

## Environmental and Social Review Summary (ESRS) Naturasol II - Mexico

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

The transaction consists of a senior secured loan (“The Loan”) for the companies Naturasol S.A. de C.V. (“Naturasol”) and Mielmex de C.V. (“Mielmex), hereinafter “the Naturasol Group,” to finance the purchase of land and subsequent construction, operation, and maintenance of a new finished product Distribution Center in Mexico City.

IDB Invest performed the virtual environmental and social (E&S) due diligence for the project from February 7–11, 2022. This process reviewed E&S, occupational health and safety (OHS), and labor information such as procedures, policies, reports, audits, licenses, and other internal documents of the Naturasol Group, and included meetings with staff from all companies.

This would be IDB Invest’s second transaction with the Naturasol Group after the approval of an initial credit facility in 2020.

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation according with BID Invest’s Environmental and Social Sustainability Policy since it will likely generate the following impacts and risks relating to the following aspects: (i) functionality of the E&S monitoring and management systems; (ii) food safety and security; (iii) workforce management and suitable working conditions; (iv) wastewater, solid waste, air emissions, noise, vibrations, and soil erosion generation; (v) community relations; and (vi) supply chain sustainability. These impacts and risks are deemed to be of medium-low intensity.

The Performance Standards (PS) triggered by the Project are: (i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS2: Labor and Working Conditions; (iii) PS3: Resource Efficiency and Pollution Prevention; and (iv) PS4: Community Health, Safety, and Security. Should any other PS be applicable, Naturasol and/or Mielmex will immediately inform IDB Invest of this fact.

### 3. Environmental and Social Context

#### 3.1 General Characteristics of the Project’s site

The Naturasol Group's plants are located in industrial zones in Tepotzotlán, State of Mexico. There is a production plant for seeds and bars, another for cereals, and the Mielmex honey plant. All

locations are leased, except for the distribution center which will be built with the funds provided by this Loan. It will be owned by the Company and will be strategically located 15 meters from the production plant, 400 meters from the snacks and peanut plant, and 12 kilometers from the cereal plant.

### 3.2 Contextual Risks

The Distribution Center will be built on a mixed-industrial urban site. The property is opposite MieleMex's facilities and is surrounded by other industrial premises that provide logistics and goods distribution services. Tepetzotlán has 8 industrial parks and 2 microparks.

There is primary road access to the distribution center; the road is paved and is limited by Mariano Matamoros Avenue. The Mexico-Queretaro highway is eight hundred meters east of the property.

The nearest communities are 500 meters away. In 2020, Tepetzotlán had a total population of 103,696—51.1% female and 48.9% male. Over the past few years, the unemployment rate has remained between 6–7%. The Naturasol Group's establishment in this zone has generated employment for the local population, and the Distribution Center will create more jobs.

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

### 4.1 Assessment and Management of Environmental and Social Risks and Impacts

The Naturasol Group will submit to IDB Invest its State Impact Assessment, Construction License and prior report or Environmental Impact Statement (EIS), as required by the Secretariat of Environment of the Government of the State of Mexico.

#### 4.1.a E&S Assessment and Management System

At the corporate level, it has an Environmental and Social Management System (ESMS) that fulfills all elements of PS-1. The Naturasol Group will update its ESMS to manage any risks and impacts that may arise with the construction of the Distribution center, in line with the section on construction and dismantling of the World Bank's General Environmental, Health, and Safety Guidelines (General Guidelines of the WB).

#### 4.1.b Policy

The Naturasol Group has developed a policy that includes compliance with national and international quality, safety, environmental, occupational health and safety, and social responsibility laws and standards. This policy defines the personnel responsible for ensuring internal compliance. It is communicated to all levels of contractor companies, temporary workers, and other stakeholders. It is also updated regularly.

#### 4.1.c Identification of Risks and Impacts

The Naturasol Group has prepared a risk assessment matrix that includes environmental, social, community, financial, infrastructure, product, information, and area of influence risks. This matrix will include Naturasol's risks with regards to climate change and adaptation opportunities, and those that may arise from the construction and dismantling of the Distribution Center.

##### 4.1.c.i Direct and Indirect Impacts and Risks

Direct impacts relate to operational processes and the locations where they are generated. These include: GHG emissions generation, solid waste, hazardous waste, effluents, ambient noise. These impacts have been properly identified and assessed through the procedures implemented and are periodically reviewed and updated based on any operational changes that may occur. Indirect risks are mainly associated with the production chain. They include logistics, domestic and international raw material availability, and the pandemic, among others.

