laws and regulations applicable in Mexico, in order to guarantee transparency and responsibility in the course of business, the engagement with the community and its responsibility towards the environment.

The Company has a Housing Rulebook applicable to the Community Centers, which set the rights, benefits and obligations for the workers and their families.

4.2.c Occupational health and safety

In compliance with Federal Labor Law and the Federal Regulations on Occupational Health and Safety²⁹, NASE has occupational health and safety programs for each Project plant and facility, which include: (i) identifying possible hazards for the workers; (ii) establishing prevention and protection measures; (iii) training workers; (iv) documenting and submitting reports on occupational accidents, diseases and incidents; and (v) making arrangements for emergency prevention, preparation and response. In addition, for all the risk work defined in the OHS Assessments, the Company requires that all its contractors provide evidence of labor capacities and work permits duly authorized by the OHS area.

NASE has in place: (i) a Hydration Policy, by means of which workers are provided with fresh water and a shaded rest area in places where they are exposed to temperatures higher than 27°C (80°F), so that they are protected from heat stress, and they are given oral hydration solution when the daytime temperature peaks to avoid dehydration. These hydration actions are also applicable in the packing areas; (ii) a General Field Rules manual, which establishes commitments and duties for visitors and/or workers within NASE, regarding its good health practices, good agriculture and manufacturing practices; and (iii) biosafety measures in compliance with the good agricultural practices in the national sanitary legislation, such as: keeping a visitor log; inspecting and logging accessing vehicles, monitoring the workers' health conditions, etc.

4.2.d Provisions for people with disabilities

NASE does not discriminate against its workers based on their disabilities and it meets the regulations on the inclusion of people with disabilities³⁰.

4.2.e Workers engaged by third parties

In accordance with the Social Responsibility Policy, all of the Company's labor policies, rules and procedures cover its personnel, customers, suppliers, contractors and other third parties equally. Workers, both hired by Company and by third parties, can remain as long as they respect the above and the local applicable laws and regulations.

²⁹ In terms of compliance with Federal Labor Law and its administrative order, this program is the same as the Occupational Health and Safety Program, as defined by section 3 of the Federal Regulations on Occupational Health and Safety.

³⁰ General Law for the Inclusion of People with Disabilities; as amended, published in the DOF on July 12, 2018.

Also, the Company has adopted a Guide of Good Practices for Hiring, Termination, Disciplinary Procedures and Grievance Resolution in Negocio Agrícola San Enrique to define how to manage suppliers, contractors and temporary service providers during the service preselection, selection, contract granting and execution phases. This guide is aligned with the provisions in the legislation of each State, as well as with the administrative and human management policies established by the Company, mainly those related with human and OHS resources.

4.2.f Supply chain

NASE's Labor Policies prohibit all forms of child labor, as well as the acquisition of any product or hiring any service involving it. The Social Responsibility Policy urges the Company to see that all applicable legal provisions and conventions ratified by Mexico, including those related to child labor, are complied with, and expresses the commitments of the Companies, their customers and service providers to guaranteeing that the latter observe NASE's ethical principles and general rules of conduct.

All customers or suppliers are selected following a process with stringent tax, anti-trust, professionalism and quality regulations. However, the Company will update the selection process to include an assessment of compliance with its Labor Policies as well as with the OHS, social responsibility, labor and environmental standards. The contracts with its suppliers will incorporate provisions to require compliance with: (i) the labor and OHS legislation in force in Mexico, in particular the ban on forced labor and child labor, the defense of non-discrimination and gender equality, and the protection of safe working conditions, and (ii) the applicable environmental legislation in order to minimize the environmental impacts, by preventing pollution and encouraging the rational use of natural resources and energy in its operations.

The Purchase Department will also go on checking its strategic suppliers for their E&S, work and OHS performance and, to a reasonable extent, to guarantee the continuous improvement of their commitment to sustainable management.

4.3 Resource efficiency and pollution prevention

4.3.a Resource efficiency

4.3.a.i Greenhouse gases

NASE will prepare an annual GHG emission inventory for each business unit in the different states, quantifying the direct emissions from the use of fuel (scope 1), the indirect emissions from electricity consumption (scope 2) and those coming from the transportation of services provided by third parties (scope 3)—for instance, transporting equipment and machinery, and goods and materials acquired from its supply chain—, using the methodology created by the Greenhouse Gas Protocol Initiative³¹. The variation in the outcome as detected when compared to the baseline year (first full year of operations) will be as well informed annually, together with an explanation of the causes.