##### 4.1.c.ii Cumulative Impacts

Cumulative impacts that may be generated by this Project relate to a surge in productivity and could include an increase in emissions and accidents due to a rise in vehicular traffic on the community's transit routes. Naturasol will determine a baseline for these variables prior to the start-up of the Distribution Center and will report measurements on an annual basis.

##### 4.1.c.iii Gender Risks

In its Code of Ethics and Conduct, the Naturasol Group ensures that no employee suffers discrimination by reason of gender and ratifies that this is one of the pillars of its differentiation as a Socially Responsible Company and that this aspect is audited by its clients through the 4 pillars of the Sedex Members Ethical Trade Audit (SMETA) standard. Naturasol will develop a Gender Issues Management Plan to strengthen women's safety and promote their active involvement and participation in the Naturasol Group, the community, suppliers, and third parties. It will also sign the statement of support for the Women's Empowerment Principles (WEP) and complete the WEP gender equality measurement tool.

##### 4.1.c.iv Climate Change Exposure

The physical climate risk assessment report has resulted in the Project being classified as low risk, given its low sensitivity to the climate-related effects and hazards it is exposed to.

As regards natural disasters, the Project area has a moderate exposure to volcanic threats. In terms of risks possibly exacerbated by climate change, the Project area currently has a high level of water stress, with water supply shortages expected towards the end of the century. This is expected to remain high or possibly become worse. In fact, although exposure to droughts is currently low, during the 21st century climate change is expected to make this exposure high. Given that the Project refers to a Distribution Center, however, water use is not expected to be significant and, therefore, the Project's actual sensitivity to such climate-related risks is low.

Based on its main characteristics, the Project has a medium exposure to transition risk; this includes the following industry and country profile. Although the food and beverage distribution and retail industry is essential, there is a transition risk from value chain emissions. Mexico has already begun implementing a carbon pricing system (ETS and carbon tax), which may impact the cost for the Company of using fossil fuels in the medium term. These include several climate opportunities: optimizing and decarbonizing foodstuff distribution-related transportation, working hand in hand with the supply chain to reduce the emissions generated to obtain products and using nature-based solutions, reducing food waste, and improving energy efficiency and warehouse/storage area cooling systems, as applicable.

#### 4.1.d Management Programs

Naturasol's cereal plant is ISO 28000 supply chain security certified, and all plants are FSSC 22000 food safety certified.

The Companies have management programs to manage the identified risks, including: environmental, social, occupational health and safety, waste management and hazardous chemical storage, spill containment, audits, communication, and corrective actions. They have also developed, among others, procedures for supplier sourcing and selection, planning, procurement and re-supplying, and movement of raw materials, packaging material, semi-finished, and finished products. In addition, they have implemented a traceability procedure to identify and quantify their products at all stages of the process, guaranteeing quality and safety.

They are currently in the process of assessing the risk of significant conversions of natural or critical habitats by suppliers and updating their traceability procedure in order to identify the risks associated with their primary suppliers in the supply chain and evaluate their exposure to such risks from an operational and reputational point of view so that they can discard products or suppliers that generate biodiversity and/or labor (child and forced labor) risks.

#### 4.1.e Organizational Capacity and Competency

The Naturasol Group has personnel assigned to Human Resources, safety and hygiene, and quality assurance tasks. E&S issues are supervised by the Comprehensive Management and Continuous Improvement Managers and the Safety, Hygiene, and Environmental Coordinators for each Plant.

#### 4.1.f Emergency Preparedness and Response

The Naturasol Group has developed an emergency business continuity procedure that includes not only natural and technological contingencies but also terrorism and political and information technology events. The procedure is updated regularly, has formats to improve emergency management, a schedule for drills, and their respective post-conduction reporting and evaluation format. Collective emergency response systems with neighboring industries were developed recently.

#### 4.1.g Monitoring and Review

The Naturasol Group annually reports its E&S compliance to the CDMX Civil and Environmental Protection Office every time it renews its Operating Permit, as well as through social responsibility audits for external certifications under the Sedex Members Ethical Trade Audit (SMETA) scheme. Internally, it has developed a variety of monitoring and evaluation procedures such as: document and record generation and control, failures to comply, product recall/recovery, audits, traceability, management reviews, food fraud, fire equipment checks, among others. Each year, Walmart audits the Naturasol Group's supply chain under its own scheme based on ISO 28000 and the criteria of the Customs Trade Partnership Against Terrorism (CTPAT). The Companies submit annual reports to senior management that include information on failures to comply and corrective actions, results of external audits, supplier performance, fulfillment of food safety management system objectives, and training and continuous improvement opportunities. They also report key performance indicators (KPIs) such as days free of accidents, water and energy use, wastewater effluents and air emissions monitoring, and staff retention and training. The Naturasol Group is currently preparing its Corporate Environmental and Social Sustainability Report based on Global Reporting Initiative (GRI) standards.

#### 4.1.h Stakeholder Engagement

The Naturasol Group has recently updated its stakeholder database as regards its operations, which includes neighboring industrial parks and the nearest communities. The Head of Quality and the Safety, Hygiene, and Environment Coordinator participate in the Tepotzotlán municipal environmental fair and communicate the Companies' E&S information to its participants.

##### 4.1.h.i Disclosure of Information

The Project must be disclosed to the community as part of the Distribution Center's Environmental Impact Statement. The Naturasol Group will ensure that this process is conducted as per the requirements enshrined in national legislation and in PS-1 and will submit the final report to IDB Invest.

##### 4.1.h.ii Informed Consultation and Participation

This will be conducted if the authorities determine that an EIS is necessary.

#### 4.1.i External Communication and Grievance Mechanisms

The Naturasol Group has a procedure to receive external grievances. They may be anonymous and submitted in person via grievance drop boxes at plant entrances or via telephone or e-mail. There are in-house workers responsible for the reception, analysis, response, and documentation of grievances.

## 4.2 Labor and Working Conditions

### 4.2.a Working Conditions and Management of Worker Relationships

The Naturasol Group has 926 workers in total, of which 216 are in the honey plant, 401 in the seed and bars plant, and 103 in the cereal plant; the rest are administrative employees located at a different, nearby location. There is an equal percentage of men and women.

#### 4.2.a.i Human Resources Policies and Procedures

The Naturasol Group has implemented a Human Resources Policy aligned with the requirements of national labor laws and PS-2, a Code of Ethics and Conduct, and several Human Resources Procedures such as talent recruitment, and employee hiring and induction.

#### 4.2.a.ii Working Conditions and Terms of Employment

The Naturasol Group's employees receive salaries in excess of the country's minimum wage (MX\$172.87 per day) by approximately 15.69%, and working conditions comply with national labor regulations. It applies internal tools to define promotions according to the years of service in the Companies and job performance.

#### 4.2.a.iii Workers' Organizations

In Mexico, national legislation recognizes the right to free association. Some workers are part of the *Federación de Trabajadores Asalariados y no Asalariados Sindicalismo Nuevo de México* workers' union with no reprisal from the Companies.

#### 4.2.a.iv Non-discrimination and Equal Opportunity

The Code of Ethics and Conduct includes a commitment by the Companies that discrimination during recruitment, hiring, training, or promotion is not permitted. Likewise, they are committed to maintaining a work environment free of any kind of harassment.

#### 4.2.a.v Retrenchment

This financing will not result in retrenchment; on the contrary, 17 additional employees are expected to be hired in an early stage to work at the Distribution Center.

#### 4.2.a.vi Grievance Mechanism

The Naturasol Group has a grievance and suggestions box available in each plant for its employees, as well as an e-mail that is communicated to new personnel during the induction process and during internal sessions. The General Management collects and responds to the grievances, which are collected weekly. Anonymous grievances can be received and responded to.

#### 4.2.b Protecting the Workforce

##### 4.2.b.i Child Labor

The Naturasol Group, in compliance with national regulations and internal procedures, does not employ minors (18 years old), however, in rare cases, and with the permission of a parent or guardian, it has hired minors aged 16 or older for non-hazardous work.

##### 4.2.b.ii Forced Labor

Working relations in the Naturasol Group take place in an environment of mutual agreement between the Company and the Employee, who set down their wills in a written, legal contract, wherefore forced labor is prohibited.

#### 4.2.c Occupational Health and Safety

The Naturasol Group has an occupational health and safety management procedure with safety and hygiene committees and a preventive program that includes activities such as: training, risk analysis, and accident accounting. Regarding the latter, in 2021, the Companies recorded a rate of 0.4629 injuries per million hours worked (LTIFR) and 0.00074 days lost per million hours worked (LTISR).

As part of the Companies' health procedures, all personnel are required to have a medical certificate for the health profile and a periodic certificate that becomes part of each employee's comprehensive medical history. All of the Companies' workers are affiliated with the Mexican Social Security Institute (IMSS) and have access to an in-house physician who rotates among the plants. Workers' main health problems are not associated with their work.

As part of addressing OHS aspects, the Naturasol Group has developed procedures for work in confined spaces, work at heights, hot work, in the event of spills, work with pressure vessels, and maintenance of electrical facilities.