³¹ The Greenhouse Gas Protocol Initiative (<https://ghgprotocol.org/>) is a multi-stakeholder partnership of businesses, non-governmental organizations (NGOs), governments, and others convened by the World Resources Institute (WRI), a U.S.-based environmental NGO, and the World Business Council for Sustainable Development (WBCSD), based in Geneva, Switzerland.

It is worth mentioning that the Company is looking to diminish their emissions, by optimizing how much electric power they use and reducing the amount of fuel used in their vehicle fleet to transport equipment and machinery, and to take care of and serve its customers.

4.3.a.ii Alignment with the Paris Agreement

Based on the analysis performed pursuant to the IDB Group's Paris Alignment Implementation Approach³² ("PAIA"), the Project is deemed aligned with the Paris Agreement.

4.3.a.iii Water consumption

The water used for agricultural and industrial activities is provided from wells and surface bodies (like estuaries for the shrimp farms), both with the related extraction or consumption concession granted by the National Water Commission (CONAGUA, in Spanish) or the State Water Commission for the inherent state assets. The water for NASE workers' and employees' consumption is also provided from a well, only when the quality is up to the sanitary specifications of the health regulations (NOM-201-SSA1-2015³³).

Despite the fact that no NASE facility records high water consumption levels, in line with its environmental commitment, the Company has implemented measures like: (i) carrying out agricultural irrigation sustainable practices³⁴; (ii) replacing obsolete or faulty water storage or distribution devices for cutting-edge technology in order to reduce consumption; (iii) implementing programs to detect leaks; and (iv) performing campaigns to raise awareness of water consumption.

4.3.a.iv Energy

The electric installations (substations, alternating current generators, power lines, etc.) with the business units comply with the regulations in force³⁵ and the energy will be provided from the public grid of the Federal Electricity Commission (CFE) under a service contract with a qualified supplier. At the Project execution stage, the consumption of energy will probably grow and will be monitored and quantified in the Annual GHG Emissions List.

As part of the environmental commitment and without altering production volumes, each business unit will try to reduce electric power consumption by (i) progressively installing LED lighting³⁶; (ii) installing and replacing equipment with others that are more consumption-efficient; (iii) turning off any electric equipment not being used; (iv) installing automatic or semi-automatic controls for high-consumption equipment, such as packing machines; (v) performing preventive maintenance tasks on equipment to

³² https://idbinvest.org/es/sostenibilidad/acuerdo-de-paris-bid-invest?_ga=2.110751365.1241992933.1696526345-1108575330.1664225306

³³ Mexican Official Regulation NOM-201-SSA1-2015, Products and services. Water and ice for human consumption, packed and in bulk. Sanitary specifications. (DOF of December 22, 2015).

³⁴ For example, (i) reducing evaporation by avoiding irrigating at noon and using drip irrigation techniques (if applicable), or using "under-canopy" irrigation instead of sprinkler irrigation; (ii) reducing the infiltration losses with canal lining; and (iii) controlling the proliferation of weeds in the inter-row strips and keeping them dry.

³⁵ NOM-001-SEDE-2012 about Electric installations.

³⁶ LED stands for Light Emitting Diode.

improve its performance; (vi) using natural light in as many areas as possible; and (vii) training workers on energy savings.

4.3.b Pollution prevention

4.3.b.i Emissions and air quality

The Project agricultural activities, more specifically those involving preparing the land for sowing, will create noise, vibrations and particulate matter (PM₁₀ and PM_{2.5}). However, the environmental management programs set forth semi-annual dust control and monitoring actions in order to follow up on the compliance with applicable regulations and establish mitigation measures in accordance with the characteristics of each activity, if necessary.

The operation of the Company's packing plants will not generate significant polluting air emissions.

4.3.b.ii Wastes

In compliance with Mexican environmental legislation, NASE reports on its special-management, non-hazardous solid waste (as per NOM-161-SEMARNAT-2011³⁷), according to the generation volumes (as the case may be). In this regard, each business unit has (i) the related certificate as a waste generator (as applicable); (ii) the authorization to dispose of special-management wastes, and (iii) a specific handling plan, as per the applicable regulations³⁸. The Project execution and implementation will not give rise to the amendment of the processes and procedures established by the Company.

At present, NASE separates, classifies and temporarily stores solid wastes produced in its facilities and has an authorized third-party manager to collect, transport and manage non-hazardous solid wastes either for further assessment (recycling managers) or for final disposal in an authorized landfill.

NASE has implemented a waste management procedure including education campaigns on waste reduction, reuse and recycling for all the personnel and suppliers, as well as initiatives to classify and record (by weight and volume) their solid waste into hazardous, non-hazardous and special-management, as defined in environmental regulations³⁹. In addition, the Company engages in training campaigns aimed at its workers and awareness campaigns for its suppliers in issues related to the use of single-use waste and comprehensive waste management.

There is as well a campaign to compost all the waste generated at the packing plants so that it can be used as a soil conditioner or a nutrient or substrate to grow vegetables and fruits, for public or private green

³⁷ Mexican Official Regulation NOM-161-SEMARNAT-2011, establishing the criteria to classify special-management waste and determining which is subject to the Management Plan, as well as including a list thereof, the procedure to be used to be included or not in such a list, and the elements and procedures to design management plans.

³⁸ Comprehensive Waste Prevention and Management Law, published in the DOF of October 8, 2003; last amendment published in the DOF of November 5, 2013; the Administrative Order of Comprehensive Waste Prevention and Management Law, published in the DOF of November 30, 2006; and the environmental laws of the states where the facilities are located, and their administrative orders.

³⁹ Comprehensive Waste Prevention and Management Law and its administrative order.

areas and greenhouses, or to encourage a reduced use of chemical fertilizers, in compliance with the national regulations and following Mexico City regulation NADF-020-AMBT-2011⁴⁰.

Each business unit has a wastewater treatment system, with either a wastewater treatment plant (WTP) or oxidation and evaporation ponds (depending on the volume and characteristics of the generated effluents), where the effluents are biologically treated to reduce the organic matter and nutrients to admissible levels in the discharge regulations (NOM-001-SEMARNAT-1996⁴¹). As part of the sustainability practices, the water treated at the WTPs is reused for irrigation in green areas and roads, in compliance with the parameters in the national regulations (NOM-003-SEMARNAT-1997⁴²) and the related permits in the regulations.

NASE will strengthen its Wastewater Discharge Monitoring Program, in order to improve the operational and regulatory performance of each WTP, and check for compliance with the effluent quality as per the wastewater discharge regulations. This will be supported with new training sessions for the WTP operators and goals set to increase the reuse of treated water at each business unit.

4.3.b.iii Hazardous materials management

The materials used at NASE agricultural fields and packing plants are deemed hazardous⁴³, based on their characteristics, under Mexican regulations⁴⁴. In this sense, those business units that require so, are registered as a hazardous and special-management waste generator and have a Special-Management Waste Plan, issued by the CEDES or the Office of Economic Development, Environment and Natural Resources of the State of BCS.

In compliance with the environmental legislation and according to its category⁴⁵, the Company keeps a record of how much waste is generated, how it is stored and how hazardous waste generated during equipment and machinery operation and maintenance is managed; as well as how it is delivered to the certified companies for its management. Likewise, the Occupational Health and Safety Program has specific procedures to train the staff authorized to handle and manage hazardous waste, whether it is by staff that has been previously trained (instructors) or by supplier-qualified staff.

⁴⁰ Mexico City Environmental Regulation NADF-020-AMBT-2011, setting the minimum requirements to produce compost from the organic fraction of urban, agricultural, livestock and forestry waste, as well as the minimum quality specifications for the compost produced and/or distributed in Mexico City.

⁴¹ Mexican Official Regulation NOM-001-ECOL-1996, which sets the top limits of pollutants admissible in wastewater discharges into national waters and assets.

⁴² Mexican Official Regulation NOM-001-ECOL-1996, which sets the top limits of pollutants admissible in the wastewater treated and reused in the public utilities.

⁴³ As to handling and storing products with a certain level of hazard, the Company uses LPG at the Community Centers and the packing plants, which is ruled under NOM-004-SEDG-2004, about LPG installations design, construction and use; and pesticides and herbicides for the crops, which have safety data sheets (SDTs) in compliance with NOM-018-STPS-2000, about the system to identify and communicate chemical risks at the work centers.