All plants provide access to hydration for all workers, including those exposed to high temperatures during cutting and welding work. They have an annual training program for personnel that includes: HACCP, SA8000, chemical handling, food safety, use of personal protective equipment (PPE), waste management and disposal, occupational health, and hygiene, among others.

Noise and lighting analyses are carried out in the workplace in accordance with national regulations. In all three plants, noise levels exceed 85dBA in some of the work areas, which is the upper limit defined in the WB's General Guidelines. The Companies offer hearing protectors to all personnel, but their use is mandatory for workers in locations where the noise level exceeds the 85dBA limit. Temperature, vibration, and particulate matter parameters are lower than those required by regulations. Processes are at room temperature; no worker is exposed to temperatures exceeding 25°C. The Naturasol Group will continue to monitor and comply with the different work environment parameter concentrations, which are below the American Conference of Industrial Hygienists (ACGIH) recommended time weighted average and threshold limit values (TWA-TLV) -

concentrations to which most workers may be repeatedly exposed (noise: max. in work environment 85dBA, external 70dBA; particulate matter: 10mg/m<sup>3</sup>; lighting: 10-500 lux).

The Naturasol Group complies with fire safety and prevention conditions in its facilities, as required by national regulations, which in turn have adopted the requirements of the National Fire Protection Association (NFPA), which requires, among other things, the implementation of a fire prevention and mitigation plan, mobile and fixed fire systems, the creation of a brigade group, PPE for the brigade, fire, earthquake and evacuation drills, and regular testing of equipment. Civil Protection and Firefighters are invited to the drills and must issue a compliance clearance after each annual visit in order for the Operating Permit to be renewed. Four drills are held annually at each plant, in which emergency brigades and all plant personnel participate. The Companies have evacuation, search and rescue, first aid, firefighting, and communication brigades. The Naturasol Group will prepare an Internal Civil Protection Program for the Distribution Center, which will include fire safety and prevention and will define the main fire risks, the applicable regulations and standards, and the mitigation measures. This Program must be prepared by a duly qualified professional and include the aspects described in the section on Fire Safety and Prevention of the WB General Guidelines for new buildings.

#### 4.2.d Provisions for People with Disabilities

The Naturasol Group will ensure that the Distribution Center facilities are accessible for workers with disabilities, as required by national regulations, and will incorporate universal design principles in their design, construction, and operation (including in emergency and evacuation plans)<sup>1</sup>.

#### 4.2.e Workers Engaged by Third Parties

The Naturasol Group ensures the integrity of workers engaged by third parties who work on its facilities. It ensures that there is no child or forced labor, that proper occupational health and safety conditions are provided for them, and that they are considered in the event of any emergency.

#### 4.2.f Supply Chain

The Naturasol Group's supply chain includes 18,000 domestic suppliers of honey and approximately 800 additional suppliers of cereals, fruits, oils, packaging, cleaning products, among others, about 10% of which are foreign. In its supplier recruitment and selection procedure, the Naturasol Group has included requirements such as: certifications in the area of social responsibility, the implementation of a non-recruitment of minors policy, and a declaration to undertake to ensure the absence of child and forced labor in the supply chain.

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<sup>1</sup> Design of products, environments, programs, and services to be usable by all people without the need for adaptation or specialized design. Such "Universal Design" shall not to exclude technical support for specific groups of persons with disabilities, as required (Article 2 of the United Nations Convention on the Rights of Persons with Disabilities, adopted on December 13, 2006).

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

##### 4.3.a.i Greenhouse Gases

Naturasol's plants use the local power supply for their operations, with an annual consumption of 20.03 MWh for the seed plant, 16.69 MWh for the cereal plant, and 39.60 MWh for the honey plant. It also uses diesel for a boiler in the honey plant, which has an annual consumption of 125 m<sup>3</sup>, and an LP Gas boiler for lab use with an annual consumption of 112m<sup>3</sup>. SO<sub>2</sub> emissions (Honey Plant: 100cc boiler with 63.71mg/m<sup>3</sup>, steam generator with 68.72mg/m<sup>3</sup>, Seed Plant: 3 combustion chambers with values of 115.73mg/m<sup>3</sup>, 96.27mg/m<sup>3</sup>, 89.64mg/m<sup>3</sup> respectively, 2 furnaces with values of 25.43mg/m<sup>3</sup>, 22.97mg/m<sup>3</sup> respectively, fire system engine with 84.63mg/m<sup>3</sup>, heat exchanger with value of 18.64mg/m<sup>3</sup> and Clayton Boiler with value of 68.02mg/m<sup>3</sup>) comply with national regulations and the WB General Guidelines.