⁴⁴ NOM-052-SEMARNAT-2005, setting forth the characteristics, identification procedure, classification and hazardous waste lists.

⁴⁵ Section 42 of the regulations of Comprehensive Waste Prevention and Management Law.

4.3.b.iv Management and use of pesticides

NASE has a Procedure and a Strategy to Reduce the Use of Agrochemicals, like pesticides and insecticides⁴⁶, to promote the development of the beneficial fauna that provides highly effective natural control against several pests. In this sense, pesticides will only be used to the extent necessary to achieve the Project objectives under an integrated pest management and integrated vector management (IPM/IVM) strategy, and only after other pest management practices have failed or proven inefficient.

4.4 Community Health and Safety

4.4.a Community health, safety and security

NASE runs the Project production fields and packing plants with the best applicable environmental and OHS practices. These plans will include provisions to handle the involvement of specialized staff in emergency response teams (fire, rescue and evacuation brigades), and to coordinate actions with the external authorities⁴⁷, when the leaks, spillages or fires exceed the limits of the Company's response.

4.4.a.i Infrastructure and equipment design and safety

In its production fields and packing plants, NASE has leak and spill detection and containment equipment, alarm and firefighting systems, and emergency reporting mechanisms pursuant to national regulations⁴⁸.

4.4.b Security personnel

The Company has an asset security area covered by duly-registered specialized security companies. Thus, the Company makes sure that all security personnel working at its facilities and plants holds the appropriate registration and certification to perform their duties issued by the applicable authority⁴⁹ and that they have been appropriately trained in operational personnel duties in issues such as: (i) requirements to engage in private security guard services; (ii) human rights; (iii) action principles, mainly preventive and deterring, with the use of force as the last resort; (iv) actions to be carried out to notify events to authorities; and (v) use of communication, computing and deterring equipment.

4.5 Land acquisition and involuntary resettlement

The Project does not involve any development outside its own land acquired through a private sale contract. Thus, it does not involve any involuntary physical or economic displacement.

⁴⁶ The Company has a list of 45 agrochemicals used in the production of tomatoes and 42 in the production of chili peppers; none of them is classified as Ia (extremely hazardous) or Ib (highly hazardous) by the World Health Organization.

⁴⁷ Persons or entities with technical and legal competence, such as: Protección Civil, SEMARNAT, PROFEPA, the Red Cross, the Fire Brigade, etc.

⁴⁸ Mexican official standard NOM-002-STPS-2010, Safety conditions – Fire protection and prevention at the work sites.

⁴⁹ Dirección General de Seguridad Privada (general private security office), from the Secretaría de Gobernación (internal affairs office) of the State.

4.6 Biodiversity conservation and natural habitats

Since the Project will take place in previously used (leveled and compacted) agricultural and aquacultural areas, no major impact on the vegetation or biodiversity alteration is expected.

Likewise, the Vizcaíno business unit⁵⁰ continues with the particularity of being located in the buffer zone of El Vizcaino biosphere reserve, in the Municipality of Mulege, BCS, and maintains its authorized environmental impact statement⁵¹ since 2005.

4.7 Indigenous peoples

The Project will be developed in agricultural and aquacultural areas that are already established, outside the indigenous communities. Therefore, the lands and resources of the indigenous peoples are not expected to suffer impacts of any kind.

Nonetheless, as the agricultural nature of the Company's activity attracts temporary indigenous workers from other states in Mexico⁵², there is a person who can speak at least two of the three most widely spoken indigenous languages for the day laborer segment (amuzgo, popoluca and mixe) to support with the translation of all signs, posts, public announcements and key material like the grievance procedures; and to offer interpretation services in situ.

4.8 Cultural Heritage

The Project is located in areas of agricultural or aquacultural use, already settled and previously intervened; consequently, no cultural heritage impact is expected.

5 Local Access of Project Documentation

NASE offers business information in the following website: <https://www.nase.com.mx/>.

⁵⁰ In El Tablón field, covering about 200 ha, with 100 ha to be developed; 95 ha to grow vegetables organically and 5 ha to compost.

⁵¹ Authorization of the environmental impact statement, specific modality, by means of Note No. SEMARNAT-BCS.02.01.903/2005.

⁵² These temporary workers came from the following indigenous communities: (i) Amuzgos from Guerrero; (ii) Popolucas from Veracruz; and (iii) Mixes from Oaxaca.