Emissions measurements for the boiler, the steam generator, and the furnaces in all the plants comply with the emissions parameters in the WB General Guidelines. The seed plant consumes 320 m<sup>3</sup> of gas for the steam generator and the ovens. CO levels comply with national regulations.

Energy consumption per ton of prepared product in the seed plant is 30.01KWh, in the cereal plant 16.25 KWh, and in the honey plant 181.46KWh. The transport fleet uses approximately 1,090m<sup>3</sup> per year. Greenhouse gas emissions for 2021, not including transportation, were 1,325 ton<sub>eq</sub>CO<sub>2</sub>.

##### 4.3.a.ii Water Consumption

The supply of water for processes and services is through the municipal network. Potable water pipes are also used since the availability and intermittence of water from the municipal network does not allow for process continuity. For this reason, there is a cistern with piped water. The average demand for potable water is 3.81 m<sup>3</sup>/ton produced.

The volume range of the liquid effluent produced is approximately 2.21 m<sup>3</sup>/day, which is discharged to the municipal sewage network. The company complies with the maximum permissible limits for pollutants in wastewater discharges to sewage systems required by national regulations.

Water supply in the Distribution Center will be through the public potable water network and will be for service use only. Consumption is expected to be approximately 1 m<sup>3</sup>/day.

#### 4.3.b Pollution Prevention

##### 4.3.b.i Waste

The Companies have a permit to generate special handling waste for each of the plants and a waste collection contract for the sale of recycling and/or final disposal that covers all three plants.

#### 4.3.b.ii Hazardous Materials Management

The Naturasol Group has developed a procedure to handle and store hazardous chemicals in compliance with national regulations. It also has a hazardous waste collection, transportation, and final disposal declaration for each of the plants. There is no refrigeration equipment in its production plants.

#### 4.3.b.iii Pesticide Use and Management

The Companies have developed an integrated pest management procedure in line with the requirements of the Secretary of Health and Assistance that includes the assignment of responsibilities, specific requirements for the service provider, specifications for chemical management (must be approved by Nestlé Mexico and by the international certification standards of the Organic Crop Improvement Association International [OCIA]), application procedures, and hazardous waste management. Staff are periodically trained in pest control and pesticide use at the facilities. The procedure includes restriction in the use of pesticides corresponding to the Extremely Hazardous **(Ia)** and Highly Hazardous **(Ib)** Classes according to the World Health Organization (WHO) inside all the plants.

### 4.4 Community Health, Safety and Security

#### 4.4.a Community Health and Safety

##### 4.4.a.i Infrastructure and Equipment Design and Safety

The Naturasol Group has its own fleet of 27 trucks to transport raw materials to the plant and for distribution to clients. It sometimes needs more capacity and subcontracts the transport service. The Naturasol Group has developed and implemented a driver and traffic safety program in line with the principles described in the WB General Guidelines.

##### 4.4.a.ii Hazardous Materials Management and Safety

The use, storage, and final disposal of hazardous materials is managed as required by law and preventively in order to avoid any impact on the community.

##### 4.4.a.iii Community Exposure to Disease

A COVID-19 Contingency Protocol was implemented at the corporate level to prevent and manage the virus in all the Naturasol Group's business units.

##### 4.4.a.iv Emergency Preparedness and Response

The Naturasol Group has developed mutual aid plans with neighboring industries in the industrial zones, in order to provide coordinated assistance in the form of technical and/or human resources should a disaster or emergency situation arise that surpasses the capacity for response of the

affected facilities, for the purpose of protecting clients, the community at large, and minimizing any adverse effects on the environment.

#### 4.4.b Security Personnel

The Naturasol Group has unarmed in-house personnel that carries out Security tasks at its Companies. They perform their work in accordance with the instructions for security personnel, designed mainly to monitor entry to their facilities. Its internal security procedures have been updated to align with the requirements of PS-4.

#### 4.5 Land Acquisition and Involuntary Resettlement

Not applicable, since land was purchased through voluntary transactions that generated no physical or economic resettlement.

#### 4.6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Not applicable.

#### 4.7 Indigenous Peoples

Not applicable. The Project has benefited 424 honey suppliers from the Maya community, who have been provided with technical assistance.

#### 4.8 Cultural Heritage

Not applicable, as the facilities are in places devoid of cultural heritage.

### **5. Local Access of Project Documentation**

The documentation relating to the Project can be accessed at the following link:  
<https://naturasol.com.mx/>